

# IMF Publication

## 2014 Triennial Surveillance Review - External Study - Evenhandedness and Fund Surveillance



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## 2014 TRIENNIAL SURVEILLANCE REVIEW—EXTERNAL STUDY—EVENHANDEDNESS OF FUND SURVEILLANCE

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### EXECUTIVE SUMMARY

- Evenhandedness is a cornerstone for a cooperative institution like the Fund. It directly impacts the legitimacy of the Fund and the effectiveness of its surveillance.
- There are significant, and often long-standing, perceptions that the Fund is not even-handed. Although many perceptions do not relate directly to surveillance, they can influence behavior, including the receptiveness of countries to, and thus the effectiveness of, Fund advice.
- This review does identify instances of differences in surveillance across countries. Yet, these differences alone may not be evidence of *actual* lack of evenhandedness.
- *Actual* evenhandedness should be assessed on the “inputs” to surveillance or the way surveillance is conducted. In particular, all decisions in the surveillance process (such as decisions over resources deployed, issues to be covered, the depth of the analysis, the policy advice provided, and how the advice is to be presented) should be free from bias, and based on sound, robust and objective considerations. The “outcomes” from surveillance, namely the actual policy assessments and advice in Fund reports and the way they are presented, will differ if surveillance is tailored to country circumstances.
- Applying this conceptual framework, the differences in surveillance across countries identified in this review can be grouped into three categories:
  - Differences in the approach—or “inputs”—to surveillance that reflect the appropriate tailoring to country circumstances.
  - Occasional differences that are not well-justified. While there is not a systematic difference in treatment across countries or country groups, these inconsistencies are problematic, can contribute to perceptions of a lack of evenhandedness and should be addressed.

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- Pockets of systematic differences in treatment across country groups that represent a lack of evenhandedness (e.g., less rigorous surveillance for program countries, minimal reporting on the response to past Fund advice for advanced economies; a steep reduction in resources from functional departments for surveillance for emerging markets and low-income countries, and the main multilateral surveillance products paying little attention to developing countries. However, these latter two aspects could be explained by a risk-based approach to surveillance).
- Importantly, this review did not find evidence of a pervasive lack of evenhandedness in surveillance. However, even small instances of a lack of evenhandedness can have significance given that there remain well entrenched perceptions that the Fund is not even-handed. Because of the significance of evenhandedness to the effectiveness of surveillance, and the ongoing existence of these perceptions, the Fund should take extra measures, not only to strengthen evenhandedness, but also to demonstrate that it is doing so.
- Recommendations to strengthen evenhandedness include:
  1. Clarify what is meant by being even-handed, including providing more explanation in the staff guidance note on surveillance.
  2. Provide more explanation in Article IV reports on how surveillance has been tailored to country circumstances and why the approach and advice differs from that offered to other countries that appear to be facing similar circumstances. This would also encourage greater use of cross-country comparisons, something which is currently limited. This would be facilitated if policy topics were periodically selected—such as fiscal policy or pension reform—and the handling of the issue in the Article IV consultations for a number of countries was examined in thematic papers.
  3. All reviewing mechanisms within the Fund—senior staff in area departments, reviewing departments, Management and the Executive Board—have a significant role in ensuring evenhandedness. They must be vigilant in this regard and their role should be highlighted.
  4. Concerns over a lack of evenhandedness—be it by country authorities, Executive Directors, staff or other stakeholders—should be raised and addressed in a transparent and well-substantiated manner. Staff should prepare a periodic report on evenhandedness for the Executive Board. Further to Recommendation 3, the first periodic report should outline the respective roles of Management, staff and the Executive Board in helping to ensure evenhandedness in surveillance.

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