

Independent Evaluation Office Releases Report on the IMF's Multilateral Surveillance

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Independent Evaluation Office

of the International Monetary Fund

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April 7, 2006 - The Independent Evaluation Office (IEO) of the International Monetary Fund (IMF) today released the report *An Evaluation of the IMF's Multilateral Surveillance*. The report looks at the question of whether the IMF is achieving its potential with regard to oversight over the international monetary system, and of economic linkages and policy spillovers between countries. It concludes that while the outputs of multilateral surveillance, which include the semiannual *World Economic Outlook (WEO)* and *Global Financial Stability Report (GFSR)*, as well as other staff reports, are valuable to particular audiences, they are insufficiently integrated, and their messages not well communicated. As a result, multilateral surveillance is falling short of its full potential.

The evaluation made four key recommendations for the IMF:

- Define more clearly the goals of multilateral surveillance and the mechanisms to achieve them. Particular effort should also go into better integrating multilateral perspectives into bilateral surveillance.
- Engage more deeply with such intergovernmental groups as the G-7 and the G-20. Because these fora have limited attendance and involve decision-makers, they provide opportunities for a more frank discussion of policy spillovers and possibilities for collective policy action, and for more effective peer pressure than is possible in larger meetings or at meetings of less senior officials.
- Enhance the roles of the Executive Board and the International Monetary and Financial Committee (IMFC) in multilateral surveillance. The Board should concentrate its surveillance discussions on a few critical issues, identify key global policy actions and follow-up on these, and better monitor progress on strengthening IMF surveillance activities. The IMFC should focus on issues related to policy spillovers and opportunities for collective action.
- Streamline and better focus the products of multilateral surveillance, present shorter and clearer messages, and deliver them more strategically to target groups.

Other findings of the evaluation concerned aspects of quality, responding to the following questions:

Do the issues analyzed under multilateral surveillance reflect the IMF's comparative advantage?

The outputs of multilateral surveillance—especially the WEO—are largely successful in analyzing topical issues in ways that reflect the IMF's comparative advantage. The WEO gives roughly equal weight to issues that deal with the spillovers of policies of individual countries, and analyzing and comparing the experience of different countries. But it gives insufficient coverage to exchange rate issues, which is surprising given the IMF's mandate to oversee the exchange rate policies of its member countries.

Are the issues examined relevant and timely?

The WEO has largely succeeded in identifying relevant issues and global risks in a timely way. And in terms of identifying relevant global macroeconomic and financial risks, both the WEO and the GFSR compare favorably with similar publications of other international and national bodies.

How well are multilateral and bilateral surveillance integrated?

IMF surveillance has a strong country orientation, so that policy advice and economic forecasts mainly reflect the views of the IMF area departments that conduct bilateral surveillance. As a result, multilateral surveillance (undertaken mainly by the Research Department and the International Capital Markets Departments) has not sufficiently enriched the policy advice offered through bilateral surveillance by identifying scope for collective action.

How well are macroeconomic and capital market surveillance combined in the analysis of relevant issues?

The WEO and the GFSR are insufficiently integrated. This owes largely to a "silo" problem in the IMF's internal organization in which different departments pursue their individual mandates with insufficient attention to some relevant aspects of the organization's overall mission.

Are the messages of multilateral surveillance reaching their intended audience?

The WEO and, to a lesser extent, the GFSR enjoy wide media coverage but they reach the senior policymakers of major countries only indirectly, in the form of summaries prepared by junior officials. This is understandable, given the length and complexity of these documents and the time constraints faced by policymakers. Still, the much shorter G-7 and G-20 surveillance notes (updates since the most recent WEO prepared by the Research Department for G-7 and G-20 meetings) are also rarely read by policymakers themselves.

This underscores the need for the key multilateral surveillance products to be more "customer" focused, by streamlining their content and presenting concise and clear messages that are better targeted at their various audiences. As to surveillance notes, they should concentrate on spelling out the consequences of policy spillovers and identifying options for dealing with them.

Does multilateral surveillance have an impact on country policies?

Direct attribution of policy measures to IMF surveillance is both difficult and highly subjective. The evaluation relies on interviews with the senior country officials to identify a few instances in which multilateral surveillance influenced the policy debate and policymaking. It appears that multilateral surveillance, if effectively conducted and communicated, is able to provide valuable input into policymaking.

On March 24, 2006, the IMF's Executive Board discussed ways to improve the effectiveness of multilateral surveillance, based on the report's four main recommendations.

The Report, along with supporting background documents, IMF management and staff responses and the summing-up of the Board discussion are also available [here](#).

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