



# IMF POLICY PAPER

## 2021 COMPREHENSIVE SURVEILLANCE—MODALITIES FOR MODERNIZING SURVEILLANCE

May 2021

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its May 10, 2021 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on April 7, 2021 for the Executive Board's consideration on May 10, 2021.

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**International Monetary Fund**  
**Washington, D.C.**



## IMF Executive Board Concludes the 2021 Comprehensive Surveillance Review

### FOR IMMEDIATE RELEASE

- The review provides the strategic direction for the IMF's surveillance and aims to make it more timely, topical, targeted, interconnected, and better informed.
- A macroeconomic landscape characterized by elevated uncertainties about the recovery from the COVID-19 pandemic creates difficult trade-offs for policymakers as they seek to achieve inclusive and sustainable growth and stability. Important trends—in digital technology, climate change, inequality, demographics, and geopolitics—affect economic sustainability and present opportunities and challenges.
- Against this background, the priorities that will guide IMF surveillance are confronting risks and uncertainties, preempting and mitigating spillovers, fostering economic sustainability and a unified approach to policy advice.

**Washington, DC – May 20, 2021:** On May 10, 2021, the Executive Board of the International Monetary Fund (IMF) concluded a comprehensive review of the IMF's surveillance activities. The 2021 Comprehensive Surveillance Review (CSR), which takes place in the context of the global crisis resulting from the COVID-19 pandemic, provides the strategic direction for the Fund's surveillance work for the coming years.

The review identifies key surveillance priorities, which are informed by the major trends impacting on the global economy. The priorities that will guide the IMF surveillance are confronting risks and uncertainties, preempting and mitigating spillovers, fostering economic sustainability and a unified approach to policy advice. The priorities should better position Fund engagement and policy advice to help the membership confront the challenges posed by the emerging macrofinancial landscape. The review aims to strengthen the practice of Fund surveillance by making it more timely, topical, targeted, interconnected, and better informed.

The CSR's main findings on trends, policy challenges, surveillance priorities are reflected in the [Overview Paper](#), while the paper on [Modalities for Modernizing Surveillance](#) outlines how surveillance will change in practice.

The Fund's comprehensive surveillance review builds on extensive background work, including in-depth analysis of [Confronting Risks and Uncertainties](#), [Preempting and Mitigating Spillovers](#), and [Ensuring Economic Sustainability](#). Additional background papers are dedicated to [Integrating Climate Change into Article IV Consultations](#) and [Systemic Risk and Macroprudential Policy Advice in Article IV Consultations](#). The review was further informed by analysis on the [Traction](#) of Fund advice, [Scenario Planning](#) exercises that informed the priorities, and a report on the [Stakeholder Surveys](#).

### Executive Board Assessment

Executive Directors broadly agreed with the main conclusions of the Comprehensive Surveillance Review (CSR). They noted that the CSR will serve as a blueprint for Fund

surveillance to help the membership navigate the challenges of the next five-to-ten years, informing forthcoming work on capital flows, climate change, and data, among other issues. Directors agreed that Fund surveillance needs to be better interconnected, more timely, topical, and targeted, and welcomed the CSR's ambitions to modernize surveillance modalities.

Directors agreed with the CSR's assessment that a macroeconomic landscape characterized by elevated uncertainties about the recovery from the COVID-19 pandemic will create difficult trade-offs for policymakers as they seek to achieve inclusive and sustainable growth and stability. Important trends—in digital technology, climate change, inequality, demographics, and geopolitics—affecting economic sustainability will also present opportunities and challenges and, where macro-critical, will need to be incorporated in the Fund's surveillance.

Directors agreed with the four proposed surveillance priorities:

**Confronting risks and uncertainties.** Directors generally welcomed better integrating risks and uncertainties in the Fund's surveillance, including by increasing the emphasis on the range of potential outcomes relative to the baseline and offering more contingent policy advice, although some Directors cautioned against making surveillance excessively risk-centric. Directors welcomed the emphasis on clearer communication on risks, although the communications should be carefully framed to avoid unintended consequences.

**Pre-empting and mitigating adverse spillovers.** Directors agreed that the Fund should continue to strengthen its work on spillovers, drawing on better data, tools, and information-sharing frameworks, while strengthening the dialogue with the membership. Directors broadly agreed that the Spillovers Tool and the Spillovers Forum would help in this regard.

**Fostering economic sustainability.** Directors welcomed a broader focus on sustainability, which can be affected by factors such as demographics, digitalization, inequality, socio- and geopolitical developments, and climate change under certain circumstances. They supported incorporating the macro-financial and distributional impacts of policies, where macro-economically relevant, while considering country-specific political economy, and institutional and capacity constraints. At the same time, Directors recognized the need for Article IV consultations to remain selective and focused in their coverage of new topics and cautioned against over-stretching Fund surveillance. They called on the Fund to coordinate closely with other organizations and better leverage outside expertise whenever possible.

**Unified policy advice.** Directors agreed that, in an environment of constrained policy space where members may deploy multiple policy tools simultaneously, a more unified approach to the policy mix is needed. They considered that the completion of the Integrated Policy Framework would be helpful in this context.

Directors underscored the importance of strengthening the traction of Fund advice through higher quality analysis, stronger engagement on country-specific issues, more continuous dialogue with all relevant stakeholders, and clear communication. In this context, Directors considered further integration of capacity development (CD) in surveillance as a priority area, including strengthening the use of the CD country strategies. They considered that virtual engagement could be leveraged but stressed that in-person missions were still essential to build relations and trust and ensure a close policy dialogue with the authorities.

Directors welcomed the novel approaches of Board engagement to enhance its strategic role, take up cross-cutting issues in a more comprehensive manner, and be more strategic and forward-leaning. They welcomed the Board Country Matters Meetings (CMMs) as an instrument to focus on conjunctural cross-country policy-relevant issues, with a few requesting opportunities for the Board to provide input and select topics, and looked forward to further detail on the interaction of CMMs and regular surveillance. Directors generally supported the Granular Policy Initiative as a way to provide more specific advice to the membership as they face new challenges.

Directors agreed that focused Article IV Consultations, with topics selected in collaboration with the authorities and while continuing to cover core areas, would help better balance selectivity and comprehensiveness. In this context, Directors emphasized the need to adhere to the principles of evenhandedness and macro-criticality. A number of Directors stressed that more focused reports should not come at the expense of the reports' broad macroeconomic coverage and their use as reference documents.

Directors agreed on the need to deepen macro-financial analysis and further integrate it into bilateral surveillance. They called for additional efforts in the areas of systemic risk analysis to better anchor macroprudential policy advice. Directors agreed that Article IV staff reports should provide a well-articulated view about systemic risk grounded in a rigorous analysis of financial vulnerabilities. In this context, they stressed the need for closer integration of FSAP findings and recommendations with the Article IV Consultations. They also underscored the need to expand macro-financial talent at the Fund, particularly in country teams, while taking into account budget considerations. Directors further noted that, as digital money gains prominence, Fund surveillance should explore its potential benefits, as well as risks and spillovers.

Directors recognized the importance of a more systematic integration into surveillance of macro-critical emerging topics, including climate change. They generally agreed that coverage of climate change mitigation in Article IV consultations would be strongly encouraged for the largest emitters of greenhouse gases. A few Directors underlined the need to account for past emissions and the energy needs of developing countries as they grow. Directors stressed that Fund surveillance should be open to different policy approaches to climate change mitigation, that coverage of climate issues in surveillance needs to be consistent with the Fund's surveillance mandate and in line with the Paris Agreement. They underscored that, wherever macrocritical, climate change adaptation and transition risk in the context of a global shift to a low-carbon economy should be covered in Article IV reports.

Directors emphasized that better data is critical to deliver on surveillance priorities. They looked forward to closing critical data gaps in surveillance in the areas of public sector data, foreign-exchange intervention data, and indicators for macrofinancial analysis through the forthcoming review of Data Provision to the Fund with a few Directors calling for a cautious approach to foreign-exchange intervention data. Some Directors noted that increased data requirements might place undue additional demands on authorities and should be balanced against capacity considerations.

Directors welcomed the proposed flexible and gradual approach to implementing the new modalities, which revolve around the principle of experimentation, adaptation, and flexibility, while working within the confines of existing formal frameworks. They looked forward to a revised surveillance guidance note, and sought Board engagement on implementation of

modalities as well as coordination across departments in advance of the guidance note and in the context of the semi-annual work program discussions.

Directors recognized that modernizing surveillance might require additional resources and that the specifics will be taken up in the context of the Fund's overall budget discussions.

Directors concurred that no changes to the Integrated Surveillance Decision are required. They agreed that progress on CSR implementation will be reassessed in about two years in the context of an interim review and that the comprehensive review will remain on a five year-cycle.



April 7, 2021

## 2021 COMPREHENSIVE SURVEILLANCE REVIEW— MODALITIES FOR MODERNIZING SURVEILLANCE

### EXECUTIVE SUMMARY

#### Modern Fund surveillance needs to be...

**...more targeted, topical and timely.** A *Granular Policy Initiative (GPI)* would build on the Policy Tracker to help identify common issues affecting the membership, tailor policy advice to country specific circumstances, and catalyze Fund policy views on cross-cutting issues. Board *Country Matters Meetings (CMMs)* on conjunctural cross-region policy-relevant issues would provide guidance to feed back into bilateral surveillance. *Focused AIV Consultations* would provide space for discussions of macro-critical topical issues. Virtual engagement can complement Fund missions and allow for nimbler surveillance if leveraged correctly. All of these would consider country-specific needs and constraints, including for Low Income Countries/Fragile States (LIC/FS).

**...better interconnected.** Improved analysis and clarity around a well-articulated view or an *Assessment of Systemic Financial Risks*, a new process for more seamless *FSAP Integration*, and *Expanding Macroeconomic Talent* would strengthen macrofinancial integration in Article IV reports. *Contingent Policy Advice* can help members better address the range of potential outcomes. A *Spillovers Tool* for major policy spillovers and a *Spillovers Forum* for producers and receivers to informally discuss incipient issues would foster more structured and candid discussion of spillovers. Supported by the development of new tools, *Climate* would be systematically integrated into bilateral surveillance when macro-critical. Improved integration of Capacity Development (CD) would increase traction and help deliver on priorities, including through the elaboration of a *CD Country Strategy* and the support of the *CD Management and Administrative Program (CDMAP)*. *Collaboration with External Partners* would strengthen the Fund's understanding of issues outside its core areas of expertise.

**...and better informed.** A *Revamped Internal Economics Training (IET)* would support CSR modalities as would *Better Tools*. Efforts to enhance the availability of more and better data through *Data Provision to the Fund, Encouraged Data Provision* and the *iData Initiative* would strengthen fact-based analysis. The ongoing *Integrated Digital Workplace (iDW)* and various *Knowledge Management Projects*

aim to support staff’s operational and analytical work. A reimagined *Country Portal* would serve as a “one-stop shop” for all relevant Fund content on a given country.

**Modernizing surveillance will likely require additional resources, although estimates are highly uncertain at this stage.** The paper offers a tentative costing of new proposals with significant budgetary implications. Other proposals could rely on optimizing processes, while others are underway and funded separately; the resource implications of yet others are being picked up in context of other workstreams. Estimates do not include short-term transition costs or pressures on support services and are subject to a significant degree of uncertainty. A flexible approach to implementing the new modalities, characterized by experimentation and learning-by-doing—a “sandbox” for new modalities—is proposed.

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## INTRODUCTION

1. **As laid out in the 2021 CSR Overview Paper (IMF, 2021), the Fund is facing a challenging landscape with the world changing more rapidly than before.** Alongside accelerated change, uncertainty is here to stay. The emerging macrofinancial landscape involves subdued and divergent growth prospects, widening imbalances, rising financial complexity, and limited policy space that pre-dated COVID—but have all become more salient.
2. **To help the membership confront this landscape and better position Fund surveillance, the CSR Overview Paper proposes four surveillance priorities:**
  - **Confronting risks and uncertainties.** Risks and uncertain implications of major underlying long-term trends like demographics, technological change, inequality, socio-political and geo-political developments, and climate change will increasingly test growth prospects and economic and financial stability. In this context, Fund surveillance should explicitly discuss these risks through a better understanding of growth-stability trade-offs, contingency planning and policies geared towards risk management, including seizing upside risks.
  - **Preempting and mitigating spillovers.** Cross-border spillovers are evolving and intensifying, as global economic integration is shifting on multiple fronts including trade, global value chains, new types of financial intermediaries, relocation of foreign direct investment (FDI), and new patterns for migration and remittances. Rapid advances in digital and financial technologies may also result in more rapid policy and risk transmission and impact on the International Monetary System (IMS). Fund surveillance will need to prioritize the identification of familiar and potentially new, less understood, sources of spillovers, as well as approaches to pre-empt and/or mitigate them.
  - **Fostering economic sustainability.** Secular trends (e.g., digitalization, demographics, and climate change), distributional considerations, and the quality of governance and institutions, should be considered to achieve sustainable economic growth and stability. A broader understanding of economic sustainability is necessary to better account for how different economic and non-economic developments can come to bear on the Fund’s macroeconomic stability mandate. These and other similar considerations require applying a wider lens or a longer horizon to assessments of stability than has typically been the case so far in Fund surveillance.
  - **Adopting a more unified approach to policy advice.** Balancing different priorities with limited policy space will require advice that better accounts for the tradeoffs and synergies among different policy combinations. Such an approach would increase the coherence of Fund advice to support strong and sustainable economic growth.

**3. This paper elaborates on how Fund surveillance can change in practice to address the four surveillance priorities.** The proposed modalities aim to make Fund surveillance more targeted, topical and timely, better integrated, and better informed. Modalities include new proposals and better leveraging of ongoing initiatives to modernize Fund surveillance, building on past successes while making surveillance nimbler, commensurate with the challenges posed by faster change and increased uncertainty in the global landscape. The proposed modalities also need to duly consider country-specific needs and constraints, including of Low-Income Countries/Fragile States (LIC/FS), cognizant that the approach cannot be one-size-fits-all.

**4. Proposed modalities revolve around the principle of experimentation, adaptation, and flexibility.** The Fund needs to continuously adapt and be flexible through learning-by-doing and experimentation, particularly at a time of high pressure on resources with multiple ongoing medium-term and COVID-19-related initiatives. As experience is accumulated, modalities that prove useful should be strengthened and refined, while others are dispensed with. The revised Surveillance Guidance Note will take on the more detailed implementation aspects not covered in this paper. Progress should be reassessed in about two years in the context of an Interim Surveillance Review.

## MODALITIES FOR STRENGTHENING SURVEILLANCE

*This section presents **key proposals** (see table in Annex I)<sup>1</sup> for making Fund surveillance more timely, topical, targeted, interconnected, and better informed. It elaborates on new proposals and how to leverage ongoing initiatives.*

**5. A modern surveillance framework requires a more flexible approach that embraces experimentation and adaptation.** The structure of surveillance products (e.g., Article IV staff reports) and engagement has served the membership well. Yet, it has remained largely unchanged in the past several decades—centered around annual cycles with comprehensive and self-contained reports that are often not sufficiently timely, and not always well synchronized with national policy debates. A growing list of requirements on Article IV staff reports that has accumulated from the past has also contributed to the perception that they are formulaic and stale. In the shifting global landscape, surveillance will need to be nimble and more responsive to emerging priorities at the country-level, particularly when critical developments occur in-between consultations, which would greatly help increase traction (see CSR background paper on traction, IMF, 2021a).

**6. Surveillance will also need to better surface issues of strategic and cross-cutting importance so that the international community, represented by the Board, can offer its collective views.** Fund surveillance is exercised by the Executive Board. The Board's discussion—normally articulated in the Summing Up—establishes the Funds' views on the economic risks and policy priorities for the member country, as well as areas of debate. When well-balanced, the exercise of Board surveillance provides the opportunity to consider both country-specific issues and strategic trends that cut across the membership. This helps identify policy areas or risks that require

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<sup>1</sup> New CSR proposals and ongoing initiatives are highlighted in blue italics throughout the paper.

deeper analysis, provides strategic direction, and informs future surveillance. While cross-cutting issues that are of strategic interest to other members frequently arise in Article IV consultations, they are nevertheless not systematically captured by dedicated multilateral surveillance products, such as the flagship reports. Indeed, beyond the flagship discussions and regional briefings, the Board has limited opportunities to provide views on breaking developments of importance to a subset of members spanning geographies or the international community at large (see IMF 2014, 2018, 2019 and findings from a survey to stakeholders in the background paper IMF, 2021b).

**7. To achieve these objectives, surveillance, in particular surveillance through Article IV consultations, would benefit from more flexibility to adapt to rapidly evolving demands.** Thus, the modalities discussed in this section, both new and ongoing initiatives, together aim to make Fund surveillance limber against an underlying principle of experimentation and adaptation. Modalities need to be continuously evaluated for alignment with the surveillance priorities and the principle of effective delivery mindful of resource constraints and work pressures, which have greatly increased during the COVID-19 pandemic, while remaining current with technological developments.

**8. Modern Fund surveillance needs to be:**

- **More timely, topical, and targeted.** Surveillance should continuously inform the membership and provide “real time” policy advice while rebalancing comprehensiveness and selectivity. An undue amount of time, effort, and focus is spent preparing and discussing details of Article IV consultations, whose reports are often dated and end up being too spaced out across time, making it difficult to surface cross-cutting issues. Rebalancing staff reports away from a strict sectoral approach, in which all macro areas are roughly equally weighted, to in-depth discussion of issues of imminent relevance and for which circumstances have most markedly changed, is needed. Being timely and topical can greatly enhance the provision of more targeted advice that fully considers country-specific circumstances. Pre-pandemic surveillance modalities, therefore, need to evolve to bolster both the Fund’s ability to respond to country-specific needs and augment the Board’s capacity to engage on topical issues more strategically. There is scope for the Fund to take up cross-cutting issues in a more comprehensive manner, be more strategic and forward-leaning, endorse more broad-based policy advice, and guide the Fund’s response to emerging risks, challenges, and trends that affect many members at the same time. Recent experience with virtual engagement further shows that Fund surveillance can be enhanced using new technology and tools, both in speed and relevance, complementing continued physical contact with authorities that is crucial for traction.
- **Better interconnected.** A modern surveillance framework can better integrate key aspects of the Fund’s work by tapping into knowledge dispersed across the Fund and beyond. This includes the core areas of macrofinancial surveillance, assessment of risks and contingent policy advice, more candid discussions of spillovers, and capacity development, as well as new topics like those related to climate change, digitalization of both financial and fiscal sectors, and income and social inequities. External expertise will need to be married with a more relevant staff skill-mix to respond to this challenge in a resource conscious manner.

- **Better informed.** The Fund must take full advantage of new technologies and data availability and management to modernize business practices and enhance the relevance of surveillance. Better knowledge management, systems and production processes—supported by strengthened peer-learning and by leveraging technology—are needed to deliver time-sensitive work on cross-cutting themes and emerging risks. New analytical tools, better data, and knowledgeable staff will ultimately deliver more relevant and cost-effective surveillance. Surveillance products and communication need to reach a broad set of audiences to enhance traction.

## A. Support Timely, Topical, and Targeted Surveillance

9. **Novel ways of Board engagement can enhance its strategic role, initiating a virtuous circle between the analysis of cross-cutting issues and bilateral policy advice.** Board **Country Matters Meetings (CMMs)** could focus on conjunctural policy-relevant issues facing two or more members (Box 1). CMMs would collate and distill issues across the membership, spanning area and functional departments, and would be different from the contents of the Fund’s flagships—by focusing on issues being faced at the country level, including by non-systemic countries, that would have lessons or bearings for other countries. They would also be different from regional briefings—by capturing policy issues relevant across regions, rather than within regions. **CMMs** would also be distinct from thematic briefings in that they would be aimed at explicitly soliciting the Board’s views on key policy questions that would be expected to feed into bilateral Article IV consultations.<sup>2</sup> Other initiatives like the **Granular Policy Initiative (GPI)** would also facilitate the distilling and synthesizing of issues to be brought for discussion at the Board in a timely way. **CMMs** can also help strengthen traction with member countries. This approach would better rebalance Board discussions between the details of individual country surveillance cases and the need to share emerging policy lessons within more relevant timeframes. By providing more frequent insights into emerging developments and drawing early lessons from country experiences, this approach could enhance the relevance of peer surveillance and support more **Focused AIV Consultations** (see below).

### Box 1. Country Matters Meetings (CMMs)

**Board CMMs are envisioned to focus primarily on conjunctural policy-relevant developments facing a group of countries.** They would collate and distill issues across the membership, spanning area and functional departments to feed further into bilateral surveillance. **CMMs** would be distinct from the Fund’s flagship and regional briefings as they would seek to capture—in a regular and timelier manner—policy issues relevant for countries across regions rather than within regions. They would also be different from thematic briefings because **CMMs** aim to incorporate Board views into forthcoming bilateral surveillance engagements.

**CMMs would synthesize and help formulate more timely and topical advice to individual members based on peer experience.** **CMMs** seek to enrich the dialogue with the membership, without replacing the assessment of members’ obligations under the Articles of Agreement provided by the regularly scheduled Article IV consultations. **CMMs** would offer the Board and the membership timelier Fund views about

<sup>2</sup> Thematic briefings could continue as needed, depending on resource availability.

### Box 1. Country Matters Meetings (CMMs) (Concluded)

emerging risks and cross-cutting themes, including on how different countries are tackling similar challenges. The **GPI** (see below) could usefully support **CMMs** but is not required for their success.

**CMMs would also provide strategic guidance.** They would better inform the Fund's work in a timely and targeted manner and help establish a virtuous feedback loop into future Article IV reports. The result would be that subsequent Article IV consultations would be more strategic and focused on topic selection and more informed by other country experiences. Such **Focused Article IV Consultations** (Box 3) would in turn become more relevant for the membership and help inform future **CMMs**. Board **CMMs** could be formal or informal, depending on the issue discussed and whether the Fund is sufficiently well placed to formulate a position on the specific issues at hand. Previous Board engagements that were similar to **CMMs** in scope include the work on [correspondent banking relations](#) (formal) board meeting in 2017, or housing market challenges (informal) board briefing in 2019. Specific proposals for topics and nature of the Board meetings (informal to engage / formal) would be made in the context of the semi-annual board work programs. The operational costs and effectiveness of **CMMs** as a surveillance mechanism should be reassessed after about two years of experience.

**10. Flexible and real-time surveillance tools, designed to surface and answer pressing policy questions of common interest, can help lay the groundwork for timelier and more targeted Fund advice.** The Policy Tracker on Policy Responses to the COVID-19 shock garnered much attention, particularly at the onset of the crisis, and served as a real-time repository of member's policy actions, helping to disseminate information and peer-learning of outcomes.<sup>3</sup> The Tracker, however, does not include Fund advice or an assessment of the measures, limiting its usefulness for Fund surveillance of other countries considering similar measures. To bring country-specificity and actionability to Fund surveillance, a proposed **Granular Policy Initiative (GPI)** can help staff better and more systematically identify policy questions that affect the membership and tailor policy advice to country specific circumstances (Box 2). The initiative would better leverage

### Box 2. Granular Policy Initiative (GPI)

**The need for granularity of bilateral Fund advice and for fostering real-time peer-learning has only grown over the COVID-19 crisis.** Country teams need better access to technical expertise in bilateral surveillance as well as better tools to draw on experiences from other countries. These challenges are further exacerbated by the COVID-19 crisis. Policymakers are dealing with new, but also common, questions, including how to provide temporary tax relief, design targeted fiscal support, provide relief to the informal sector, avoid corruption when disbursing large support packages, or provide equity-like support to SMEs. The need for granular advice that can quickly leverage on peers' experiences has increased, and can be supported by integrating work across functional and area departments, including capacity development.

**Building on existing coordination mechanisms, the GPI aims to:**

- Facilitate and proactively expand targeted or granular policy advice on pressing and evolving exigencies that go beyond standard macro-fiscal issues. Such advice frequently requires deep sectoral expertise from

<sup>3</sup> The policy tracker summarizes the key economic responses governments are taking to limit the human and economic impact of the COVID-19 pandemic. The tracker includes 197 economies and is available at: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>.

### Box 2. Granular Policy Initiative (GPI) (Concluded)

functional departments but specifically calibrated to country-specific circumstances. As such, it would be based on greater and closer collaboration across departments and business lines (i.e. surveillance and TA).

- Synthesize lessons from experience on a limited set of topics to provide a live internal repository for country teams to draw on, thus enhancing peer-learning opportunities. Case studies along with preliminary takeaways can be used by country teams in their policy dialogue with authorities. Lessons from cumulated experiences could be published in the external website after AIV consultations are concluded to preserve the Board's ultimate responsibility to conduct surveillance.

**The GPI is envisioned to be broader in scope than the policy tracker, more country specific than the COVID-19 Special Series of notes prepared by departments, and more systematic than current mechanisms for providing granularity.** The policy tracker is a useful repository of members' policy actions for knowledge sharing, but it is not a surveillance tool as it does not provide normative views on those actions. Papers under the COVID-19 Special Series are cast at a relatively high level of generality. In contrast, the takeaways and advice in the GPI would feed directly into Article IV dialogues and naturally bring in peer experiences, including through innovative media.

and combine expertise from functional and area departments, including technical assistance. Policy questions and lessons emerging from the *Granular Policy Initiative* would feed into a live repository of key lessons organized by topic, Article IV consultations, and the Fund's policy dialogue in public fora (e.g., G7, G20, IMFC). Emerging macro-relevant issues, best practices, and evolving Fund views could thus be identified and distilled for the advantage of the membership at large, many of whom could be facing similar challenges and considering policy options.

**11. A shift towards *Focused Article IV Consultations* would help better balance selectivity and comprehensiveness, guided by where the Fund can provide the most value-added.** A more selective, issue-driven approach to surveillance would be most appropriate where extensive information is already publicly available (Box 3). For members with limited data availability or low overall capacity and with broad macro challenges, such as many LIC/FS, the current comprehensive coverage may still be warranted. Such a differentiated approach may create less uniformity in staff reports, but surveillance in countries in similar circumstances would still be treated in a similar way, consistent with the principle of evenhandedness. *CMMs* and *Focused Article IV Consultations* would encourage more continuous engagement between the Fund and its membership on topics of strategic importance, creating scope for the Fund to sharpen its attention on cross-cutting issues of strategic relevance in a more flexible and time-sensitive manner. *Focused Article IV Consultations* would help customize the Article IV process and possibly reduce the lag between the completion of the staff report, its consideration by the Board, and subsequent publication. Enhanced focus on a specific topic would remain consistent with existing Fund policies and Board decisions, but would require a change in the surveillance practices and expectations across the Fund—including the review process, country teams, and the Board—and account for the challenges Area Departments face to implement this shift.

### Box 3. Focused Article IV Consultations

**Focused Article IV Consultations** would be organized around issues—thematic reports—that change more flexibly from country to country and from year to year. Focused staff reports organized around issues rather than sectors—de-emphasizing the “checklist” approach—would allow for individual Article IVs to surface to the Board issues of common interest to larger subsets of the membership in a timely manner.

Staff reports prepared for **Focused Article IV Consultations** would continue to address the core elements necessary for surveillance. These core elements, as laid out in the Integrated Surveillance Decision (ISD), include a staff appraisal of fiscal, monetary, financial, and exchange rate policies as part of a brief assessment of the economy. The report would also include the external sector and debt sustainability assessments, and a well-integrated analysis of macrofinancial linkages. However, if the policy stance and Fund policy advice is largely unchanged from the previous consultation, coverage would be very succinct, more so than is typically the case now, and previous reports would be referenced. The reports would combine these core elements with a deeper look at one or two macro-critical issues, with the discussion of core elements addressing the challenges posed by the macro-critical issues—for instance, how demographic trends affect fiscal sustainability or how technology impacts financial stability. The coverage of these issues would be anchored by country-specific plans discussed with authorities and would ultimately serve to enhance traction. **CMMs** and **GPI** would help to set the stage for producing **Focused Article IV Consultations**.

Some country teams have been experimenting with focused consultations, for instance, Japan (2019 Article IV, with a focus on Demographics) and The United States (2019 Article IV, with focus on social indicators and inequality). However, unlike in these cases, **Focused Article IV Consultations** would further eschew the comprehensive coverage of issues and sectors previously covered recently where there have been no significant changes since. Such streamlining of coverage will require changes in the culture and expectations across the institution at all levels, including the need for the review process to hold back on asking for coverage of additional issues and topics.

**12. Real-time, topical, and thematic surveillance can greatly leverage on the complementarity of virtual engagement.** In this respect, the COVID-19 crisis has provided important lessons:

- It has paved the way for new modalities of engagement with the membership outside of standard missions during the Article IV consultation. If time-zone differences allow, staff visits could move to virtual settings, at least in part, as continuous off-cycle technical meetings have become more common. Experts from within the Fund can more easily join discussions and provide targeted advice, greatly supporting the integration of several workstreams in surveillance (see the next sub-section) and the **Granular Policy Initiative (GPI)**.
- In-person visits, however, cannot be dispensed with entirely and remain essential to build relations and traction, gather effective and comprehensive information, and reach out to broader audiences. But these visits could be shorter and more pointed if complemented with advance virtual engagement on technical matters.

**13. However, a one-size-fits-all approach is inconceivable; virtual modalities will need to respond to country specific circumstances, and may need particular adaptation when engaging with LIC/FS.** As important recipients of technical assistance and in need of capacity

building, LIC/FS surveillance can greatly benefit from the participation of non-country team experts or of staff from other country teams that have faced similar issues in the past. At the same time, logistical and technological challenges are greater for these countries and thus solutions would need to be evaluated on a country-by-country basis. As such, this is another area where experimentation and adaptation can bring best practices to light.

**14. Successful implementation on an experimental basis of the proposed modalities requires striking the right balance from a resource management perspective.** For instance, there is a risk that more frequent engagement throughout the year could be more resource intensive for authorities (e.g., data requests, authorities' views needed on issues outside of the Article IV cycle) and staff (e.g., more frequent engagement with authorities and the Board, shorter internal review, increased need for interpretation and other support services). On the other hand, a greater use of LOT procedures under the current LOT policy for member surveillance would free up some staff resources and reduce bunching in the Board calendar.<sup>4,5</sup> Realistically, several of the proposals here may well entail short-term transition costs, particularly on Area Departments, which should be continuously assessed and paired with streamlining elsewhere as needed.

## B. Promote More Interconnected Surveillance

**15. Bilateral surveillance can better connect core areas and integrate emerging priorities.** In many ways, establishing and internalizing such connections is at the core of the surveillance priority of providing more unified policy advice. Through the internal review process and cross-departmental collaboration, country teams already benefit greatly from work across the institution and beyond, for instance, on monetary, fiscal, and financial policy analysis and advice, and technical assistance and training. However, a more systematic integration of some areas, such as macrofinancial, risk analysis and capacity development, as well as of work on emerging priorities, such as climate change, digitalization, and broader sustainability, would help (i) increase traction; (ii) better identify emerging themes across countries; and (iii) increase the specificity and timeliness of Fund advice by deploying existing resources more flexibly and effectively. External expertise can also be better leveraged, particularly in areas outside the Fund's core mandate.

**16. New proposals, building on existing knowledge and supported by expanding staff's macrofinancial expertise, can help further integrate and deepen macrofinancial work into bilateral surveillance (see CSR background paper, IMF, 2021c).** To achieve a well-integrated analysis of systemic financial risks and macrofinancial linkages into bilateral surveillance:

- Article IV staff reports should provide a well-articulated view about systemic financial risks—an ***Assessment of Systemic Financial Risks***—grounded in rigorous analyses of financial sector

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<sup>4</sup> *Compendium of Executive Board Procedures, March 2018*. Section VII, pages 53-59. Also, Part A of Decision No. 14766-(10/115), as amended.

<sup>5</sup> The recent number of Article IV Consultations considered on LOT suggests that there is room for balancing Board engagement via CMMs—LOTs were 14 in 2019 and 9 in 2020, compared with 26 in 2017.

vulnerabilities, that can act as generators of shocks or as propagators through real-financial linkages. This would support a better integration of the discussion of these risks into the outlook and help anchor macroprudential policy advice. The revised Guidance Note will provide further directions to help country teams articulate such a view and conduct the analysis in line with the examples and approaches presented in IMF (2021c).

- As articulated in the Financial Sector Assessment Program (FSAP) review, closer **FSAP integration** can help strengthen systemic risk analysis and anchor policy advice in Article IV consultations (IMF, 2021b). To this end, a coordinated proposal with the FSAP Review envisages a new process for early interaction between country teams and MCM, well ahead of Policy Consultation Meetings, to agree on how best to follow up on FSAP findings and recommendations. The same would apply to FSSR findings and recommendations for relevant countries, often LIC/FS.
- As noted in IMF (2021c) and the IEO evaluation of the Fund’s Financial Surveillance (IEO, 2019), gaps in macrofinancial expertise among Fund staff has constrained further progress in fully embedding macrofinancial analysis in Article IV consultations. This need pre-dates the challenges being brought by the emergence of digital currencies. Making major strides in core macrofinancial integration in Article IV reports requires **Expanding Macrofinancial Talent** through additional hiring of economists with macrofinancial expertise. Additional recruitment supported also by ongoing HR initiatives and training should help strengthen Fund-wide macrofinancial expertise, including in the review process. More expertise complemented with an expanded availability of data and tools should facilitate strengthening systemic risk analysis in bilateral surveillance (see the next sub-section).

**17. More generally, a deeper discussion of risks can be further integrated in the policy analysis and advice.** Despite progress since the GFC, Fund surveillance is still overly focused on the baseline scenario. It is proposed that staff reports place greater emphasis in their discussion with members of the range of potential outcomes, naturally leading to clearly articulated **Contingent Policy Advice** (Box 4). The discussion should highlight how best to seize on upside opportunities, manage downside risks, as well as provide more specific policy advice contingent on the materialization of different risks. The flexible use of better data and tools will play an important supporting role (see the next sub-section). Consideration should be placed in carefully managing communication challenges in pursuing such an approach, since the emphasis on policies that better take into account a multitude of possible eventualities may dilute messages and confound audiences.

#### Box 4. Contingent Policy Advice

**Staff reports continue to be overly focused on a baseline scenario (see CSR background paper, IMF, 2021d).** The coverage of risks has become more systematic since the Global Financial Crisis (GFC). Staff reports now regularly identify major risks and provide an assessment of their likelihood and economic impact, summarized in Risk Assessment Matrices (RAM). Fund surveillance can widen its emphasis to a fuller range of possible outcomes and encourage more proactive policy formulation on managing risks in a relevant manner. To support such efforts, the G-RAM/RAM framework can be further strengthened through greater use of quantitative scenarios.

**The COVID-19 crisis further strengthens the case for *Contingent Policy Advice*.** Policymakers are now operating in a highly uncertain environment, a situation that is likely to persist over the medium-term. Policies would need to be more robust to alternatives around the baseline macro projections. This would mean, besides being better prepared for downside risks, also seizing upside risks, both through the design of ex-ante policies like vaccination efforts, green investments that are robust to alternative scenarios, as well as through re-enforcing policies as upside risks materialize—for example, how to take best advantage of vaccines to boost tourism.

**The communication challenges of *Contingent Policy Advice* should not be understated.** As staff discusses policies for alternative scenarios, baseline advice may naturally become diluted. These important messaging challenges will need to be carefully considered.

**18. A more candid discussion of spillovers in surveillance with member countries would improve the timeliness, relevance, and traction of Fund advice in this area (see CSR background paper, IMF, 2021e, for more details).** The increasing significance of spillovers calls for strengthening the internal discussion among spillover producing and receiving country teams, and between country teams and functional departments. It also calls for more dialogue between the Fund and member countries of key spillover issues that are still in the incipient stages to induce more peer-to-peer discussions of key policy implications. Together, these efforts would help integrate better spillover discussions in flagships with those of members in the context of Article IV surveillance, in support of timely and targeted policy advice.

- In addition, there may be merit in developing an institutional level understanding on the types of spillovers that are relevant to consider at a given juncture, and the channels through which they are likely to operate. This would strengthen the link between bilateral and multilateral surveillance. A *Spillovers Tool* can help improve the understanding of key spillovers relevant in a given juncture and their propagation channels to enable a more coordinated approach to spillover analysis at the institutional level. The assessment would be updated periodically, to provide concrete and specific guidance for country teams (for instance, on key transmission channels, size and potential alternative or mitigating policy advice) for a limited set of global spillovers that are relevant under the baseline and alternative scenarios, with the identification of spillovers supported by the WEO, G-RAM and Spillover Taskforce (see more details in IMF, 2021e).
- A proposed *Spillovers Forum* would be an informal closed-door meeting to bring together the membership to discuss incipient policy issues with potentially large spillovers. It can support the systematic and timely sharing of experiences and views from spillover-producer and receiver countries. The *Spillovers Forum* would take place once a year during the Spring or Annual

Meetings, anchored around one or two spillover topics. The discussions would be forward leaning rather than on discussing spillovers that may already be playing out, which is often the case in Article IV reports. Such a forum would also complement, rather than substitute for the EWE exercise, which has both a wider mandate and greater focus on tail risks and would speak to the gap at the Fund relative to other institutions for informal peer engagement among the membership (see more details in IMF, 2021e).

**19. Closer interconnection of surveillance with Capacity Development (CD) can greatly increase traction and help deliver on the surveillance priorities, including for LIC/FS.** Several ongoing initiatives aim at improving this interconnection (Box 5). Major recipients of CD prepare a **CD Country Strategy** and discuss it in country documents if relevant, allowing an alignment of CD efforts with surveillance priorities as well as authorities' needs, and aiming at closing capacity gaps that hinder the take-up of policy advice. Interconnection can also be intensified, either through targeted cross-mission participation—proven effective during the recent mainstreaming of virtual engagement—or overlapping in-person missions. These considerations are particularly pressing for LIC/FS, who are heavy users of CD and whose Article IV reports would benefit the most from this integration. Furthermore, better information through the **Capacity Development Management and Administrative Program (CDMAP)**, supports early engagement between area and CD departments during CD prioritization. New ways to transfer technical knowledge with—and between—countries through online discussions and webinars, could also prove helpful for surveillance purposes and to enhance peer learning. Experimenting with new channels for interacting with the membership and for receiving quick feedback on issues that the Fund may wish to raise may be needed. In that sense, the **Granular Policy Initiative** may also provide a further avenue for better CD integration into surveillance (see above).

#### Box 5. Integrating Capacity Development and Surveillance

**Strengthening the integration of Fund surveillance and capacity building is a key recommendation of the 2018 CD Strategy Review.**<sup>1</sup> Integration means in practice that institutional and capacity weaknesses that constrain the adoption of recommended policies and contribute to risks are covered in surveillance and targeted through CD prioritization. Conversely, advice in Article IV reports should be tailored to existing capacity constraints, while ensuring CD recommendations are followed up over time. Guidelines to better achieve this integration have been developed following the 2018 CD Strategy Review and will be reflected in the revised Surveillance Guidance Note.

**Improved integration of Capacity Development revolves around a CD country strategy and continuous engagement across country teams and CD providing departments.** Country teams develop a coherent **CD country strategy**, in collaboration with CD departments and discussed with the authorities, to ensure an alignment between CD resources and the surveillance priorities. When critical to surveillance, area department country teams should discuss relevant parts of the CD strategy in country documents, during pre-mission interdepartmental meetings, and with the authorities and other country-based stakeholders. CD providers and area department country teams should engage regularly in the prioritization, design, implementation, and monitoring/ assessment of CD projects. The depth and frequency of these engagements would depend on the criticality and relevance of CD activity to surveillance, and more broadly the country's ability to implement sound policies. These considerations appear especially relevant in the case

**Box 5. Integrating Capacity Development and Surveillance (Concluded)**

of LIC/FS. Integration of CD needs to be mindful of confidentiality issues surrounding the provision of advice and data usage.

**The *Capacity Development Management and Administrative Program (CDMAP)* is an internal tool that facilitates the integration of CD and surveillance and reinforces results-driven CD delivery.** In making CD planning more transparent and harmonized across departments, *CDMAP* will provide comparable and easily accessible information on CD plans, budgets, and results to area department teams. Country teams will be able to, for the first time, review targeted and actual results and workplans for all existing projects, upload new demands for CD, and prioritize demand related to their country all within the same system.

<sup>1</sup> [2018 Review of the Fund's Capacity Development Strategy.](#)

**20. The surveillance priorities require a more systematic integration of macro-critical emerging topics, with *Climate* being a key example (IMF, 2021f).** Fiscal policies for climate adaptation and transition to a low carbon economy—including efforts of countries to achieve their Nationally Determined Contributions under the Paris climate accord—will need to be more seamlessly placed in the broader macro-context. Climate change mitigation is a global public good whose supply needs to be stepped up urgently to preserve global macroeconomic and financial stability; a pragmatic approach is proposed that focusses especially on the largest emitters of greenhouse gases. The analysis of monetary and financial policies can also cushion the impact of climate risks and will also be expanded—through the expansion of climate analysis in FSAPs, better governance and financial integrity safeguards to strengthen climate change policies, and adaptation of monetary policies to address risks of lower productivity growth, increased volatility of supply shocks, and higher inflation due to climate change. Climate Change Policy Assessments (CCPAs) could also be important inputs for Article IV consultations, notably for the discussion of adaptation and resilience building. The operational considerations presented in IMF (2021f) will be reflected and further refined in the revised Surveillance Guidance Note. To meet the challenge of interconnecting this new area into surveillance, staff skills will also need to be expanded, including through hiring new talent and internal training to upgrade the skills of existing staff. Access to data, knowledge, and collaboration with other stakeholders will be an important element of successful interconnection.

**21. In addition to climate, other sustainability priorities may also need to be treated in surveillance (IMF, 2021g).** Trends in demographics, technological change, inequality, socio-political and geo-political developments also pose challenges to economic sustainability, and interact in important ways with traditional core surveillance areas. Modern surveillance needs to integrate the analysis of the channels through which such trends affect sustainability to provide members with topical and targeted actionable policy advice. Building on the experience gained on inequality, the integration of sustainability priorities into surveillance would be supported by inter-departmental groups, including for operationalizing policy, capacity building, knowledge exchange, and developing analytical tools, databases, and models.

**22. *Collaboration with External Partners on emerging macro-critical issues can be key in building capacity and coordinating action at the international level.*** Building on effective collaboration frameworks, including on debt vulnerabilities, FSAP, and social spending, collaboration with partner institutions can support/inform Fund surveillance. It can benefit the Fund’s work and advice on macro-structural issues, including through exchanging knowledge, delineating the responsibilities of each institution in international fora, and collaborating on developing tools to integrate the analysis of emerging issues into surveillance. The World Bank is a prime partner for collaboration on *Climate*, including in sharing information and specialist knowledge, developing a climate-focused internal training program, and integrating climate-related risk analyses in existing frameworks such as the FSAP and Debt Sustainability Frameworks (DSF). Relatedly, the Fund will incentivize Fund-Bank collaboration by leveraging on the new HR performance management system, fostering staff exchanges, including at senior staff level, and improving access and exchange of information and knowledge (see [IEO, 2020](#), for a discussion on collaboration on macro-structural issues). At the same time, it is important to keep in mind that greater collaboration will not always come easily or that it will lead to immediate outcomes—other institutions have their own work agendas, governance structures, and incentives. Collaboration will only work when incentives and timetables align sufficiently.

### C. For Better-Informed Surveillance

**23. *Better-informed surveillance depends on mutually reinforcing synergies between training, tools, and data.*** Better-informed surveillance depends critically on continuous training of staff, including research assistants. Upgraded human capital should be complemented by better tools and peer-learning. Tools enable staff to do analyses, including new types of analysis, efficiently and collaboratively; they also allow peer-learning at various levels, for instance, cross-country, within country-team, and across departments, through new collaboration capabilities and an efficient exchange of knowledge. Training, tools, and peer-learning are further complemented by data and knowledge availability. Taken all together, they help close existing information gaps. Several initiatives are ongoing that can meaningfully support Fund surveillance, but it is still early to judge whether they can be as impactful as currently envisioned.

#### *Training*

**24. *Expanding and upgrading staff skills will complement other modalities.*** A *Revamped Internal Economics Training (IET)* would ensure alignment with the CSR priorities, so that relevant knowledge, skills, and competencies can be developed (Box 6). Key priorities are consistent with areas of institutional focus, spanning traditional core areas as well as *Climate*, fragile state policies, macro-structural reforms, impact of digitalization, and inclusive growth, which would also be supported by *Collaboration with External Partners*. The upgrades in data access and the introduction of new tools also require upgrading the Fund’s staff expertise. For example, to maximize the benefits of the *Integrated Data initiative (iData Initiative)*, more data science specialists with advanced data analytics are needed (Box 7).

### Box 6. Revamped Internal Economics Training (IET)

**The IET program is being reviewed to ensure it continues to play a critical role in upskilling Fund staff knowledge.** The new IET Strategy proposes three closely intertwined objectives: (a) better anchor IET in the Fund’s institutional objectives; (b) more closely serve the needs of Fund economists and the economics training needs of other staff; and (c) facilitate the transfer of knowledge to promote learning within the Fund. The upcoming review of the Structured Curriculum will ensure a close alignment of knowledge, skills, and competencies with the gaps identified in the CSR papers, ensuing update of the Guidance Note for Surveillance, and any other operational guidelines that underpin the Fund’s core activities. Steps are being taken to enhance economists’ skills on macrofinancial issues (e.g., through training on the Systemic Risk Tracker, Policy on FinTech, Growth at Risk), and develop and deliver a training program on **Climate** Change (e.g., new Climate 101 and Climate Bootcamp courses) among other important areas of institutional focus. Training uptake continues to be constrained by work pressures, and a concerted effort to enhance accountability of economists and managers is likely needed as envisioned in the revamped IET Strategy.

## Tools

### 25. Delivering on the surveillance priorities requires expanding analytical capabilities.

Tools—models, methodologies, templates, apps—are not a panacea to operational or analytical problems, and there is no one-size-fits-all. But **Better Tools**, especially if building upon data initiatives (see below), provide flexibility to perform routine tasks in a more efficient manner and/or ensure the application of a common level of analytical rigor, mindful of country-specific circumstances and country-team needs. Improved tools are being developed in multiple areas:

- *Tools for analyzing financial risk* (IMF, 2021c), e.g., to study feedback effects across real and financial sectors, to detect relevant sources of systemic risk, and to assess the resilience of the financial system to shocks, are important inputs into forming an **Assessment of Systemic Financial Risks**. Stress testing tools, as detailed in the recent FSAP review, (IMF, 2021h, and IMF, 2021c), can also support better **FSAP Integration** into Article IV surveillance by serving as a useful reference, especially during the period between FSAPs or for countries that have not benefited from one. The FSAP review also proposes to develop methodologies to assess risks related to **Climate**, fintech, and cybersecurity can help accumulate experience that can be brought to Article IV surveillance in the medium-term.
- *Tools to understand long-term underlying trends* (IMF, 2021g)—on demographics, technology, inequality, socio-political and geopolitical developments, and climate—and how they impact macro stability and economic sustainability. Empirical and conceptual analysis and new modelling will help study climate risks and policies, and provide a better understanding of macroeconomic, distributional, and climate impacts of mitigation policies. The recent Debt Sustainability Assessment (DSA) update and planned upgrades to the External Balance Assessment (EBA) aim to capture issues related to economic sustainability. Regarding **Climate**, a suite of tools will provide country-level emissions projections, as well as fiscal and economic incidence, and emissions impact of climate policies; the new tool will also deepen our understanding of the distributional impacts of climate change with a focus on adaptation (see IMF, 2021f for details).

- *Models of risk assessment and management*—for example quantile-regression, risk-focused structural and crisis prediction models—can support the provision of **Contingent Policy Advice**. Strategic foresight techniques (as applied in the CSR Background paper on Scenario Planning, IMF, 2021i) can also be used to crystalize unforeseeable but plausible high-impact events, which could then feed into the G-RAM, contingency plans, and long-term risk analysis (as argued in the CSR background paper on Risks, IMF, 2021d). These techniques can capture issues related to the importance of key infrastructure and systems, technology regulations across countries and regions, and on digital risks management (including cybersecurity, outages, digital frauds, data privacy) and recovery capacity in central banks, financial systems, public financial management, and the broader economy.
- *Methods and tools to increase the digitalization of internal processes* will help improve the quality of Fund surveillance. Flow automation of routine or repetitive tasks such as data collection and information sharing activities can help increase timeliness, accuracy, and productivity. As mentioned earlier, **CDMAP** serves as a platform for CD planning and easier integration with surveillance. Digital templates can facilitate comparison and assessment of macroeconomic frameworks, and keyword searches of minimum Article IV requirements will simplify and better inform the review process; they will also reduce operational risks and make the process more efficient. Modern data analytics will help unify multiple data sources to create interactive dashboards and analytical reports. Text analytics will help connect topics and issues with cross-country knowledge, guidance, and relevant expertise, as well as signal degree of relative coverage of a topic across members and over time.

#### Box 7. The iData Initiative

**The *iData Initiative* is a data management and dissemination platform to modernize economic data management.** It was articulated in the 2018 Overarching Strategy on Data and Statistics, launched in November 2020, and is expected to be completed by end-2023. The *iData Initiative* will support high-quality forecasts and data-driven analysis and improve the overall user experience with Fund data.

**This initiative will replace the existing custom-built platform, which is almost at its end-of-life.** The existing custom-built platform supports the production of the Fund’s key multilateral and cross-country databases, including the WEO and IFS databases, and the dissemination of data to external users on data.imf.org. The new platform will address access to economic data—a long-standing challenge for Fund users—by providing users a simple interface to easily browse and search across datasets.

**The new platform will improve data access and visualization.** Users will be able to access data from desktops and mobile devices, and use data in multiple analytic environments, including Python, R, MATLAB, and STATA. The *iData Initiative* will also leverage industry-leading visualization tools, allowing users to produce customized views of the data and generate new insights. Access to Fund data by member countries and other external stakeholders will be facilitated by a redesigned mobile-friendly external interface (data.imf.org) with enhanced search and visualization capabilities.

**The *iData Initiative* expands the possibilities for data management.** In its next development phase, the *iData Initiative* platform will be used for more types of data, including Big Data and market data, and support a single dissemination solution for internal and external users. Over time, *iData Initiative* is expected to become the Fund’s sole data repository.

**26. New surveillance modalities and ongoing initiatives provide the basis for better peer-learning, leveraging on training and the flexible use of tools.** In particular:

- The ***Integrated Digital Workplace (iDW)*** will help strengthen the Fund’s collaboration capabilities to support remote working, and transform the ways teams communicate, collaborate, and manage work within and across departments, and with external stakeholders (Box 8). ***iDW*** will help improve the efficiency of internal production processes, including surveillance review, and create an environment conducive to better peer-learning, facilitated by new tools to communicate and share knowledge. It will also ease virtual engagement with country authorities.
- Completed and planned ***Knowledge Management Projects*** aim to support staff’s operational and analytical surveillance work. First, the completed Knowledge Exchange (KE) portal revamp has made the Fund’s knowledge more easily accessible through a country engagement timeline, which captures technical assistance, surveillance, and program missions and documents allowing for a unified view of country engagement and facilitating the integration of these different types of work. Second, the intranet’s Enterprise Search Engine has already facilitated surfacing relevant content in a more intuitive user interface. Third, documents are now being automatically tagged with relevant fields to help improve searchability. Finally, the New Document Management project will ease the storage and sharing of knowledge content in a central repository of documents.

**Box 8. Integrated Digital Workplace (iDW)**

**The *Integrated Digital Workplace (iDW)* is a key modernization initiative to leverage modern technology to improve the efficiency and effectiveness of the Fund’s core surveillance, lending, and capacity building operations.** The new integrated solution seeks to strengthen collaboration and teamwork in a hybrid work environment continuously being shaped by technological change; enable better knowledge sharing and management; augment the Fund’s external stakeholder engagement and management; streamline and integrate document flow and review process; and automate and enhance access to economic and financial analytical tools and applications. The ***iDW*** also seeks to improve productivity and risk management through enhanced, secure, and mobile access—at lower resource costs—to analytical and process tools.

**The *iDW* program will support the effective implementation of recommendations coming out of recent and ongoing major Fund policy and operations reviews, including the CSR, CD strategy, and the Review of Conditionality and Program Design.** The program is built around five modules:

- ***Collaboration.*** Improves collaboration and communication internally and with the membership.
- ***Intranet.*** Deliver a modern Intranet that is better aligned with Fund operations, supports the Fund’s communication strategy, and promotes improved knowledge sharing through a topical- and country-based modern knowledge hub, including a new version of the KE Country pages.
- ***External Relationship Management.*** Improve management of the Fund’s external relationships, including with members and other stakeholders.
- ***Document Journey.*** Create a more comprehensive, integrated, and smoother document flow process with efficient review and clearance functions and better access to documents and comments.

### Box 8. Integrated Digital Workplace (iDW) (Concluded)

- *Digital modernization.* Replace outdated and standalone tools and applications with modern cloud-based technology to improve productivity and access to real time information and analysis.

**Implementation of the *iDW* began in in November 2020 and the current program is expected to be completed by the end of 2023.**

## Data

**27. Better data are critical to deliver on the surveillance priorities.** Closing critical data gaps in surveillance is the objective of the ongoing review of *Data Provision to the Fund* for Surveillance (IMF, 2021j). The ongoing review also discusses data that members are encouraged to provide (*Encouraged Data Provision*). In some instances, provision of additional data may generate some costs to members countries. Public sector data, foreign exchange intervention (FXI), and indicators for macrofinancial analysis are areas of immediate data needs, where the case for enhanced data provision to the Fund is the strongest and most urgent. In particular:

- Broader and more granular coverage of the public sector data (including debt data beyond the central government) would support analysis of fiscal risks—one of the key areas of Fund surveillance.
- Access to timely and comprehensive FXI data is key for bilateral and multilateral surveillance, including oversight of members' exchange rate policies, conducting external sector assessments, and monitoring the functioning of the international monetary system, including policy spillovers and spillbacks. Provision of FXI data would also facilitate more integrated policy advice.
- While macro-financial analysis is a core area of Fund surveillance, the data provision requirements are currently minimal in this area. Minimum mandatory data provision, including of the main financial sector indicators, would ensure proper monitoring of the core financial system and key sources of systemic risk. In many cases better data coverage for non-bank financial institutions, the stocks and flows of credit, cross-border activity, and nonfinancial corporates would also be critical for assessing potential sources of systemic risk—from within and outside the banking system—akin into account key interlinkages across sectors and policies.

**28. The ongoing expansion of data infrastructure will further support the use of more granular data.** As part of the effort to improve data management, *iData Initiative* will bring modern data management and dissemination tools to help strengthen data analysis, including by facilitating data access to staff, member countries and external stakeholders, and enhancing search and visualization capabilities. *Encouraged Data Provision* can also facilitate the analysis of:

- High frequency and granular information—available in partnership with IFIs and the private sector—to have more timely and comprehensive signals of economic activity (e.g., vessel traffic, satellite images, mobility and travel related data) and emerging risks across countries or regions, as well as new ways to fill data gaps in official statistics—for instance, the [Development Data Partnership](#) and the [COVID-19 High Frequency Data Hub](#).

- Data related to economic sustainability, including on inequality, *Climate* change, demographics, technological advances, and socio-political and geo-political developments are critical under the new surveillance priorities. Such data will help understand the impact of digital technologies on macroeconomic and distributional outcomes in an environment of rising inequality. External sources will complement data availability (e.g., World Bank, UN, OECD), and further guidance on the use of available indicators will be provided in the revised guidance note. At the same time, the Fund has launched initiatives to improve data availability, including the work on the Climate Change Indicators Dashboard.
- Macro-critical issues that could feature in *Focused Article IV Consultations*, including one or more topics relevant for the surveillance priorities—for instance, on implications for growth and stability of trends on digital technology, demographics, climate change, and shifting global economic power.
- Better information on household debt, real estate sector, including housing prices, would support macrofinancial integration in several areas—including *FSAP integration* and forming an *Assessment of Systemic Financial Risks*. Data on links between non-financial corporations and the wider economy would inform risk assessments and *Contingent Policy Advice*. It is also important to maintain databases that support the surveillance of macroprudential policy (for instance, the macroprudential survey and the integrated Macroprudential Policy database).

**29. In the medium-term, a reimagined *Country Portal* would serve as a “one-stop shop” for all Fund content on that country.** A modern and intuitive portal that serves as the face of the Fund’s engagement with each member could greatly improve external communication and facilitate internal peer-learning. Using a clean and visually appealing format, the external version of such a portal could feature the latest WEO projections for the country and key policy advice, along with all Fund documents pertaining to the member in the public domain. An internal version of the website would, in addition, collect all country-relevant documents for official use. Peer-learning and knowledge dissemination would be facilitated by a consistent document labeling system, under which all Fund documents are tagged at the time of production. In this last regard, recent efforts to automate the identification of cross-cutting themes using the Enterprise Business Vocabulary are a step in the right direction. This would reduce the need to reproduce previous analyses and advice in earlier Article IV consultations that remain relevant and as such support *Focused Article IV Consultations*. It would also allay concerns that for many members, the Fund’s Article IV staff report remains the “go-to” source for information—by replacing a single paper report produced annually with a comprehensive digital platform that retains all relevant information in one place regardless of when it was produced. Such a vision would require further thinking, including a clear view on the possibly considerable resource implications.

## COSTING

**30. This section discusses the costing of the CSR.** The previous section discussed key CSR proposals (see Annex I), including new modalities, for making Fund surveillance more timely, topical, targeted, interconnected, and informed. Below we expand on the tentative cost of new proposals that have significant budgetary implications. Other proposals could, in the first instance, rely on optimizing processes, while others (such as *iData Initiative* and *iDW*) are underway and funded separately; and the resource implications of yet others (such as climate, digital currencies, FSAP) are being picked up in context of the discussion of those specific workstreams.

**31. The most significant need for resources is for *Expanding Macroeconomic Talent*.** An assessment of depth and integration of systemic risk analysis and macroprudential policy advice in Article IV Consultations found that limitations in macrofinancial expertise compounded by competing priorities have constrained progress in this area, which requires additional recruitment with the proper skill set. This finding echoes the conclusions from the IEO's evaluation of the Fund's financial surveillance (IEO, 2019), which noted that resource constraints have slowed the needed buildup of macrofinancial expertise. The assessment finds that half of all Article IV reports presented gaps in the depth and integration of these core elements of macrofinancial analysis (see IMF 2021c). An additional 24 FTEs with macrofinancial expertise, if spread over the identified Article IV teams with gaps, would translate into about 80 percent coverage of the gap, assuming each additional staff would cover on average about 2 Article IVs per year. The remaining gap would be closed through training and reprioritization.

**32. Four other new proposals would require an additional 5-7 FTEs.** The annual cost of *CMMs* will vary with the number of such meetings during the year, the number of topics discussed in each CMM, and the novelty of the material presented—CMMs based on material already available would be less costly than CMMs based on new material. On average, and assuming efficiency gains elsewhere (see below), the tentative cost of one CMM is currently placed at about 2-3 FTEs. Costs for the *GPI* reflect the collection and selection of policy questions from country teams for which help from functional departments is sought, as well as the effort to summarize lessons learned. Depending on the number of countries and policy questions and the extent and frequency with which any lessons are publicized following Board discussions (including in the context of individual Article IV consultations) to replace the current policy tracker, resource costs range between 2-3 FTEs. Importantly, the estimated costs assume functional departments provide support within their current envelope for engaging with area departments. As regards the new *Spillovers Tool* and *Spillovers Forum*, it should be possible to implement these with about 1-1.5 FTEs in total. It is estimated that the Spillovers Tool will absorb about the same amount of resources as the G-RAM, i.e. just under 1 FTE per year. As for the Forum, organizing and preparing the material would take most time, while staff and Management attendance account for only a small fraction of the costs and the overall cost is estimated also at under 1 FTE.

**33. Cost considerations do not include short-term transition costs and are subject to a significant degree of uncertainty.** Estimated costs, for instance, assume that ongoing initiatives to improve technology and improve workflow are fully successful; if that is not the case, actual costs

may well be higher. They also do not account for additional cost pressures on other support services. Depending on how the uncertainties around the global outlook materializes, Area Departments may need to prioritize on short-term exigencies, which would also mean that any efficiency gains that could potentially be directed toward the CSR priorities will need to go in that direction instead, raising the net costs for the latter—for example, it may not be possible to streamline the discussion in staff reports of traditional areas to partially compensate for the taking up of longer term sustainability issues. Also, particularly for Area Departments, there are short-term transition costs and experimentation costs that are hard to capture in the estimates. The divergent global exit from the pandemic, with LIC/FS more likely dealing with the crisis longer than advanced or emerging economies, will also have differential impacts on individual country teams, limiting the space for some to experiment with the new modalities. Furthermore, the experimental nature of the approach limits the feasibility to provide very durably long-term cost implications—for example, potential long-term trade-offs involved when hiring more staff in certain areas of expertise (for instance, climate, and data scientists) as opposed to fungible staff who by definition can better move across issues and areas are not accounted for. Training costs—resource and staff time—also need to be incorporated into the baseline estimation. Finally, the costs of implementing a new country portal are left to the medium-term and are not included in the analysis. At the same time, potential savings from process improvement are also not factored in, including those from any changes to the review process. If costs end-up being larger than estimated, staff may need to come back to the Board for guidance on how to proceed, including on further streamlining the large number of existing requirements on Article IV consultations.

**34. A flexible approach to implementing the new modalities, characterized by experimentation and learning-by-doing—a “sandbox” for new modalities, helps in this regard.** Under such an approach, the new modalities can be implemented, with their continuation and/or scaling remaining subject to re-assessment in two years. This approach will help the Fund deal with the uncertainty associated with the implementation of the CSR priorities, balanced against already high work pressures. Many of the proposed modalities are not only scalable but also malleable, so that their implementation can adapt to changing needs and circumstances over time.

## Annex. Matrix of CSR Proposals

Main Areas	Proposals	Priorities			
		Risks	Spillovers	Sustainability	Unified Advice
<b>Timely, Topical and Targeted</b>	CMMs	✓		✓	✓
	Granular Policy Initiative		✓		✓
	Focused AIV consultations	✓	✓	✓	✓
<b>Connected</b>	Assessment of Systemic Financial Risks	✓	✓	✓	✓
	FSAP Integration	✓	✓		✓
	Expanding Macrofinancial Talent	✓	✓		✓
	Contingent Policy Advice	✓	✓	✓	✓
	Spillovers Tool		✓		✓
	Spillovers Forum		✓		✓
	CD Country Strategy			✓	✓
	CDMAP			✓	✓
	Climate	✓	✓	✓	✓
	Collaboration with External Partners			✓	✓
<b>Informed</b>	Revamped Internal Economics Training (IET)	✓	✓	✓	✓
	Better Tools (modeling, estimation, review process)	✓	✓	✓	✓
	The iData Initiative	✓	✓	✓	✓
	Integrated Digital Workplace (iDW)	✓	✓	✓	✓
	Knowledge Management Projects	✓	✓	✓	✓
	Data Provision to the Fund (public sector, FX intervention, macrofinancial)	✓	✓	✓	✓
	Encouraged Data Provision (indicators related to economic sustainability)	✓		✓	
	Country Portal	✓	✓	✓	✓

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