

Should the IMF Do Surveillance?

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Introduction

- IMF Surveillance is the “residual” left after the collapse of the Bretton Woods system
- Current economic situation shows the mismatch between objectives and instruments of IMF surveillance

Structure of presentation

- We explore three ways how surveillance might work (Provider of Information, Peer Review, Amplifier of Conditionality)
- Investigate available evidence
- Conclude with implications for the future of IMF surveillance and the role of the Board

Provider of Information

- IMF potentially in a unique position to pool, analyze, and disseminate data gathered from its universal membership
- Such information, in turn, enables countries to cooperate/compete
- It also enables market participants to improve on their investment decisions

Peer Review

- A machinery of collaboration in which peers learn from one another—IMF established as a forum for monetary cooperation
- Cooperation produces social pressure to adopt socially-accepted standards

Power Relations

- Surveillance reflects power asymmetries among members (creditors vis-à-vis potential borrowers), as it leverages on economic benefits the IMF can grant or withhold (debt relief and restructuring, signaling to donors and investors)

Provision of Information—Evidence

- Multilateral surveillance outcome-based (WEO) rather than process-based; WEO coverage uneven and untimely; plus authorities “read” but do not “use” WEO
- Bilateral surveillance lacking country-specific analysis and implementable advice
- Standards initiative has not met interest of market participants, who find little new information in the WEO and GFSR but use Art. IV reports

Peer Review—Evidence (I)

- “Dialogue and persuasion,” necessary to build shared knowledge among peers, referenced in the text of 2007 Surveillance Decision
- But analysis of Art. IV consultations points to one-way exchanges in contrast to the reportedly “back-and-forth” feature of OECD consultations
- IMF Board has little involvement in building this shared knowledge and in shaping the outcome of consultations. Yet, it devotes most of its time to discuss Art. IV reports

Peer Review—Evidence (II)

- Peer pressure successful in driving compliance towards Art VIII and, possibly, the ROSC initiative for which, however, success is limited to “sign up”
- Gap btw compliance and subscription implies that either latter is enough for markets or that countries wish to cooperate with IMF to signal their standing among peers as (perhaps) proxy for IMF support in the event of a crisis

Amplifier of Conditionality—Evidence

- Surveillance-with-leverage activities were evident in debt restructuring of Latin-American debt crisis
- More recently, it is evident in activities linked to the IMF as a “gatekeeper” for most official flows to low-income countries

Conclusions (I)

- Surveillance “effective” when backed by IMF bargaining power—mainly with (potential) borrowers
- Also effective with other members as information provider by affecting competition among peers (international standards initiative), but NOT in substantially changing their policies
- Highly-constrained as a forum for learning

Conclusions (II)

- IMF could strengthen the way it engages with members to encourage learning (cf. OECD consultations)
- Member countries should delegate more authority to the institution as well as more effective instruments of enforcement (cf. EU surveillance)
- IMF Board could give more strategic direction to the institution and use surveillance as an opportunity for open and informal dialogue