

IMF Forecasts on Solid Ground

Macroeconomic forecasts are important inputs into IMF bilateral and multilateral surveillance. The recently completed IEO evaluation of *IMF Forecasts: Process, Quality, and Country Perspectives* assessed the IMF forecasting process and the quality of the resulting forecasts, and surveyed member country authorities for their views on the quality and usefulness of the published forecasts.

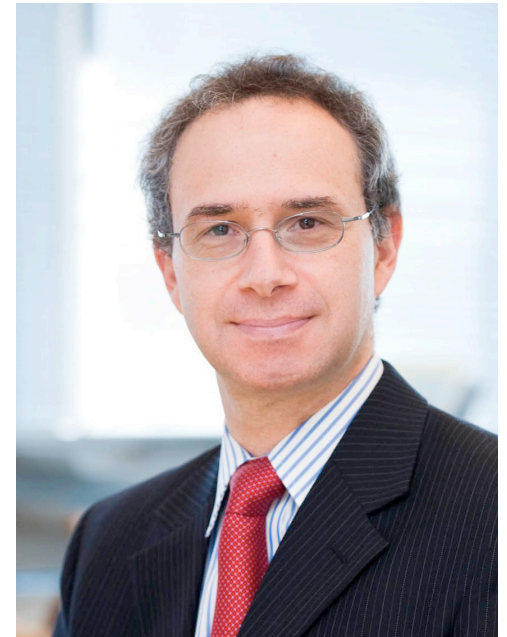
The evaluation found that the processes and methods used to generate short-term forecasts for Article IV consultations and the *World Economic Outlook* are well structured and, in general, appropriately tailored to country-specific characteristics. Country officials have confidence in the integrity of IMF forecasts and place high value on the IMF's analyses of scenarios and risks for the world economy.

In terms of forecast quality, the evaluation concluded that the accuracy of IMF forecasts was comparable to that of private sector forecasts. There were no significant biases in general except during certain episodes. Specifically, the evaluation found a tendency for significant over-predictions of GDP growth in the *World Economic Outlook*

during regional or global recessions, as well as during crises in individual countries. It also found that short-term forecasts of GDP growth and inflation made in the context of IMF-supported programs tended to be optimistic in high-profile cases characterized by exceptional access to IMF resources and that at the first program review forecast biases were typically reduced or reversed.

The evaluation identified a number of areas for improvement. The IMF should promote a culture of learning from past forecast performance, including by introducing a more structured process for implementing and disseminating the recommendations of commissioned studies of forecast performance. The IMF should provide appropriate guidance to desk economists on best practices in forecasting for the short and medium term. And the IMF should also enhance transparency by describing to the public the top-down and bottom-up approaches employed in the *World Economic Outlook* forecasting process and by making historical forecasts more easily accessible.

In discussing the evaluation on February 27, 2014, the Executive Board welcomed the IEO's broadly positive findings about the



Moises Schwartz, IEO Director

quality of IMF staff forecasts and generally supported all of the IEO's recommendations. Directors agreed that additional efforts are desirable to enhance learning from forecast errors and independently commissioned studies, to improve transparency in IMF forecasting, and to ensure that best practices and latest methodologies are followed.

Follow-up to External Evaluation of IEO

The IMF Executive Board launched an external evaluation of the IEO in August 2012. The evaluation panel consisted of José Antonio Ocampo, Stephen Pickford, and Cyrus Rustomjee. When the Executive Board discussed the panel's report in March 2013, Directors endorsed

many of the recommendations for further enhancing the effectiveness of the IEO. On February 10, 2014, the Executive Board approved proposals to implement these recommendations, including steps to provide a more accurate recording of the outcome of Executive Board

discussion of IEO reports; to increase interactions between the IEO and the International Monetary and Financial Committee during the Spring and Annual Meetings; and to strengthen follow-up on IEO recommendations endorsed by the Executive Board.

Revisiting IMF Technical Assistance

On February 12, 2014 the IEO circulated to the Executive Board a report assessing the current status of key findings and recommendations of its 2005 evaluation of *IMF Technical Assistance*. The 2005 evaluation had found that IMF technical assistance was too driven by institutional priorities and not sufficiently linked to country needs and implementation capacities. While IMF technical assistance had generally been effective in improving the technical capabilities of recipient agencies, there was significant variability in the extent to which these agencies were able to follow through and have an impact. The evaluation made recommendations to improve the IMF's internal process for allocating technical assistance resources among member countries, to enhance the delivery of technical assistance to recipients, and to monitor the impact of technical assistance.

Since the 2005 evaluation, there has been an upsurge in IMF technical assistance activities, with significant financing from outside donors. The IMF has given greater emphasis to demand considerations during the process of allocating resources for technical assistance. This has improved

country ownership and coordination with donors. IMF functional departments have adopted various quality-control and self-assessment practices for technical assistance. And the IMF has intensified its efforts to implement results-based management for technical assistance activities.

The recently issued IEO review of the evaluation of Technical Assistance emphasizes the continued importance of: giving sufficient attention to country needs and implementation capacities in the allocation of resources for technical assistance activities; ensuring that the IMF's quality-assurance processes are able to cope with the significant expansion of technical assistance activities; and improving the monitoring and evaluation of IMF technical assistance.

This report is the third in an IEO series that revisits past evaluations. The report, together with the first two reports in this series, *Prolonged Use of IMF Resources: Revisiting the 2002 IEO Evaluation* and *Fiscal Adjustment in IMF-Supported Programs: Revisiting the 2003 IEO Evaluation*, is available on the IEO website.

Ongoing Evaluations

The IEO report on "Recurring Issues from a Decade of Evaluation: Lessons for the IMF" will be submitted to the IMF Executive Board for discussion after the 2014 Spring Meetings. This evaluation was initiated in response to the concern, raised in the second external evaluation of the IEO and endorsed by the Executive Board, that the broader lessons of IEO evaluations tend to be diluted by the current follow-up process. Accordingly, the evaluation identifies generic and substantive issues affecting

IMF performance from the IEO's first twenty evaluations and assesses where they stand.

The IEO is nearing the final stages of work on "An Assessment of IMF Self-Evaluation Systems." This evaluation examines the systems used by the Executive Board, IMF Management, and staff to learn from experience. The IEO expects to submit the evaluation report to the Executive Board in the coming months.

Three other projects are underway. The evaluation of "IMF Response to the Financial and Economic Crisis" will assess the IMF's actions in the wake of the collapse of Lehman Brothers in September 2008 to help contain the crisis and cope with its impact on individual economies, navigate a global recovery, and identify and warn about future risks.

The evaluation of "Statistics for Global Economic and Financial Stability: The Role of the IMF" will examine whether the IMF's



IEO Staff

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January 2014

The IEO gave a presentation on "Evaluación en la gestión pública: lecciones de la experiencia del FMI" at the United Nations Economic Commission for Latin America and the Caribbean in Santiago, Chile.

February 2014

The IEO gave a presentation on "Lessons from the IMF Experience in the Global Crisis" at the *Bretton Woods at 70* conference held at the Oesterreichische Nationalbank in Vienna, Austria.



(From left to right) Ed Brau, former director of the IMF Finance Department; Marko Škreb, former Governor of the Croatian National Bank; Teresa Ter-Minassian, former director of the IMF Fiscal Affairs Department; Jo Marie Griesgraber, Executive Director of the New Rules for Global Finance Coalition; and Jin Liqun, Chairman of the China International Capital Corporation, participate in an IEO workshop in November 2013 on the IMF response to the financial and economic crisis.

activities regarding data and statistics—including data collection, management, dissemination, and policies—are adequate for fulfilling the IMF's objectives in a rapidly evolving global economy. A Draft Issues Paper with the terms of reference for this evaluation was posted on the IEO website for public comment in January 2014.

The next study in the series revisiting past IEO evaluations will update two IEO evaluations on low-income countries: the 2004 IEO *Evaluation of the IMF's Role in Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility* and the 2007 IEO evaluation of *The IMF and Aid to Sub-Saharan Africa*. The IEO expects to circulate this report to the Executive Board by mid-2014.