



SURVEILLANCE REVIEWS POST ISD

Successive surveillance reviews following the ISD, as well as subsequent staff guidance notes and specific policy strategies, further clarified the surveillance priorities and proposed criteria to operationalize the principles guiding Fund engagement on newer policy areas. These reviews are discussed below.

Discussion during the 2014 TSR resulted in criteria for determining whether or not to engage in a specific area, with these criteria having been further clarified in a 2015 Guidance Note. During the 2014 TSR, discussion among management, staff, and the Board considered criteria that could be used to determine whether or not to engage in a specific area. Most Executive Directors supported developing clearer criteria for Fund engagement “based on macrocriticality and the Fund’s expertise or interest in a ‘critical mass’ of the membership, leveraging the expertise of other international organizations and local experts where possible” (IMF, 2014c).¹ These criteria, as well as when and how to engage, were further clarified in the 2015 Guidance Note. The 2015 Guidance Note also specified eight additional policy areas that staff may wish to consider in Article IV consultations (jobs and growth, infrastructure, labor markets, social safety nets, public sector enterprises, governance, gender, and climate change), and noted that initiatives were already underway to enhance the analysis and coverage on inequality, climate change and energy policies, and gender issues (IMF, 2015b).²

The 2018 Interim Surveillance Review (ISR) reaffirmed the approach taken to date. It took stock of progress made in surveillance since the 2014 TSR and found that Fund surveillance had become better adapted to global conjuncture, more integrated, and more risk based. It also noted the work done on the additional policy areas of governance, inequality, gender, and climate. Work on these policy areas relied on a pilot approach to build knowledge and experience, and coverage had been selective and linked to macroeconomic importance. The ISR further confirmed that the criteria developed in 2014 for engagement in additional policy areas remained relevant (IMF, 2018a).

The 2021 CSR adopted a forward-looking approach and introduced the priority of economic sustainability. Originally scheduled for 2020 and delayed due to the severe impact of the COVID-19 pandemic on Fund operations, the CSR adopted a forward-looking approach to surveillance by trying to anticipate the challenges ahead in a shock-prone global

¹ An external study on Structural Policies in Fund Surveillance, prepared as part of the TSR, suggested that the Fund should look into some additional policy areas based on three criteria (macrocriticality, underemphasis by others, and whether the Fund has the necessary expertise). It suggested five specific structural policies for enhanced Fund surveillance: the curtailment of rent seeking, reform of public sector accounting, the regulation of utilities, tax reform, and pension reform (IMF, 2014a).

² The 2021 Supplement to the 2015 Guidance Note focused specifically on increasing the focus of surveillance on the impact of the COVID-19 pandemic and expanded flexibility in terms of the presentation of staff reports (IMF, 2021a). It did not have a significant impact on the application of the Fund’s mandate.

economy. In this respect, it identified five trends that could adversely impact economic sustainability and therefore warrant attention in the period ahead: demographics, technological change, inequality, sociopolitical and geopolitical developments, and climate change. It identified four surveillance priorities to guide Fund surveillance: (i) confronting risks and uncertainties, particularly those of major underlying trends; (ii) preempting and mitigating adverse spillovers, particularly those from new and less well understood channels for contagion; (iii) fostering economic sustainability; and (iv) adopting a more unified approach to policy advice to promote greater coherence while accounting for country-specific circumstances (IMF, 2021c). The priority of economic sustainability is particularly relevant, as it broadens the time horizon and scope of surveillance (see Section 4.A)

Two other exercises—the 2017 Approach to Macrofinancial Surveillance and the 2021 FSAP Review: mainstreaming financial surveillance in Article IVs and broadening the risks to financial stability—provided further guidance in the conduct of surveillance. In line with the 2014 TSR, the 2017 Approach offered guidance to staff on tailoring macrofinancial analyses to the circumstances of a diverse set of economies and proposed mainstreaming it in Article IV consultations (IMF, 2017a). The 2021 FSAP Review further supported financial surveillance in Article IV consultations and strengthened the risk-based approach to mandatory FSAP assessments. The Review also emphasized the increasing importance for financial stability of risks arising from climate change, cyber, and fintech. It also proposed that future FSAPs strike a balance between traditional topics and these newer issues based on country circumstances, drawing both from collaborations with other organizations and from investing in in-house expertise (IMF, 2021e; Towe, 2024).

The 2022 Surveillance Guidance Note provided further guidance on the coverage of governance, inclusion (which includes social spending), climate, and gender. For example, governance weaknesses identified by an interdepartmental Governance Working Group are expected to be covered in depth in Article IV consultations

at some point during the course of a medium-term surveillance cycle (normally three years). Climate change coverage in Article IV consultations should be selective, and the frequency would depend on the severity of the policy challenge and the pace at which it evolves, with staff reports providing updates on recent developments between in-depth assessments. Coverage cycles for climate change mitigation should be no longer than three years. However, the Guidance Note emphasized that, while discussing the contribution of the 20 largest greenhouse gas emitters to the global mitigation effort in Article IV consultations is strongly encouraged, covering these issues in Article IVs is voluntary for the authorities (IMF, 2022a).

In parallel to these surveillance (TSR, ISR, CSR) and policy reviews, the Fund has approved several specific policy strategies. Initially, much of this work was organized in pilot strategies over the period 2015–18 (IEO, 2020b), but eventually, the work was institutionalized in specific, formal strategies approved by the Board. A Jobs and Growth workstream was launched in 2012. In 2014, pilot programs were launched on inequality, gender, and energy/climate issues, as well as other macrostructural reforms, such as labor market and product market reforms. Another pilot program was launched to address social policy reforms in 2016 (see Stedman, Abrams, and Kell, 2020). In late 2017, management decided to mainstream inequality, gender, and macrostructural reform issues in surveillance from FY2019. The remaining energy/climate pilot was not mainstreamed, pending the development of sufficient internal expertise and experience. From 2018, the Executive Board endorsed five specific strategies for governance (IMF, 2018b), social spending (IMF, 2019), digital money (IMF, 2021h), climate change (IMF, 2021i), and gender (IMF, 2022c). Each of these Board decisions further clarified how these other policies were to be operationalized and integrated into Fund operations. These strategies are covered further in this paper, and background papers for this evaluation provide further detailed coverage of the strategies on governance and corruption (Levonian, 2024), and climate change (Gallagher, Rustomjee, and Arevalo, 2024).