The IMF and Good Governance

The IMF places great emphasis on promoting good governance when providing policy advice, financial support, and technical assistance to its member countries. The IMF also has measures in place to ensure integrity, impartiality, and honesty in the discharge of its own professional obligations.

Good governance is key to economic success

Governance is a broad concept covering all aspects of how a country is governed, including its economic policies, regulatory framework, and adherence to rule of law. Poor governance offers greater incentives and more opportunities for corruption—the abuse of public office for private gains. Corruption undermines the public’s trust in its government. It also threatens market integrity, distorts competition, and endangers economic development. Because poor governance is clearly detrimental to economic activity and welfare, the IMF adopted in 1997 a policy on how to address economic governance, embodied in the Guidance Note “The Role of the IMF in Governance Issues.”

Promoting good governance

The IMF works with its member countries to promote good governance and combat corruption. In its surveillance, lending, and technical assistance, the IMF covers economic governance issues that fall within its mandate and expertise, concentrating on issues likely to have a significant impact on macroeconomic performance and the country authorities’ ability to pursue sound economic policies. In doing so, the IMF stresses evenhandedness across its member countries and collaborates closely with other multilateral institutions.

IMF surveillance involves annual reviews of countries’ economic policies, carried out through Article IV consultations. In the process, staff may advise on reforms contributing to good governance and discuss economic consequences arising from poor governance.

Good governance is also promoted via IMF-supported lending. When warranted, specific measures to strengthen governance may become part of the program’s conditionality. Many of the structural conditions in IMF-supported programs focus on improving governance, including through better public expenditure control, publication of audited accounts of government agencies and state enterprises, streamlined and less discretionary revenue administration, greater transparency in the management of natural resources, the publication of audited central bank accounts, and better enforcement of banking supervision.

In all these areas, the IMF also provides technical assistance that benefits good governance. In addition, the IMF assists in strengthening countries’ capacity to combat corruption by advising on appropriate anti-corruption legal frameworks.

IMF programs and initiatives that promote good governance

The IMF promotes good governance in two main areas: i) the management of public resources through reforms covering public sector institutions; and ii) the development and maintenance of a

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1 Following a request from the International Monetary and Financial Committee, IMF staff reviewed the implementation of the 1997 policy. Its findings were discussed by the IMF’s Executive Board on July 21, 2017. A follow-up paper on possible approaches to ensure more systematic and evenhanded Fund engagement on governance and corruption will be prepared in 2018.
transparent and stable economic and regulatory environment conducive to private sector activities. Several initiatives involve close collaboration with the World Bank and other organizations.

- The IMF encourages member countries to improve accountability by enhancing transparency in the disclosure of documents, in line with its Transparency Policy.
- Together with the World Bank, the IMF assesses member countries’ compliance with international transparency standards in 12 policy areas in the context of its Standards and Codes Initiative, covering government, the financial sector, and the corporate sector.
- For fiscal policy and monetary and financial policies, the IMF has developed codes that set out transparency principles. Particularly important is the Code of Good Practices on Fiscal Transparency and accompanying manual.
- For application in natural-resource-rich countries, the Fund issued its Guide on Resource Revenue Transparency. A multi-donor Topical Trust Fund launched in 2011 has enabled the IMF to considerably increase technical assistance in the management of natural resource wealth.
- To improve the transparency, quality, and timeliness of data, the IMF encourages its members to subscribe to the Special Data Dissemination Standard (SDDS) or participate in the General Data Dissemination System (GDDS).
- The IMF also emphasizes the need for adequate public financial management. It partners with other international financial institutions and donors in the Public Expenditure and Financial Accountability (PEFA) program, which helps countries measure their performance.
- The IMF contributes to the international efforts to combat money laundering and the financing of terrorism (AML/CFT). It assesses members’ legal and regulatory frameworks, provides technical assistance on the design and implementation of AML/CFT frameworks, and conducts policy-oriented research. In 2009, the IMF established a multi-donor Topical Trust Fund for capacity building on AML/CFT.
- Finally, the IMF contributes to various working groups and international initiatives, including the Extractive Industries Transparency Initiative, the G20 Anti-Corruption Working Group, and the Stolen Assets Recovery (StAR) initiative.

**Integrity starts at home**

As a means of safeguarding its resources, the IMF assesses the governance and transparency frameworks within central banks of countries to which it lends money. In the process, it promotes sound oversight, internal control, auditing, and public financial reporting mechanisms in these critical financial institutions.

To promote good governance within its own organization, the IMF has adopted a number of integrity measures, including a code of conduct for staff—bolstered by financial certification and disclosure requirements, and sanctions—a similar code of conduct for members of the Executive Board, and an integrity hotline offering protection to “whistleblowers.” The IMF Ethics Office advises the institution and its staff on ethics issues, inquires into alleged violations of rules and regulations, and oversees the ethics and integrity training program for all staff members.

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