

Web Box 3.1

Bilateral surveillance

Bilateral (or individual country) surveillance comprises appraisal of, and advice on, the policies of each member country. The centerpiece of the IMF's bilateral surveillance is the Article IV consultation, normally held every year with each IMF member in accordance with Article IV of the Fund's Articles of Agreement (its charter). As part of the Article IV consultation process, a team of IMF economists (and in some cases financial sector experts) visits the member country to exchange views with the government and central bank and consider whether there are risks to domestic and balance of payment stability that argue for adjustments in economic or financial policies.

Typically the team also meets with other stakeholders, such as parliamentarians and representatives of business, labor unions, and civil society, to help evaluate the country's economic policies and direction. On its return to IMF headquarters, the team of experts submits a report to the IMF's Executive Board for discussion. The Board's views are subsequently transmitted to the country's authorities, completing the Article IV consultation process. Most Article IV reports are published.

Also as part of bilateral surveillance, the IMF conducts mandatory financial stability assessments for 29 jurisdictions with systemically important financial sectors every five years. The list of jurisdictions for these mandatory assessments is based on the size and interconnectedness of their financial sectors. Both the list of jurisdictions and the methodology for assessing systemic importance will continue to be reviewed periodically.

Under the Decision on Bilateral and Multilateral Surveillance, or Integrated Surveillance Decision (see Chapter 3 of the Annual Report), which took effect in January 2013, Article IV consultations became a vehicle not only for bilateral surveillance but also for multilateral surveillance. This allows the IMF to discuss with a member country the full range of spillovers from its policies when they may have a significant impact on global stability. Members have no obligation, under the Decision, to change policies as long as they promote their own stability.