

Article IV Consultations under the New Integrated Surveillance Decision: Factsheet for IMF Member Countries

What is the [Integrated Surveillance Decision](#) (ISD)?

On July 18, 2012, the Executive Board of the International Monetary Fund (IMF) adopted a new [Decision on Bilateral and Multilateral Surveillance](#), also known as the Integrated Surveillance Decision (ISD). The ISD will take effect on January 18, 2013. The ISD provides the IMF with a legal framework for surveillance to integrate better bilateral and multilateral surveillance. In particular, it will help to address the possible effects of spillovers from members' economic and financial policies onto the global economy; monitor the stability of members' external sectors in a more comprehensive manner; and engage members in constructive dialogue to address issues of global importance.

Where does the ISD come from?

The [2011 Triennial Surveillance Review](#) (TSR)—a regular review of the effectiveness of surveillance, concluded that there were important gaps in the legal framework for surveillance. These include the lack of consistency between bilateral and multilateral surveillance; incomplete coverage of the potential effects of members' policies on the global economy; lack of a clear framework for multilateral surveillance; uneven emphasis on members' exchange rate and domestic policies; and a lack of ownership by some member countries, which in turn, has affected those members' receptiveness to Fund's advice. The ISD responds to these findings as part of broader efforts to strengthen surveillance.

What changes in Article IV consultations?

The ISD makes Article IV consultations a vehicle for the conduct of multilateral surveillance, in addition to them remaining the primary vehicle for the conduct of bilateral surveillance. In other words, Article IV consultations are expected to systematically cover outward spillovers from a member's policies that may have a significant impact on global economic and financial stability. The extended coverage is part of the Fund's mandate under multilateral surveillance.

Article IV consultations are expected to cover spillovers from all types of economic policies (exchange rates as well as domestic economic and financial policies) and through any channel (balance of payments or non-balance of payments, e.g. contagion, market pricing) when such spillovers have a significant impact on the effective operation of the international monetary system.

IMF staff is expected to discuss such spillovers with member countries. Besides policy recommendations made to promote a member's own stability, staff could also discuss possible policy alternatives that would have a more positive impact on global stability.

How will countries benefit from the new Decision?

The new Decision is expected to help strengthen the Fund's surveillance in practice. By placing more emphasis on spillover analysis, this implies that the Fund would have greater ability to detect vulnerabilities in and risks to member countries, and to assess their impact on global stability at an early stage, engage members in dialogue about these vulnerabilities and risks, and provide timely policy advice. This will, in turn, help member countries take measures that would address these vulnerabilities and risks before they have a chance to evolve into major crises. A better understanding of outward spillovers from policies of countries that could have a global impact will provide for a richer discussion with all members on the inward spillovers that could affect their own stability.