INTERNATIONAL MONETARY FUND
FACTSHEET

IMF Surveillance

The IMF oversees the international monetary system and monitors the economic and financial policies of its 188 member countries. This activity is known as surveillance. As part of this process, which takes place both at the global level and in individual countries, the IMF highlights possible risks to stability and advises on needed policy adjustments. In this way, it helps the international monetary system serve its essential purpose of facilitating the exchange of goods, services, and capital among countries, thereby sustaining sound economic growth.

Why is IMF surveillance important?

In today's globalized economy, where the policies of one country typically affect many other countries, international cooperation is essential. The IMF, with its near-universal membership of 188 countries, facilitates this cooperation. There are two main aspects to the IMF's surveillance work: bilateral surveillance, or the appraisal of and advice on the policies of each member country; and multilateral surveillance, or oversight of the world economy.

Consulting with member states

IMF economists continually monitor members' economies. They visit member countries—usually annually—to exchange views with the government and the central bank and consider whether there are risks to domestic and global stability that argue for adjustments in economic or financial policies. Discussions mainly focus on exchange rate, monetary, fiscal, and financial policies, as well as macro-critical structural reforms. During their missions, IMF staff also typically meets with other stakeholders, such as parliamentarians and representatives of business, labor unions, and civil society, to help evaluate the country's economic policies and outlook.

Upon return to headquarters, the staff presents a report to the IMF's Executive Board for discussion. The Board's views are subsequently transmitted to the country's authorities, concluding a process known as an Article IV consultation. In recent years, surveillance has become increasingly transparent. Almost all member countries now agree to publish a Press Release summarizing the views of the Board, as well as the staff report and accompanying analysis. Many countries also publish a statement by staff at the end of an IMF mission.

Overseeing the bigger world picture

The IMF also monitors global and regional economic trends, and analyzes spillovers from members' policies onto the global economy. The key instruments of multilateral surveillance are the regular publications *World Economic Outlook (WEO), Global Financial Stability Report (GFSR), and Fiscal Monitor*. The WEO provides detailed analysis of the state of the world economy, addressing issues of pressing interest, such as the current global financial turmoil and economic downturn. The GFSR provides an up-to-date assessment of global financial markets and prospects, and highlights imbalances and vulnerabilities that could pose risks to financial market stability. The Fiscal Monitor updates medium-term fiscal projections and assesses developments in public finances.

The IMF also publishes *Regional Economic Outlook* reports, providing more detailed analysis for five major regions of the world. It cooperates closely with other groups such as the Group of Twenty (G-20) industrialized and emerging market economies, since 2009 supporting the

G-20's efforts to sustain international economic cooperation through its mutual assessment process. The IMF provides analysis of whether policies pursued by member countries are consistent with sustained and balanced global growth.

Since 2011, the IMF has prepared spillover reports analyzing the impact of economic policies in the world's five largest economies—China, the euro area, Japan, the United States, and the United Kingdom—on partner economies. And since 2012, it has prepared Pilot External Sector Reports, which place the external positions of systemically large economies in a globally consistent setting. Twice a year, the IMF also prepares a Global Policy Agenda that pulls together the key findings and policy advice from multilateral reports and defines a future agenda for the Fund and its members.

Keeping surveillance relevant

Surveillance in its present form was established by Article IV of the IMF's Articles of Agreement, as revised in the late 1970s following the collapse of the Bretton Woods system of fixed exchange rates. Under Article IV, member countries undertake to collaborate with the IMF and with one another to promote stability. For its part, the IMF is charged with (i) overseeing the international monetary system to ensure its effective operation, and (ii) monitoring each member's compliance with its policy obligations.

The IMF regularly reviews its surveillance activities. The 2011 Triennial Surveillance Review (TSR) highlighted progress in addressing weaknesses in pre-crisis surveillance but also found gaps. In particular, IMF surveillance was seen as too fragmented, with risk assessments lacking depth and insufficient focus on interconnections and transmission of shocks. The TSR recommended improvements in six key areas: interconnectedness, risk assessments, external stability, financial stability, traction, and the legal framework.

As part of broader efforts to continue improving surveillance, the Executive Board adopted in July 2012 a new Decision on Bilateral and Multilateral Surveillance (the Integrated Surveillance Decision) to strengthen the underlying legal framework for surveillance, and discussed the first Pilot External Sector Report. In September 2012, the Executive Board endorsed a new Financial Surveillance Strategy that proposes concrete and prioritized steps to further strengthen financial surveillance. These actions help ensure that the IMF is in a better position to address the possible effects of spillovers from members' policies on global stability; monitor the stability of members' external sectors in a more comprehensive manner; engage members in a constructive dialogue; safeguard the effective operation of the international monetary system; and support global economic and financial stability.

The latest TSR, completed in September 2014, focuses on building on these recent reforms and ensuring that IMF surveillance continues to best support sustainable growth in a deeply interconnected post-crisis world. Looking ahead, the 2014 TSR identifies five operational priorities: integrate and deepen risk and spillover analysis; mainstream macro-financial surveillance; pay more attention to structural policies, including labor market issues; deliver cohesive and expert policy advice; and a client-focused approach to surveillance, supported by clear and candid communication. The Managing Director will develop an action plan later this year, outlining concrete measures to take forward work in these priority areas. A review of the Financial Sector Assessment Program was also completed in September 2014.