

**Statement by the Managing Director
on the Evaluation by the Independent Evaluation Office
of the Financial Sector Assessment Program
Executive Board Meeting
January 27, 2006**

1. **This report is a valuable and timely contribution to a crucial debate.** The Financial Sector Assessment Program (FSAP) has been a central component of the Fund's work on the financial sector since its inception in 1999, and the report provides a comprehensive and candid analysis and useful recommendations aimed at improving the effectiveness and efficiency of the FSAP and its integration with other Fund work. The accompanying staff statement provides a more detailed response to the IEO findings and recommendations, and confirms that there is a great deal of agreement on most issues.
2. **The Board's consideration of this report will be a crucial input for us as we move to strengthen our work on financial sector surveillance, in line with one of the priorities identified in the medium-term strategic review.** The work of the small group of senior staff currently examining ways of enhancing the effectiveness of surveillance, and our reflection on the report of the Review Group on the Organization of Financial Sector and Capital Markets Work (the "McDonough report"), will be other key inputs in this regard. I look forward to the Board's discussion of the IEO's report, and suggest that it may be most useful to focus, at this stage, on identifying key areas for improvement, leaving specific procedural changes—especially any with resource implications—to be decided in the context of a broader discussion of how the Fund's financial sector and capital markets work will be organized in the future.