



INTERNATIONAL MONETARY FUND FACTSHEET

IMF Surveillance

The IMF is mandated to oversee the international monetary system and monitor the economic and financial policies of its 186 member countries. This activity is known as surveillance. During this process, which takes place both at the global level and in individual countries, the IMF highlights possible risks to domestic and external 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 186 countries, facilitates this cooperation. There are two main aspects to the IMF's work: multilateral surveillance, or oversight of the world economy; and bilateral surveillance, which comprises appraisal of and advice on the policies of each member country.

Country surveillance

IMF economists monitor members' economies on a continuous basis, and regularly—usually once a year—visit member countries to exchange views with the government and central bank. The focus is on whether there are risks to domestic and external stability that argue for adjustments in economic or financial policies. During their mission, IMF staff also often meet with other stakeholders, such as parliamentarians and representatives of business, labor unions, and civil society to help evaluate the country's economic policies and direction. Upon its return to headquarters, the mission submits a report to the IMF's [Executive Board](#) for discussion. The Board's views are subsequently transmitted to the country's authorities.

In recent years, surveillance has become increasingly transparent. Almost all member countries now agree to publication of a [Public Information Notice](#), which summarizes the views of IMF staff and the Executive Board. In nine out of ten cases, the staff report and other accompanying analysis is also published on the IMF's website.

The current financial crisis has shown the need for deeper analysis of the linkages between the real economy and the financial sector. Building on the [Financial Sector Assessment Program \(FSAP\)](#), [financial sector issues](#) are receiving greater coverage under surveillance, and analytical tools for integrating financial sector and capital markets analysis into macroeconomic assessments are being developed. In their advice to individual countries, IMF staff seek to leverage cross-country experiences and policy lessons, drawing on the organization's unique vantage point as a global financial institution. Spillovers of members' policies on other members' economies also receive particular attention in staff analysis, and the IMF has been sharpening its exchange rate assessments.

Multilateral surveillance

The IMF continuously reviews global and regional economic trends. Its key instruments of global and regional surveillance are two semi-annual publications, the [World Economic Outlook \(WEO\)](#) and the [Global Financial Stability Report \(GFSR\)](#). 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 IMF also publishes [Regional Economic Outlook reports](#), providing more detailed analysis for five major regions.

Sometimes the IMF will draw attention to specific inter-linkages in the global economy, with the option of conducting multilateral consultations to foster debate and develop policy actions as a means to address problems of systemic or regional importance as was done in 2006-07 on global economic imbalances.

The evolution of IMF surveillance and its role today

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 the stability of the global system of exchange rates. In particular, they commit to running their domestic and external economic policies in keeping with a mutually agreed code of conduct. 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. To ensure that surveillance remains effective, the IMF is constantly reviewing its policy framework.

Strengthening the policy framework for surveillance

In June 2007, the policy framework of surveillance received its first major update since the 1970s, with the adoption of the [Decision on Bilateral Surveillance over Members' Policies](#). The Decision clarifies that country surveillance should be focused on assessing whether countries' policies promote external stability. This means that surveillance should mainly focus on monetary, fiscal, financial, and exchange rate policies and assess risks and [vulnerabilities](#). It provides guidance to members on how to conduct exchange rate policies in a way that is consistent with the objective of promoting stability and avoiding manipulation. The Decision also emphasizes that surveillance should be collaborative, candid, evenhanded, and forward looking, adopting a multilateral perspective while taking into account countries' specific circumstances.

Since then, surveillance has continued to evolve. In October 2008, the IMF's Executive Board adopted a ["Statement of Surveillance Priorities"](#) (SSP), which spells out economic and operational priorities for IMF surveillance until 2011. The SSP is designed to help the IMF deliver on its mandate to promote international monetary and financial stability, and to lay a clear basis for monitoring and accountability. In September 2009, a [revised Statement of Surveillance Priorities](#) was approved by the Executive Board to take into account the significant changes in the global environment over the past year. It now emphasizes the orderly unwinding of crisis-related policy interventions and the policy requirements for sustaining world growth.

At the [G-20 Summit in Pittsburgh](#), world leaders highlighted the role of IMF surveillance in resolving the global crisis. They called for more sustained and systematic international cooperation and asked the Fund to support the G-20's mutual assessment efforts by developing a forward-looking analysis of whether policies pursued by G-20 countries are collectively consistent with more sustainable and balanced trajectories for the global economy, building on the IMF's bilateral and multilateral surveillance.