

INTERNATIONAL MONETARY FUND

**2008 Triennial Surveillance Review  
Background Information and Statistical Appendix**

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In consultation with the other Departments

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**ACRONYMS**

ADV	Advanced Economies
AFR	African Department
APD	Asia & Pacific Department
BIS	Bank for International Settlements
CGER	Consultative Group on Exchange Rate Issues
DEV	Developing Countries
ECB	European Central Bank
ECCU	Eastern Caribbean Currency Union
ED	Executive Director
EMC	Emerging Market Countries
EU	European Union
EUR	European Department
FINMA	Unified Financial Market Supervisor
FSAP	Financial Sector Assessment Program
FSSA	Financial Sector Stability Assessment
GFSR	Global Financial Stability Report
GSE	Government Sponsored Enterprises
LIC	Low Income Countries
MBS	Mortgage-Backed Securities
MCD	Middle East & Central Asia Dept.
MT/LT	Medium-Term/Long-Term
PIN	Public Information Notice
SIP	Selected Issues Paper
SSP	Statement of Surveillance Priorities
TSR	Triennial Surveillance Review
WEO	World Economic Outlook
WHD	Western Hemisphere Department

## I. METHODOLOGICAL FRAMEWORK FOR ASSESSING THE EFFECTIVENESS OF SURVEILLANCE<sup>1</sup>

1. **An important contribution of the 2008 TSR is the establishment of a strengthened methodological framework for assessing the effectiveness of Fund surveillance (EFS).** The 2008 TSR is the first opportunity to establish, implement, and fine-tune the methodological framework for EFS assessment discussed by the Board in February 2007. This background paper presents the framework and reports on its implementation in the 2008 TSR.

### The EFS assessment framework

2. **The framework is based on a working definition of EFS and a set of seven key diagnostic questions that reflect prior work on the priority quality attributes of surveillance (Appendix).** The EFS working definition is that surveillance is effective when it provides, to each member country and to the international community, the information and policy advice best-suited to help preserve global financial stability and the external stability of each member country. Whether the information is used and advice followed is critical for ultimate effectiveness, but largely beyond the Fund's control. The diagnostic questions, which derive from staff's earlier work, endorsed by the Board in February 2007, emphasize substance, quality, and outcomes over process, quantities, and outputs. They reflect the understanding that priority quality dimensions of effective surveillance are relevance, appropriateness, practicality, candor, and evenhandedness. The questions (which are supported and clarified by more detailed sub-questions) are:

- (a) Is surveillance focused on the issues that are most critical to its mandate?
- (b) Is the analytical content of surveillance of sufficiently high quality to add value reflecting the Fund's unique expertise?
- (c) Is surveillance candid?
- (d) Is surveillance consistent and evenhanded?
- (e) Is surveillance effectively communicated to its key audiences?
- (f) Is surveillance having an impact?
- (g) Is surveillance cost-effective?

3. **The framework also entails an agreed set of sources of information and techniques to answer the diagnostic questions, allowing for triangulation.** The three categories of information deemed most relevant for EFS assessment are output quality, outcomes, and impact. In principle, TSRs would collect information on all three, but this one focuses on the quality of outputs and on value-added, which is a form of impact. In the future, information on outcomes and impact will also be collected, drawing, inter alia, on surveillance agendas. The agreed techniques and their use in the 2008 TSR are covered in

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<sup>1</sup> The main author of this paper is Lynn Aylward.

detail in the next section. A key feature of the approach to information and techniques is that it supports triangulation. That is, when possible, findings about particular aspects of EFS are drawn from different sources of information or different audiences, using a variety of methods, and compared for consistency. For example, different internal and external audiences were asked similar questions about the comprehensibility of staff reports.

4. **The framework provides the basis for assessing the quality of surveillance over time and across countries and for assessing progress against time-bound surveillance priorities.** Findings under the main diagnostic questions establish performance benchmarks for future TSRs. Alongside such permanent components, the framework also contains specific provisions for assessing performance against the more time-bound priorities outlined in the three-year Statements of Surveillance Priorities (SSP). Collected information is analyzed not only in aggregate, for the membership as a whole, but also separately for key country groupings (e.g., advanced/emerging/developing; area departments' coverage; floaters and peggers etc.). This permits the identification of systematic differences in treatment, which can then be examined against the background of underlying economic realities to look for suggestions of bias or lack of evenhandedness.

#### **Assessment techniques and their application in the 2008 TSR**

5. **The EFS assessment framework mainly features the following techniques.** For all of the techniques covered, the reader is referred to the Statistical Appendix for additional and more detailed information on how they were implemented in the 2008 TSR, as well as the results of their application.

#### ***Standardized qualitative assessment of a representative sample of staff reports***

6. **A representative sample of Article IV reports were internally reviewed in order to collect standardized qualitative information across the main diagnostic questions.** The review was conducted by PDR economists in a division not involved in the review process of individual country surveillance reports. The universe from which the sample was selected was defined as the 88 Article IV staff reports discussed by the Board in the period July 1, 2007 to February 28, 2008. A sample of 50 reports/countries was reviewed, rather than the universe, to allow for more qualitative and in-depth review of staff reports, compared to earlier surveillance reviews. Detailed questionnaires corresponding to the main diagnostic questions were developed by the team to collect standardized qualitative information on the reports.

7. **Several precautions were taken to maximize consistency across reviewers.** Pairs of economists from the review team “test-drove” the questionnaire for two countries per pair. That is, pairs of economists reviewed a given set of two countries against the full questionnaire and then met to compare their responses and exchange information about problems encountered and the solutions adopted. This measure helped develop common understandings across the reviewers on how to interpret the questions and implement the

questionnaire uniformly for staff reports reflecting a range of country and operational circumstances; this in turn helped ensure consistency of assessment across reviewers. Furthermore, when the internal review was completed, the team member responsible for a given part of the questionnaire checked the results across the 50-country sample for accuracy and consistency. Countries were divided up among reviewers in a way that ensured that each reviewer reviewed a group of countries that was diverse in terms of area departments, income level, and Fund program status.

8. **PDR research assistants (RAs) reviewed the reports to provide the perspective of “an average college-educated reader.”** RAs who were relatively new to the Fund reviewed the executive summaries and staff appraisal of staff reports and answered several overarching questions on the readability of reports and the clarity of key conclusions provided by the report in specific areas. These questions and the RAs’ responses provided checks for questions in thematic parts of the questionnaire on candor and evenhandedness, focus, and exchange rates.

### **Case studies**

9. **Case studies are useful for drilling down,** i.e., for undertaking thorough and comprehensive analysis of developments where country, temporal, or other specific circumstances need to be taken into account, as well as for topics that require gathering information beyond that available in staff reports; additional sources considered in case studies could include additional internal documents (e.g., briefing papers) and external ones (e.g., media coverage of Article IV consultations, relevant/concurrent analyses produced by other international institutions, credit rating agencies, consultancies, or research institutes), and interviews. Five case studies were conducted in the 2008 TSR (see Box 1).

**Box 1. Topics for Case Studies in the 2008 TSR**

- (i) The quality, consistency and candor in exchange rate analysis under the 2007 Decision;
- (ii) Fund surveillance of countries concerned in the run up to the subprime crisis and its aftermath;
- (iii) Consultations with intensive involvement of the Monetary and Capital Markets Department (MCM) following the Rajan-Lipschitz-Caruana Task Force;
- (iv) Focus of staff reports' analytical background work, including the use of cross-country analysis, based on a review of Selected Issues Papers produced for the entire membership;
- (v) The treatment of real-financial linkages and regional cross-country spillovers in a region chosen as globally systemic and highly integrated, comprising a diverse mix of countries, and ideally subject to analysis by many "competitors" (to allow a better analysis of value-added).

**Stakeholder surveys**

10. **Surveys are particularly helpful to refine diagnostics, understand the drivers of certain phenomena, and cast light on desirable remedies to problems identified separately.** Key groups are: country authorities (to gauge their views of surveillance of their country); Executive Board members (with emphasis on their views as proxy for "the international community" on surveillance of countries other than the one(s) they represent); Article IV mission chiefs (as "producers"); and the public, including financial market participants, opinion-makers (media, think tanks), and civil society organizations (CSO). Both anonymous surveys and structured interviews by staff or, where more appropriate, an independent consultant, are expected to be used in the EFS assessment framework over time. For the 2008 TSR, stakeholder consultations were carried out through surveys and, in some cases, interviews with all of the above groups as detailed in the Section III.

11. **Problems encountered.** Response rates for the surveys of think tanks and CSOs were so low (320 think tanks contacted yielded a 3 percent response rate; and 1000 CSOs contacted a 0.3 percent response rate) that feedback from these sectors was not incorporated, and in the future other means of obtaining feedback from these audiences will need to be explored. Ex post, scope for improving the parallelism of questions on similar topics in surveys of different audiences was recognized (for example, in the question on the overall quality of analysis, the breakdown of different areas of analysis was not identical across surveys). A more general problem is that, ex post, the sample of respondents to a survey or participants in interviews may not be fully representative of the original population targeted.

Given that participation is voluntary, little can be done about this, beyond making the results available by relevant subsets within a given targeted stakeholder group, when possible. In the case of the survey of Executive Directors, the breakdown of respondents across country categories is not known, as to preserve their anonymity, it was felt necessary to refrain from asking respondents questions related to the country(ies) they represent. Thus while the overall response rate (58 percent) was satisfactory, it is an open question whether the responses really capture the diversity of views of the full Board.

### *Studies by independent consultants*

12. **Using independent consultants to investigate particular questions, themes, and/or audiences provides a different governance structure to assessments conducted by staff.** Such consultants may conduct a survey, review documents, or use other sources of information, sometimes in combination with their own background or expertise. They provide views and analysis that have the potential advantages of (i) eliciting more candid feedback from both internal and external persons who are interviewed or surveyed and (ii) providing independent, external views on surveillance. For the 2008 TSR, an independent consultant was hired to conduct one of the case studies ((v) in Box 1), and another to conduct structured interviews with country authorities. Both of their reports are provided as part of the TSR documentation.

### *Indicators*

13. **Output indicators—numerical indices summarizing information on outputs and output quality—can be useful, but should be drawn on sparingly and with caution,** given their weaknesses. For the 2008 TSR, a proximity indicator that measures the sharpness of the focus of SIPs, working papers, and surveillance agendas on issues most likely to be relevant to external stability was developed as part of the analytical underpinnings of surveillance case study. Also, an indicator on the extent, quality, and impact of cross country analysis in SIPs was developed as part of the thematic study of cross country analysis and spillovers.

### **Reporting in Article IV staff reports of past surveillance advice uptake**

14. **The requirement for staff reports to report on follow up to past surveillance advice earns mixed reviews as part of the EFS assessment framework.** Since the 2002 review of surveillance, staff reports have been required to include a brief assessment of the authorities' response to the key policy challenges identified in previous consultations—a requirement instituted specifically with an eye on providing information on the effectiveness of past surveillance. The staff paper for the February 2007 Board seminar noted pitfalls of this measure, notably that the results are not detailed enough to allow conclusions to be drawn on the effectiveness of surveillance on a country-specific basis, let alone to be aggregated to form a membership-wide assessment. Also, it may be inappropriate and distortionary to assess the quality and impact of staff's past advice in the same forum where

the staff's current assessment and policy advice is presented. The measure also suffers from the pitfalls of self-assessment, since the assessment of uptake of advice is done by the same department and staff that developed the advice. The 2004 surveillance review found that the reporting in many cases was "cursory, partial, and pro-forma."<sup>2</sup> The present analysis finds that only 60 percent of staff reports include this "required" information, and in only about one-half of these cases is the information reasonably substantial, i.e., one-half page in length or more.

15. **Further experience has clarified that this reporting serves two distinct functions.** For some consultations, it can provide useful background information to Executive Directors; but it was instituted as a universal requirement in Article IV reports not for this purpose but as a means of EFS assessment. The first function is clearly valuable, while as the preceding paragraph indicates, the second is not well served. Staff therefore proposes that it be understood that the sole purpose of the reporting is the first function. Therefore staff could use judgment in deciding whether the information is useful background but would not be required to present the information as a form of EFS assessment. These sections of staff reports do not say anything about whether the authorities' actions were influenced by surveillance, and there is some risk of selective reporting when key areas of advice are not identified ex ante. In future TSRs, staff will be able to draw on the three-year surveillance agendas to assess actual outcomes against those intended ex ante.

#### **Assessing performance against the SSP**

16. **As part of the TSR, the performance against priorities established in the SSP will be assessed.** It is expected that this assessment will draw on the assessment tools outlined in the previous section. The SSP provides that at the time of each TSR, the Managing Director will report on progress in attaining the SSP priorities, management's and staff's contributions, and the factors that impeded progress. The specific questions set out in the box accompanying the SSP (see Annex in the overview paper) will provide useful guidance to develop specific performance benchmarks, and it is expected that assessment of the SSP priorities will draw on the various tools outlined in the section on assessment techniques above.

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<sup>2</sup> [Biennial Review of the Implementation of the Fund's Surveillance and of the 1977 Surveillance Decision - Modalities of Surveillance.](#)

### Basic Framework for Assessing the Effectiveness of Surveillance

**Object of the assessment.** Surveillance is effective when it provides, to each member country and to the international community, the information and policy advice best-suited to help preserve global financial stability and the external stability of each member country. Whether the information is used and the advice followed is critical for ultimate effectiveness, but largely beyond the Fund's control. What the Fund is responsible for in making surveillance effective is the focus of its efforts, the richness of its analysis and advice, and the quality of its communication. It is these that enable the Fund to maximize, within its mandate, its relevance to its members. The actual impact of surveillance will also depend on the Fund's legitimacy—a dimension largely related to governance, but for which evenhandedness in surveillance is also important.

**Key questions.** This broad conceptual framework can be translated into a list of overarching questions that should constitute the backbone of future TSRs. Relative emphasis on the different aspects could vary over time as circumstances require. The key questions—which conceptually apply to all forms of surveillance: bilateral, regional or global—are listed below (**focus areas for the 2008 TSR are italicized**).

- (a) **Is surveillance focused on the issues that are most critical to its mandate?**
- ❖ *Is surveillance (and underlying analytical work) focused on global and single country domestic and external stability, and their interdependence?*
  - ❖ Is analysis focused on areas where risks are greatest?
  - ❖ Is surveillance timely in its analysis of issues?
- (b) **Is the analytical content of surveillance of sufficiently high quality to add value reflecting the Fund's unique expertise?**

#### *Analysis of risks and real-financial linkages*

- ❖ *Does surveillance provide adequate health checks, including sharp analysis of exchange rate issues ?*
- ❖ *Does surveillance adequately integrate the analysis of economic and financial risks?*
- ❖ *Is surveillance good at diagnosing risks and anticipating adverse developments?*

#### *Multilateral perspective*

- ❖ *Does surveillance help members understand the international context and implications of each member's policies (both inward and, where relevant, outward spillovers)?*
- ❖ *Does it make enough use of the Fund's cross-country knowledge?*

#### *Quality of Policy Advice*

- ❖ Are surveillance recommendations appropriate and well-tailored to the economic situation?
- ❖ Do surveillance recommendations have enough operational acumen? Or are they sometimes impractical given country circumstances, or too generic to be useful?

- (c) **Is surveillance candid?** <sup>1</sup>

- ❖ *In assessing domestic and external stability, does surveillance too often wear rose-colored spectacles (e.g., assume problems away)? Does it tend to focus too much on central scenarios at the expense of risks?*
  - ❖ *Does surveillance tend to couch the description of problems (e.g., vulnerabilities, exchange rate misalignment) or recommendations in unclear or overly hedged language?*
- (d) **Is surveillance consistent and evenhanded?**
- ❖ *Is the quality of surveillance (as defined in a, b and c above) consistent across countries and country groups?*
  - ❖ *Are surveillance policy recommendations consistent across countries (i.e., similar for countries in similar conditions)?*
  - ❖ *Is the degree of candor in assessing risks and recommending policy adjustments consistent across countries?*
- (e) **Is surveillance effectively communicated to its key audiences?**
- ❖ *Are the key vehicles available (mission concluding statements, staff reports, summings up, published bundles) effective and efficient in conveying the messages of surveillance to their key audiences—country authorities, the Board, the broader international community, and the public? In particular, are staff reports and bundles (in their current format) well-suited to communication with the Board, the international community, and the public?*
  - ❖ *Are other forms of communications and outreach used sufficiently and effectively?*
  - ❖ *Is surveillance communicated in a sufficiently timely fashion to its various audiences?*
  - ❖ *Separately from the vehicle, are surveillance messages presented in a convincing, user-friendly manner (e.g., well argued, prioritized)?*
- (f) **Is surveillance having an impact?**
- ❖ *Is surveillance significantly informing policy decision making? the public debate? markets?*
  - ❖ *Are the policy recommendations of surveillance followed?*
- (g) **Is surveillance cost-effective?**
- ❖ *Do the modalities of surveillance allow it to deliver the best value at the lowest cost?*

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<sup>1/</sup> The questions under this heading have been assessed in the 2008 TSR with a sharp focus on external stability and exchange rate issues, against the background of the adoption of the 2007 Surveillance Decision.

## II. REPORT ON INTERVIEWS WITH COUNTRY AUTHORITIES<sup>3</sup>

1. Interviews were conducted with senior officials from 19 countries.<sup>4</sup> According to the WEO classification, 7 countries belong to the group of advanced economies and 12 to the group of emerging market and developing countries.<sup>5</sup> The interviews were based on a brief questionnaire distributed to interviewees before the meetings and concentrated primarily on the key questions related to implementation of surveillance to be examined in the 2008 TSR, namely: **appropriateness of focus**, given the mandate of surveillance and the circumstances of the member; **analytical value-added**; and **the effectiveness of current modalities of bilateral surveillance**, especially the way in which its messages are communicated to the authorities and other audiences in the country.

2. **Almost all of those interviewed said IMF surveillance added significant value**, through several channels: (i) as an integrated macroeconomic assessment from a global perspective; (ii) as a test against the authorities' own judgments; (iii) as a transparent source of standardized information and, for some countries, (iv) as a source of specific policy advice. On the latter, most interviewees from advanced economies said surveillance generally did not say anything they had not already heard about policies, but it provided a useful comprehensive synthesis. This was especially appreciated by interviewees from smaller advanced economies. Many interviewees from emerging markets noted that the uniqueness of IMF surveillance as an external assessment was less than before, which highlighted the importance of adopting surveillance outputs so as to maintain IMF relevance. The messages from interviewees across different groups of countries were broadly similar, except where noted below.

### Appropriateness of focus

3. **Many regarded the 2007 Decision as a welcome legal framing of what IMF surveillance had already been doing in recent years.** Therefore, in judging its implementation, they did not expect to see radical changes in approach. In any event, it was still too early to judge the full extent of any changes on those countries that had not yet completed a full cycle under the new framework.

4. **Almost all those interviewed supported the new focus, but stressed that it had to be tailored to specific country circumstances.** In particular, the new framework should not become another "check list." For example, several of those interviewed had the impression that some surveillance reports were overemphasizing the discussion of regional spillovers or

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<sup>3</sup> Prepared by David Goldsbrough.

<sup>4</sup> Interviews were conducted during April 2008 by two external consultants, Messrs. David Goldsbrough and Max Watson. No staff were present during the interviews.

<sup>5</sup> See Annex I for a full list of countries.

deviations of exchange rates from “equilibrium” even when the evidentiary basis was limited and other issues were more important.

5. **Many of those interviewed thought that the coverage of exchange rate issues still lacked uniformity.** For example, there was wide disparity in the coverage of CGER analysis across surveillance reports with different advanced and emerging market economies. Many emphasized the need for new operational guidelines on surveillance to ensure greater uniformity. Some thought the treatment of exchange rate issues in the bilateral surveillance reports for member countries of currency unions as integrated as those of the EU was especially problematic, since they did not think the current account balance of individual member countries of the union contained useful information about the exchange rate.

6. **Interviewees thought the FSAP approach had added major value and had helped to deepen surveillance of financial sector issues, but the follow-up could be improved further.** The integration with surveillance can be patchy and needs to move further from a follow-up of static assessments against standards to a more dynamic analysis of key risks and risk management. A number of interviewees said the insufficient technical expertise on financial sector issues of regular Article IV missions had reduced the value of some follow-up discussions on the financial sector.

7. **There was broad support for deeper surveillance coverage of real-financial sector linkages.** Many interviewees recognized that this involved significant analytical challenges, but that the Fund should take the lead in analyzing such linkages from a global perspective. For example, more attention should be given to approaches that treated endogenously the consequences of various shocks for credit expansion and growth. One interviewee noted that the FSAP Handbook already set out possible analytical approaches and another suggested that greater efforts could be made to incorporate World Bank analysis of the real sector into surveillance exercises.

8. **Many interviewees stressed the need for realism about the Fund’s role in predicting crises.** Financial markets are highly dynamic and the IMF neither could nor should be expected to detect all potential crises, especially if domestic supervisors failed to do so. The Fund role should be to highlight the most significant vulnerabilities as it sees them, with the focus on global inter-linkages. In this respect, some interviewees thought that the Fund had been slow to analyze the potential ramifications of the U.S. mortgage-financing crisis.

9. **While recent surveillance reports were moving in the right direction, many interviewees would like to see even more emphasis on distilling relevant experience from other member countries.** Several interviewees mentioned specific examples where greater emphasis on analyzing how other countries had addressed certain policy issues would have been useful (e.g., dealing with the macro challenges of terms of trade appreciation in advanced economy natural resource exporters; detailed policy responses to capital inflows in emerging markets). They noted, for example, that more could be done in bilateral surveillance to draw out country-specific policy lessons both from multilateral surveillance analysis and from bilateral surveillance of other countries facing similar policy issues. (See the next section for specific examples.)

10. **A number of those interviewed thought that bilateral surveillance still gave too much attention to general structural reform issues, where the IMF often had little new to add. Several mentioned *pro forma* and rather superficial discussions of trade policy as an example.** Fund surveillance should be even more selective and go deeper with topics chosen according to country circumstances and linked more dynamically to future macro challenges. Some interviewees noted that the Executive Board had to contribute to this selectivity, by refraining from new mandates outside the core competencies and not criticizing staff when greater selectivity means some issues are not covered.

11. **While there was broad support for a greater emphasis on regional linkages where these were substantial, the relevance of a more “regional” approach to country surveillance depended on each country’s circumstances.** Interviewees from countries where regional trade and financial linkages were not large said greater regional surveillance risked distracting from more important activities. Some from relatively smaller countries, including among the advanced economies, said a shift to regional surveillance reports could risk crowding out some issues of importance to them. In the words of one interviewee, earlier attempts to “streamline” surveillance, with distinctions between systemic and non-systemic countries, had not been well thought through, since the integrated assessment of IMF surveillance was often of greater value added to the latter countries. In countries where regional linkages were substantial, interviewees saw greater regional surveillance as a useful supplement to, rather than a replacement of, bilateral surveillance. In such cases, the main value added would come from an exploration of economic and financial spillovers within the region rather than from comprehensive regional surveys.

12. **In countries with IMF-supported programs, a broader surveillance dialogue is still crowded out by the continued focus on detailed program implementation during Article IV missions.** Interviewees from developing countries who commented on this issue said a great surveillance focus on the forward-looking macro challenges of enhancing growth was needed, rather than detailed reporting on program implementation. This would require greater selectivity, with some interviewees welcoming what they saw as a recent reduction in surveillance attention given to detailed social expenditure and poverty issues.

### **Analytical value-added**

13. **Many of those interviewed thought the exchange rate analysis (specifically, the CGER exercise) was not yet sufficiently robust to justify the weight put upon it in many recent surveillance reports.** In particular, a good conceptual definition of ‘external stability’ was still lacking to make the framework operational. While most supported the Fund’s continued efforts to develop its analytical tools in this area, the language used in reporting results needed to be very cautious. Greater uniformity of treatment across countries was also needed. Several interviewees also said the Fund was often too quick to translate an analysis of price competitiveness into exchange rate policy advice, whereas many other policies also influenced cost structures. In contrast, some others stressed that, while the underlying analysis was inevitably imperfect, the Fund as an institution was still not sufficiently forceful in expressing its conclusions when there was evidence of major misalignments.

14. **Many interviewees identified the Fund’s fiscal analysis as a particular source of value-added.** Longer-term fiscal sustainability exercises that took account of ‘hidden’ fiscal costs in the broader public sector had often been helpful in adding to the transparency of the public policy debate, even in a number of cases where the underlying facts were already well-known to the authorities.

15. **Treatment of financial sector issues in surveillance has greatly improved in recent years, in large part because of the FSAP, but further improvements in the analytical toolkits used in country work were needed if the Fund were not to fall behind the curve.** Some interviewees said that the follow-up of the FSAP process in subsequent missions had not had the same ‘level’ of dialogue as on more general macro policies; in some cases, there was too much of a ‘checklist’ approach to following up on minor details rather than considering risks and risk management in a holistic manner. One interviewee suggested that, while it was unrealistic to expect the Fund to predict specific crises, it could do more to explore in advance possible spillover routes of financial shocks and the influence of different institutional settings. Another noted that, while the FSAP Handbook already had a useful chapter on approaches to treating endogenously credit expansion and economic growth, most FSAPs relied on simpler stress tests; consequently, the ‘next generation’ of FSAPs and surveillance needed to upgrade the analytical tools applied.

16. **Many said they would like to see more evidence-based policy advice, adapting global analysis and cross-country experience to country-specific circumstances.** One positive example cited of such analysis was the recent study of the impact of high oil prices, which had used the Fund’s comparative advantage to combine a global assessment with regional and country specifics. One issue mentioned where a number of interviewees from emerging market and developing countries would like to see more concrete, operational advice was on the interlinked issues of capital market reform, financial sector liberalization, and foreign exchange markets.

17. **The timing of IMF analytical inputs influenced their effectiveness.** For example, a number of those interviewed said the Fund’s analysis of the fallout from the sub-prime crisis, while comprehensive, had been less timely, and therefore less helpful to them in providing a quick assessment of the potential consequences for their own country than reports by others, including investment banks. A number of those interviewed said they relied more on reports produced by a few major central banks for information on developments in key advanced and emerging market economies, because of their greater frequency. Moreover, the timing of IMF analysis needed to be determined as part of a broader strategy to maximize the input to the domestic policy debate, not supply-driven by the interests and capabilities of the Article IV team. Several interviewees quoted examples where IMF analysis of an issue had been of high quality, but had come too late to influence the domestic policy debate. However, many said that pre-mission consultations on what were likely to be the most critical policy issues for surveillance had improved the relevance of the dialogue and of thematic background reports in Selected Issues papers.

18. **While acknowledging recent improvements, many of those interviewed said bilateral surveillance needed to take greater account of country-specific institutional elements.** In addition to political economy considerations (e.g., advice to implement across-

the-board reductions in subsidies was often not realistic), a number quoted examples from the financial sector where they thought that greater familiarity with the institutional setting would have improved the quality of the policy advice.

19. **A number of interviewees from emerging market and developing countries said the Fund approach to analyzing macroeconomic issues in their countries—built around the financial programming framework—was behind the times and needed updating.** More sophisticated and ambitious approaches, especially to analyzing real-financial sector linkages, were potentially available (see earlier discussion).

### **Modalities of bilateral surveillance**

20. **Interviewees commented on two aspects of surveillance modalities: (i) the way in which IMF surveillance messages were communicated** (i.e., the frequency, speed, and product design of bilateral surveillance outputs and the quality of communications), and (ii) factors affecting the efficiency of surveillance.

21. **No strong demand for a radical change in the types of surveillance output emerged from the interviews, but many thought the time lags needed to be shortened.** Many said that the key value added—in terms of influence on policymakers—came at the time of the concluding statement of the Article IV missions and any associated briefings of high officials. Production of staff reports and the subsequent Board discussion several months later generally had limited additional impact. Many thought the time between the end of the staff visit to the country and the subsequent Board discussion and release of the staff report was too long. Some also suggested that less time and resources could be devoted to preparing the formal staff reports, since the mission’s concluding statement already contained the key messages. One interviewee suggested that resources could be shifted to producing shorter, but more frequent and hence more timely, policy-oriented notes on key groups of countries.

22. **In contrast, many interviewees argued strongly that the way in which surveillance messages were communicated in the various surveillance outputs needed substantial further improvement.** Many said that, while the drafting of Article IV reports had improved in recent years, more work was needed to produce shorter, sharper, and more focused reports. Several gave specific examples where they had revamped the language of staff reports in order to extract salient messages to brief senior policy officials or parliamentarians in a form that would have more influence on the domestic policy debate. One interviewee said the informal approach of many of his colleagues was to “only read the Boxes,” since they tended to contain most that was original in a staff report.

23. **The language of the Board Summing Up was behind the times, in terms of modern approaches to policy communications, according to a number of those interviewed.** Several said that the language used was too coded and cryptic and therefore less accessible outside a narrow circle --“as if the Fund is talking to itself,” in the words of one interviewee. One Finance Minister said the Summing Up was an important document for his country, since he used it to convey the IMF messages to his Cabinet colleagues; however, he had to ask his staff to “translate” it into plain English before it could serve this purpose.

Several of those interviewed suggested the Fund could learn more from recent advances in the way some central banks conveyed their policy messages (e.g., in the context of inflation-targeting frameworks). The conventions used to convey the number of Directors expressing a particular view ('some,' 'a number of,' 'a few,' etc.) were judged especially opaque by many interviewees, who said such language detracted from the clarity of the surveillance message.

24. **A variety of views were expressed on the Fund's transparency initiatives.** Most of those interviewed favored publication of country surveillance reports, but a number argued that the emphasis on making public the Fund's advice, except on those issues that were highly market sensitive, had gone too far and risked undermining the Fund's role as a confidential advisor in their countries. This group thought the appropriate degree of transparency should be decided according to country-specific circumstances. In any event, many said that more scope should be given for the authorities to present their views when they disagreed with the Article IV mission's concluding statement, since the opportunity to express such views at the time of the Board discussion could, in their view, come too late.

25. **While many stressed that surveillance was a core activity of the Fund and needed adequate resources, several suggestions for improving the efficiency of surveillance operations were made during the interviews,** including (i) greater use of modern communications prior to the Article IV mission to reduce the large amount of time devoted to technical questions; (ii) more use of videoconferencing with relevant HQ experts so that scarce IMF expertise (e.g., on the financial sector) is used efficiently during surveillance; (iii) devoting more in-house research resources to developing analytical toolkit modules for country teams (e.g., for analyzing real-financial sector linkages); (iv) developing more systematically a "knowledge data bank" on different country experiences with a select group of policy issues that were likely to arise frequently in coming years (possibilities mentioned included responses to capital inflows, operational intricacies of exchange markets, and comprehensive fiscal balance sheets); and (v) further efforts to reduce staff turnover on Article IV missions, although many recognized recent progress in this area.

**Country Interviews Drawn Upon for this Report**

Australia	France
Germany	Hungary
Switzerland	Iceland
Japan	Latvia
United States	Russia
China	Serbia
India	
Indonesia	
Lebanon	
Saudi Arabia	
Cameroon	
Morocco	
Bolivia	

### III. SUPPORTING INFORMATION FOR THE SUBPRIME CASE STUDY

1. This section provides more detailed, but not exhaustive, factual supporting information on staff analysis produced in the period leading up to August 2007, organized by country case. References to paragraph numbers in the main text are to Supplement 1, Chapter VII.

#### A. United States<sup>6</sup>

2. Many of the macroeconomic and institutional developments that led to the buildup of vulnerabilities in the run-up to the “subprime crisis,” as well as specific vulnerabilities, risks and risk transmission channels were identified *ex ante* (§95-97). Analysis of the **financial sector trends** has been presented in different issues of the GFSR and picked up/developed in Staff Reports(SRs)/Selected Issues Papers (SIPs):

- Credit rating agencies and pricing of structured products. *GFSR, Apr 2006*: “*In particular, structured credit products are likely to suffer more severe, multiple notch downgrades paths...*” (p. 61); “*... a more differentiated rating scale may be useful for structured products*” (p. 61); *SR07¶6*: “*In hindsight, the losses incurred on bundled subprime mortgage securities indicate that rating agencies and investors underestimated the weakening of lending standards and its impact in 2005–06*”; *SR07¶25*: “*...credit rating agencies are playing an increasingly important role in how complex financial products are structured, which could involve potential conflicts of interest in that rating agencies have an interest in facilitating continuing investor appetite for such products to generate fees.*”
- Securitization model. *SIP06, Ch1, ¶3*: “*With securitization, banks and other mortgage originators have been able to shift significant amounts of credit and market risks to MBS holders...*”; *SR07¶6*, “*The originate-to-distribute model, however, could be exacerbating incentive problems in financial markets. The intermediaries at various stages of the process— originators, securitizers, and pool managers—are remunerated primarily through fees and often bear only limited long-term balance sheet exposure to the underlying assets. This can reduce their incentives to maintain loan quality.*”
- Pro-cyclicality of risk management models. *GFSR, Sept 2003: Developments such as value-at-risk models and the ratings-based approach in Basel II greatly improve risk management. They also, however, carry the risk of pro-cyclicality and amplifying volatility by requiring asset sales as volatility increases,* *SIP04, ChVI, ¶16*: “*Supervisory assessments would need to include efforts to understand the systemic implications of risk management systems and instruments, and to identify critical factors for the liquidity of markets in which hedging instruments are traded.*”

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<sup>6</sup> Prepared by Anna Ilyina.

3. Staff flagged several *weaknesses in the US financial system and regulation*:
- Systemic risks and moral hazard concerns related to the activities of the government sponsored enterprises (GSEs) Fannie Mae and Freddie Mac. SR04, Box 6: “*Besides their size, the GSEs are important to financial stability for several reasons: About 30 to 50 percent of their liabilities are short-term; their role as one of the largest counterparties in the interest-rate and swaption market...*” “*The potential for future problems is exacerbated by the continued perception of an implicit government guarantee,*” SR05, ¶44: “*The mission supported the Administration’s plans for establishing an independent regulator, involving limits on the size of GSE portfolios and allowing the regulator to set capital requirements, design stress tests, and place a financially-weak GSE into receivership,*” SR06, ¶55: “*Action is still needed to carry forward the Administration’s proposals to strengthen the supervision of the housing GSEs and limit the size of their balance sheets so as to contain systemic risk in financial markets.*”
  - Lax lending standards in the subprime market. SR06, ¶43: “*Supervisory agencies indicated that they were close to finalizing a guidance note (subsequently issued in May) requiring banks to strengthen risk management with regard to riskier mortgage products, a move welcomed by staff.*”
  - Fragmentation of the regulatory framework. SR07, ¶51 “*With several federal and many state regulators overseeing this evolving system, the new emphasis on improving regulatory effectiveness is welcome.*”
  - Consumer protection. SR07 ¶25 “*Fed officials explained that, in light of the subprime shakeout, they are examining whether regulations implementing the Truth in Lending Act could be modified to address concerns of predatory lending, including by nonbanks that are not covered by guidance from federal regulators. Staff supported these efforts, but suggested that, given the importance of state-registered nonbanks in originating mortgages, federal legislation might also be needed to improve the consistency of enforcement.*”
4. Staff also warned about possible *event risks*, including:
- a sharp rise in delinquencies on mortgage loans in subprime and near prime (“Alt-A”) segments. SIP06, ¶9 :“*...As the housing market is beginning to cool, however, concerns are growing that payment resets on ARMs and nontraditional mortgages could shock many marginal households.*”
  - a drying up of liquidity in securitized asset markets. GFSR, Apr06: “*...the diversity of participants within the different tranches of a CDO (or its capital structure) is often limited and secondary market liquidity is therefore often also limited*” (p.56) “*In the structured credit markets, we believe the risk of liquidity disturbances is material*” (p.81).

- a volatility spike. *GFSR, Sept 03*: “Excessive leverage often turns volatility into instability” (p. 5); *GFSR, Apr07*: “A volatility shock... could precipitate sharp portfolio adjustment and a disorderly unwinding of positions. The consequences of such a shock would be amplified by the rise in leveraged investment positions, the increased use of complex derivative instruments that remain untested in more volatile market conditions, rising portfolio exposure to illiquid instruments, and the prevalence of crowded trades” (p.29)”; *SR07, ¶25*: “...As discussed in the April 2007 editions of the Global Financial Stability Report and the Bank of England’s Financial Stability Report, a sudden rise in risk aversion could uncover unanticipated vulnerabilities, illiquidity in newer markets, and major losses in asset value.”

5. As the subprime crisis began to unfold, staff warned about **similar vulnerabilities in other markets**, e.g., leveraged loans: *SR07, ¶7*: “Staff see parallels to subprime mortgage developments in other market segments, including leveraged loans. In particular, the boom in leveraged buyouts is being funded through CLOs which have been in high demand from investors, and there is evidence that covenants in the underlying loans have eased. A turn in the credit cycle, especially if volatility and risk aversion rise, could expose financial vulnerabilities and unanticipated risk concentrations, with adverse effects on activity.”

6. Staff’s analysis of the size and sources of **cross-border risk transmission** showed the importance of outward spillovers from the US through financial channels. See *SIPs 07, Ch I: “Summary of Foreign Entanglements: Measuring the Size and Source of Spillovers Across Industrial Countries,”* and *Ch II “Summary of the Ties that Bind: Measuring International Bond Spillovers Using Inflation-indexed Bond Yields.”*

### What could have been done better?

7. Many issues were analyzed in depth, but the bottom line reached was overly optimistic (¶99–102):

- The likelihood and magnitude of a housing market correction. The US housing market started to falter in 2005–06. The risk of a correction was discussed in the *SR04, SR05* and *SR06*. Staff subscribed to the official view of “no nationwide bubble”, on the basis of staff’s own empirical analysis.<sup>7</sup> *SR04, ¶17*: “They (officials) agreed with staff that some regional markets appeared overheated but observed that house prices in general were recovering from relatively sluggish increases during the 1990s and were broadly in line with disposable income,” *SR05, ¶15*: “Officials also noted signs of “froth” in the housing sector...However, the situation at the national level was less of a concern, and the most likely scenario was a flattening of prices rather than outright declines... Staff agreed that house price stagnation was the most

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<sup>7</sup>A similar view (at least until 2005) was shared by some prominent academics: “... However, judging from the historical record, a nationwide drop in real housing prices is unlikely, and the drops in different cities are not likely to be synchronous: some will probably not occur for a number of years. Such a lack of synchrony would probably blunt the impact on the aggregate economy of the bursting of housing bubbles.” (“Is There a Bubble in the Housing Market?,” K. Case and R. Shiller, Cowles Foundation Paper N.1089, Yale, 2004).

*likely scenario.*” The house price overvaluation was explicitly acknowledged after the correction had already started (SR06, ¶7: “Staff observed that, while conditions varied across regions, U.S. house prices seemed overvalued and a correction appeared to have started.” (Chapter 1 of the Selected Issues paper suggests “house prices are 15–20 percent above equilibrium.”)

- The overall fragility of the US financial system, including the potential impact of a house price correction. During 05-06, the lack of concern about a nationwide housing bubble combined with the fact that banks’ loan portfolios seem to have been well diversified across regions supported staff’s view that financial system was resilient to the potential real estate shock. SR05, ¶43: “Risks to banks from a correction in housing markets were judged relatively low. Despite froth in some regional markets and increasing use of riskier mortgage products, such as interest-only and adjustable rate loans, trends on a national level were less of a concern and loan portfolios were well diversified geographically,” SR06, ¶26: “Financial sector risks related to household borrowing appeared relatively manageable....,” SIP06, ChV, ¶18: “Financial soundness of Large Complex Banking Groups (LCBGs), as well as investment banks and insurers is found to have improved in 2003-05. Distance-to-Default (DD) measures are at multi-year highs, while weakening comovements of LCBG risk profiles point to diversification gains at a system level.” Even in 07, spillovers from subprime to the broader financial system were still viewed as being contained and systemic risk was still judged to be low. SR07, ¶4: “... Rising subprime delinquencies led to a jump in spreads on higher-risk mortgage-backed securities, but there has yet been little contagion outside of the near prime (“Alt-A”) segment of the mortgage market, reflecting the wide dispersion of risk and concentration of difficulties in specialist subprime originators...”

### **Known Unknowns, and Unthinkable**

8. The full impact of the crisis would have been difficult to gauge, as it would have required data that was non-existent, or known unknowns: (¶103)
- Incomplete information about potentially relevant risk exposures.<sup>8</sup> e.g., staff’s sensitivity analysis to the real estate shock on the LCBGs in Box 2, SIP06, ChV, focused only on retained loan book, not including MBS exposures; also, measures of leverage for LCBGs would have been more informative if they were computed on a consolidated basis (including both on and off-balance sheet positions), especially given that SIVs turned out to be not as remote as they were generally believed to be, as illustrated by the Bear Stearns’ case.
  - Difficulties in assessing certain risk exposures were acknowledged by staff. SR07, ¶50: “.. new instruments have made it more difficult to assess risks at a time

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<sup>8</sup> It should be acknowledged that staff’s access to financial data/information in the context of an Article IV consultation is typically more limited than in the context of an FSAP mission.

*when benign market conditions have encouraged risk taking and lower lending standards. Tightening financial conditions could expose unanticipated risk concentrations and links across markets.” GFSR, Sept 03: “ Supervisors must continually improve the sophistication of their leverage measurement—both on and off-balance sheet—to keep up with market innovations ” (p. 5).*

- Some of the information gaps were explicitly acknowledged as well: *SIP06, ChV, ¶11: “Informational lacunae are especially evident in the reporting of hedging and credit risk transfer activity;” Footnote 33: “The regulatory data do not, for instance, separate derivatives dealing positions from proprietary hedges, or clarify whether interest and exchange rate contracts represent net long or short positions, or identify holdings of collateralized debt and mortgage obligations by tranche;” ¶15: “...accounting data shed little light on growing risk transfer activity, while market prices cannot be assumed to perfectly reflect underlying risks,” GFSR, April 2006: “While structured credit products provide a wealth of market information, there remains a paucity of data available for public authorities to more quantitatively assess the degree of risk reduction among banks and to monitor where credit risk has gone”.. “such calculations require more detailed transaction data not currently collected by public authorities (including tranche-specific distribution data).”*

9. The freezing up of the interbank money market and a sharp increase in liquidity funding risk for otherwise-solvent, systemically important core institutions were “unthinkable” and unforeseen by anybody (¶104). Any discussion of the counterparty risks tended to focus on exposures of regulated financial institutions to hedge funds. *SR07, ¶23: “...staff were concerned about whether adequate due diligence—including of exposures of the core to hedge funds—was possible with limited hedge fund disclosure, whether risk management systems were sufficiently robust to a shock with consequences across a range of markets and if, given likely shifts in the investor base for hedge funds, consumer protection issues would become more pertinent.”*

### **Was the right policy advice given?**

10. Staff mostly expressed support for policy measures already taken, or under consideration (¶107).

- Staff’s broad support of the Fed’s monetary policy stance was consistent with the benign view on the US housing market. *SR04, ¶68: “The Federal Open Market Committee (FOMC) has appropriately begun preparing market for the gradual withdrawal of stimulus,” SR05 ¶52: The Federal Reserve’s gradual and flexible approach to monetary tightening has been effective.... Looking forward, however, monetary conditions still appear accommodative and—especially against the background of low unemployment, the recent rise in unit labor costs, and house price inflation—a more aggressive pace of interest rate hikes cannot be ruled out.”)*
- The financial sector policy recommendations appear to have been mostly in line with the authorities’ plans. *SR07, ¶28: “Staff reiterated their support for proposals to*

*improve regulatory effectiveness;” SR07, ¶51: “...We strongly support plans to study the scope for rationalizing the regulatory structure, which can build on options earlier discussed by the GAO.” In some areas, staff’s recommendations were more specific and/or went a bit further than the authorities’ plans at the time (SIP07, Ch IV, ¶48 did contain a specific recommendation for the US authorities to consider moving investment banks under the Fed’s supervision); staff repeatedly recommended publishing a Financial Stability Report.*

### **Were views communicated with enough emphasis?**

11. The degree of concern related to flagged risks was not always clear, and headline messages tended to be reassuring (¶108).

- Headline messages presented in SR05, SR06, SR07 continued to be reassuring. Even when financial market disruptions in the spring 2007 brought downside risks into a sharper focus, staff continued to put more weight on the “soft landing” scenario SR07, ¶4: *“Underlying the baseline forecast of a soft landing is the continuation of supportive financial conditions, even after the emergence of problems with subprime mortgages.”* SR07, ¶23: *“Core commercial and investment banks are in a sound financial position, and systemic risks appear low.”*
- Against the benign baseline outlook, warnings were presented either as more medium-term “regulatory challenges” (SR07, ¶25) or in the form of general cautionary statements. SR07, ¶25: *“Staff suggested that, while recent financial developments have helpfully spread risk, the impact of an extremely adverse market outcome may have risen...”*

## **B. United Kingdom<sup>9</sup>**

### **What was called**

12. All of the underlying conditions and trends (the state of the world) were discussed, and many aspects of the institutional frameworks, though some were—wrongly—not assessed as critical at the time (¶95-98). Most vulnerabilities had been recognized and risks individually investigated (¶97).

- Rising house prices were emphasized from as early as 2002. A Selected Issues paper on *House Prices* (CR/03/47, p. 10, ¶15) warned *“in 2002 that increases in real house prices appear significantly out of line with ... determinants.”* The 2004 Report (CR/05/80, p.3) noted *“house prices are widely seen as overvalued,”* referencing the September 2004 WEO research. By 2005, as house price increases decelerated, the Staff Report (CR/06/86, ¶12) noted *“staff suggested that house prices are likely still overvalued”* but *“the degree ... is tempered by ... the stabilization of house prices over*

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<sup>9</sup> Prepared by Chris Marsh.

*the past year.*” The 2006 Report later noted (CR/07/91, ¶9), “*House price growth increased [again] ... and house prices are likely overvalued;*” (¶14) “*risks are not insignificant*” and “*increases... risk of an abrupt downward adjustment.*”

- Increased risk taking and search for yield was flagged in the 2005 Selected Issues FSAP Follow-Up (CR/06/87, p.103)—while “*The outlook for the U.K. banking system is favorable...*” (¶1), it offered the caveats, “*medium-term risks exist, shaped by apparent expectations that benign credit conditions will continue indefinitely... risk may currently be underpriced, as investors leverage-up in their search for returns...*” (¶2). The Staff Report echoed this message, including “*increasing leverage and ... search for yield represent downside risks*” (CR/06/86, ¶6). In 2006, the house price pick up was linked to the “*decline in 2-year bond yields*” (CR/07/91, ¶9).
13. Institutional arrangements in the financial sector were picked up in the 2003 FSSA.
- The eventual shortcomings of the “Tripartite Arrangement” were not foreseen, however these shortcomings at least partly reflected a failure in *implementation*—beyond what surveillance can be expected to see. The FSSA had noted (emphasis added): “*The UK’s financial stability policy framework is well designed... While the framework has yet be tested in a genuine crisis, the MoU provides a strong framework for coordination and information sharing..., both in crisis periods and more normal times*” (CR/03/46, ¶80). Later, missions asked about simulation exercises designed to identify implementation weaknesses (see below).
  - The FSSA also noted that the success of authorities’ deposit insurance scheme was “*highly dependent on ... safety nets [being]... well understood by potential claimants...*” (¶104). In addition, in implicit recognition of possible problems with insurance payments under this scheme, this paragraph went on to note that at a planned review of the deposit insurance arrangements, “*one of the aspects that should be considered is whether a more explicit contingency credit line from the Government would be desirable.*”
  - The fact that “*The UK has no special statutory regime to address the insolvency of financial institutions*” was also recognized in the FSSA (¶42), however, it was not flagged as a major weakness since it was noted that “*The authorities... can take a number of enforcement actions before an institution reaches the stage of statutory insolvency proceedings*” (¶43). But the FSSA went on to encourage the authorities “*to keep the issue under review ... with a view to considering the scope and desirability of possible reforms to the system to broaden the ability of the FSA and/or other governmental agencies to restructure and liquidate financial institutions outside of the corporate insolvency system*” (¶103).
14. Most emerging vulnerabilities and risks were picked up:
- Exposure from the credit risk transfer instruments were (Selected Issues, CR/06/87, p.94) “*a key concern ... may actually pose problems for financial sector stability in the event of a major negative shock in credit markets*” and recommended “*greater*

*disclosure by financial institutions, of their holdings in CRT instruments.”* But the overall message, consistent with the GFSR, was that CRT *“has facilitated the dispersion of risk and enhanced the stability and efficiency of the financial system”* (p. 79).

- Risks from UK-based subprime lending in the context of search for yield was noted in (Selected Issues, CR/06/87, p.94, ¶13) *“Sub-prime mortgage lending in the United Kingdom is reportedly increasing... more mainstream lenders are reportedly entering the market, albeit at the less-risky end of the sub-prime range initially.”* In addition, concerns were raised about *“signs of a loosening in corporate lending standards, as banks compete ... to provide funding in a low-yield environment.”* (Staff Report, CR/06/86, ¶25).
- The liquidity/wholesale funding risk, though without explicit reference to Northern Rock, was (p. 108, ¶ 27) also noted in the 2005 Selected Issues (CR/06/87): *“...greater use of wholesale funding by banks has been observed. This strategy has somewhat increased the liquidity risk for some banks, as wholesale funding may be difficult and costly to roll over during times of company-specific or market-wide stress.”* This message was repeated in the 2006 Staff Report (CR/07/91, ¶30).
- Crisis management arrangements were discussed during missions, where three components of crisis management (domestic, EU, international) were noted, with annual simulations: *“taking the problem up to the highest echelons of decision making.”* The 2005 Staff Report (CR/06/86, ¶24) likewise noted authorities *“are continuously improving their ability to respond to shocks, including ... crisis simulation exercises based on ... macroeconomic events.”*
- International contagion risks from systemic banks were considered (Selected Issues, CR/07/90), while the Staff Report noted links—especially through the inter-bank markets—were growing and *“These growing linkages are both a strength and a vulnerability. They allow ... bad shocks to be more broadly dispersed ... absorbed by individual institutions and the system as a whole. However, they also potentially allow the impact to be spread around the global financial system more widely and rapidly”* (CR/07/91, ¶29). The report went on to note: *“Given these growing cross-country linkages, global risks are particularly important to the UK financial system, more for their potential severity than for their likelihood of being realized.”* (¶30). Finally, Box 5 of the Staff Report notes that due to increasing linkages between international banks *“while the national focus of financial supervisory authorities has been appropriate until now, improving international cooperation in financial crisis prevention and management is becoming more important”* (p. 23).

### **Was the right policy advice given?**

15. Policy advice to mitigate the emerging risks was given, though sometimes little more could be done than to urge vigilance (¶105):

- The FSSA noted with respect to the authorities’ deposit insurance scheme, that they “are taking steps to address [limited public awareness and should] consider whether a more explicit contingency credit line from the Government would be desirable” (CR/03/46, ¶104). This was not picked up in later surveillance.
- The Selected Issues (CR/06/87, p.128, ¶ 75) noted: “The FSA should continually enhance its **surveillance of the CRT market**—in cooperation with their overseas counterparts—given the rapid evolution of the market.” These also highlight known unknowns:
  - Absent solid research pointing to precisely what data should be disclosed, the recommendation to collect **credit risk transfer** data was not made in the Staff Report (CR/06/86, ¶ 27): “Officials... reluctant to increase the formal reporting burden... are not sure which data series would adequately capture key risks. For the time being, they preferred to focus on gathering market intelligence.”
  - The Staff Appraisal emphasized, “The rapid growth of **credit risk transfer** instruments, which are providing important diversification benefits, is also creating some risks. The authorities’ efforts, again, to publicize risks, but also to address the transactions backlog are right. And with due attention to the costs and benefits of new regulatory burdens, the authorities should continue to strengthen surveillance of the market and encourage initiatives to improve disclosure CRT exposures” (CR/06/86, ¶ 45).
- “Supervisors’ judgment that specific risks—including ... commercial property, a possible loosening of corporate lending standards, and the growth of sub-prime lending—are manageable seems reasonable... the authorities’ warnings that investors may be **underpricing risk** ... are welcome” (CR/06/86, ¶ 45)

### Were views communicated with enough emphasis?

16. The degree of concern related to flagged risks was not always clear, and headline messages tended to be reassuring (¶108):

- **2005 Article IV risk summary.** “Supervisors are keenly aware of risks in the present global environment” (CR/06/86, ¶8). “Staff asked about risks posed by global imbalances. Officials responded that sudden shifts in international capital flows could disrupt a wide range of asset markets, potentially leading to costly and disorderly adjustments in banks’ balance sheets. Staff and officials agreed that the banking system is well-positioned to absorb substantial shocks” (¶25). “A risk to the outlook is the housing market, where valuations remain high by some metrics despite the stabilization of prices during the past year.” (CR/06/86, ¶39)
- **2005 Article IV bottom line.** “Staff and officials agreed that the banking system is well-positioned to absorb substantial shocks” (CR/06/86, ¶25). “Macroeconomic performance in the United Kingdom remains remarkable.” (¶37) “Financial supervisors are skillfully meeting the challenge of overseeing a global financial center. Well-capitalized and cost-efficient, banks appear to be well-positioned to

*absorb losses that might arise from the most likely types of financial market disturbances.” (¶45).*

- **2006 Article IV risk summary.** *“risks are not insignificant: ... In light of estimates that house prices are already overvalued, this would increase the subsequent risk of an abrupt downward adjustment... External risks are low-probability but potentially high-impact, particularly as the global financial center could transmit shocks to the domestic economy. Higher global interest rates could trigger a reassessment of asset valuations, including UK house prices...” (CR/07/91, ¶14)*
- **2006 Article IV bottom line.** *“Macroeconomic performance in the United Kingdom remains impressive... Given this favorable ... outlook, financial sector prospects are strong.” (CR/07/91, ¶38) “Lastly, on the financial sector, which is in a position of strength, the authorities are appropriately promoting the system’s resilience.” (¶43)*

### C. Switzerland<sup>10</sup>

#### What was called

17. All of the underlying conditions and trends (the state of the world), and many aspects of the institutional frameworks were discussed (¶95-98).

- Exposures to external developments, particularly in the US was flagged in the 2005 and 2006 Staff Reports, and substantiated more in the 2007 FSAP Update (¶7) *“the main downside risks for the financial sector appear to be external. Given their large trading portfolios, the two large banks are potentially exposed to market downturns and significant increases in volatility, associated for example with a disorderly unwinding of global imbalances that could put further pressure on U.S. exchange and interest rates, and induce a potentially severe drop in global equity markets and turbulence in financial markets. Risks would be compounded by a hard landing of housing markets in the U.S. and other key industrial countries via direct exposures and also indirectly through feedback to real economic activity.”*
- Capital adequacy problems (2007 FSAP Update, ¶10) *“While capital adequacy ratios (CARs) of the two large Swiss banks are ample by current regulatory standards, other indicators suggest somewhat weaker positions. The banks have internationally comparable high risk-weighted CARs under Basel I, but their leverage ratios (equity to assets) are relatively low by international comparisons.”*
- Exposure of banks’ large trading portfolios liquidity risks (2007 FSAP, Box 1) *“a systemic or institution-specific event that would disrupt market liquidity, particularly in markets with crowded trading, creates contagion risk and also could make it difficult for the banks to trade out their positions”.*

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<sup>10</sup> Prepared by Pedro Rodriguez.

- Weaknesses in supervision (2007 FSAP Update, ¶27) “The Swiss Federal Banking Commission (SFBC) has made impressive progress (...). Nevertheless, two areas that remain a concern are (i) the SFBC’s budgetary independence; and (ii) the need to address liquidity monitoring.”

### **What could have been done better?**

18. Stress tests underestimated the impact of various shocks on the banks (¶102). *“Stress tests and scenario analysis indicate that the Swiss banking sector is resilient to most relevant macroeconomic shocks (...) Top-down stress tests indicated that the effect of the international scenario wiped out the sector’s profits but its effect on the sector’s capitalization level was negligible since the banking sector suffered only minor losses.”* (2007 FSAP Update, ¶11). Two factors seem the most relevant to explaining why:

- The stress tests turned out to be milder than the actual shock that ensued, even though the mission was trying to mimic a turbulent time *“For the global scenario, it was agreed that the global credit conditions (...) should mirror the changes in credit conditions in 2001”* (2007 FSAP, ¶52).
- The FSAP Update was not able to quantify (although a qualitative assessment was provided) the additional problems that banks’ large trading portfolios would face in the context of a liquidity crisis (2007 FSAP, Box 1).

### **Was the right policy advice given?**

19. Policy advice to mitigate the emerging risks was given (¶105-106):

- *“The new consolidated regulator (FINMA) needs to have operational independence and financial resources to be a constructive and appropriately forceful supervisor and regulator of the very large systemic financial institutions. Continuing efforts are needed to evaluate the large banks’ operating models and to ensure that liquidity and capital regimes are sufficient.”* (2007 SR, ¶38).
- More detailed advice was given in the 2007 FSAP Update regarding how to strengthen the monitoring of liquidity risks *“the approach to liquidity regulation and supervision outlined in an SFBC Banking Ordinance should be updated to be aligned with the Basel Committee’s paper on managing liquidity in banking organizations. Indeed, the analysis needs to go beyond this given the systemic relevance of the large banks as global market players ....”* (¶28), and the review of capital adequacy *“the SFBC should review in depth the capital adequacy of the two large banks and pillar II capital requirements in the context of BASEL II implementation”* (Executive Summary)

### **Were views communicated with enough emphasis?**

20. The risks were clearly flagged, but the degree of concern attached to these risks was less clear (¶108): *“while stress testing indicates that the financial sector is generally resilient*

*to shocks, bank operations are increasingly complex, involving exotic instruments and high-leveraged counterparties (...) The main downside risk is that healthy balance sheets and profits may be building a degree of complacency, creating a vulnerability to increased volatility or shocks.*" (2007SR, ¶37, second sentence)

#### D. Germany<sup>11</sup>

##### What was called

21. Many weaknesses of the institutional frameworks were highlighted (¶95-98).
- The need for reform of the Landesbanken (LBs), and what to do, were first raised in the FSSA: *"Restructuring the LBs is urgent, given their systemic importance ..."* (FSSA, ¶55) *"The public LBs have started the process of adapting to the removal of government guarantees starting in 2005. However, it is unclear whether these steps are sufficient to address the trend decline in profitability. ... a reduction in legal and other barriers (within or across pillars), would foster consolidation and innovation ..."* (FSSA, p.1 box) An 2004 Occasional paper (no. 233) further reinforced the message (p. 1). Since then, successive staff reports continued to pursue these issues. *"Market-driven reform of LBs is essential, as ... they have imposed a large opportunity cost on the economy."* (SR 2006, ¶24, see also Box 3) The full analysis of opportunity costs to the taxpayer was presented in the 2006 SIP, including capital injections or ownership through other public bodies, lower financial returns, and also underscored LBs' higher probability of insolvency. See also SR05, ¶34-38, and SR06, ¶24, which discuss the banking sector's low profitability.
  - The increased risk taking by some Landesbanken was flagged in passing in the FSSA, and was not directly mentioned in staff reports—staff reports framed the issue as "a lack of a viable business model". The FSSA flagged the risk in the context of developments in the derivatives markets (emphasis added): *"Derivatives exposures of internationally active banks have increased ... but appear manageable. This reflects in part a wider awareness of credit and market risks ... but partly also regulatory arbitrage and a search for new high yielding products, especially for LBs."* (¶10). In 2005, the staff report noted *"LBs have shored up their liquidity by raising long term funding prior to the withdrawal of state guarantees in July 2005, but they still need to develop viable business models. Although there may be isolated instances of strain, the likelihood of systemic difficulties is small."* (¶54) In 2006, this assessment seems not to have changed, with the focus squarely on the medium-term: *"strains could reemerge during the next downturn and developments in neighboring countries risk leaving the German banking system behind."* (SR06, ¶53)

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<sup>11</sup> Prepared by Piyabha Kongsamut.

**Was the right policy advice given?**

22. The Fund recommended legal changes to support market based-restructuring of the banking system (¶105) and facilitate consolidation. Private capital needed to be injected into public sector banks to “*foster synergies and returns to scale, and help direct funds more readily to areas of highest investment needs*” (SR05, ¶55), and “... *to harness market signals and facilitate restructuring.*” (SR06, ¶53). On supervision, staff supported the move to risk-based supervision, and urged greater disclosure and transparency on the methodology underlying risk-oriented supervision (SR06, ¶54), and of publishing “*more timely financial soundness data, in particular on impaired loans.*” (SR05, ¶56).

**Were views communicated with enough emphasis?**

23. The headline messages in the staff appraisal reinforced the need for banking reform (¶108). The staff appraisal gave tough overall messages: “*Germany needs a decisive, forward-looking policy strategy to confront the serious challenges it faces.*” (SR05, ¶45) In 2006, conditions had improved somewhat, but “*without deeper structural change, however, the improved cyclical prospects do not alter Germany’s low growth potential.*” (SR06, ¶48)

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## IV. STATISTICAL APPENDIX<sup>12</sup>

### A. Sample Selection for Review of Staff Reports

The following selection process resulted in the 50-country sample of staff reports:

1. The sample universe includes 88 Article IV consultation staff reports discussed by the Board between July 1, 2007 (after the 2007 Decision began to be implemented) and February 28, 2008.
2. The membership was stratified by income group (advanced, emerging, and developing) and by region (5 regions according to area department), and percentages of the membership within each strata calculated. The sample universe was similarly stratified, and a target number of countries was specified (based on a total of 50 staff reports) to match the percentage of the membership within each strata. The actual country sample was then randomly drawn from within each strata to match the target number as closely as possible, within the constraints of the available universe (Tables 1 and 2).
  - Advanced: advanced economies according to the WEO classification.
  - Emerging markets: Includes countries listed in Emerging Market Bond Index (EMBI) Global, or the Morgan Stanley Capital International (MSCI) EM Free or countries that have accessed syndicated loans every year between 2002–2006.<sup>13</sup> Excludes countries classified as Advanced in the WEO (Cyprus, Slovenia).
  - Developing: countries that fall into none of the above categories.<sup>14</sup>
3. The sample includes five program countries and three streamlined Article IV consultations.

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<sup>12</sup> This appendix was prepared by Piyabha Kongsamut (sections A and C), Jinsook Lee (sections B and D) and Jean-François Dauphin and Chris Bouzاهر (section E).

<sup>13</sup> Bond, Equity, and Loan database sourced from Dealogic, as published in the October 2007 GFSR.

<sup>14</sup> The TSR papers use the terms “developing economies” and “low-income countries” indiscriminately. In practice, the former concept, which is slightly broader, was used to analyze staff reports, while the latter was used in the surveys. Low-income countries are those developing countries who are eligible to the PRGF and indicated with \* in Table 17.

Table 1. List of 50 Countries for the Review of Staff Reports

AFR			APD			EUR		
ADV	EMG	DEV/LIC	ADV	EMG	DEV/LIC	ADV	EMG	DEV/LIC
	Angola	Botswana	Korea	<b>India</b>	Bhutan	<i>Finland</i>	Bulgaria	<i>Montenegro</i>
	<b>South Africa</b>	<i>Burkina Faso(*)</i>		Vietnam	PNG	<i>France</i>	Hungary	Bosnia & H.
		<i>CAR(*)</i>			Cambodia	<b>Germany</b>	Russia	
		<i>Congo, DR</i>			Lao PDR	<b>Iceland</b>	<b>Serbia</b>	
		Guinea(*)			Myanmar	<i>Ireland</i>		
		Lesotho				<b>Israel</b>		
		Namibia						
		Swaziland						
		Zambia						
		<i>Guinea-Bissau</i>						

MCD			WHD		
ADV	EMG	DEV/LIC	ADV	EMG	DEV/LIC
	<b>Lebanon(*)</b>	Afghanistan(*)	<b>United States</b>	Chile (S)	Bolivia
	Morocco (S)	Sudan(*)		Colombia	<i>Dominica</i>
	Egypt	Syria		<b>Uruguay(*)</b>	Barbados (S)
	Pakistan	Yemen		<b>Mexico</b>	Haiti(*)
				<i>Ecuador</i>	

## Notes

1. Bolded countries are part of the MCM case study countries (see Appendix in FSS paper for details).
2. (\*) Denotes program countries.
3. Italics denote members of currency unions or exchange arrangement with no separate legal tender.
4. (S) denotes streamlined consultations.

Table 2. Sample and Membership Strata by Region and Income Level

	AFR			APD			EUR			MCD			WHD			Total
	ADV	EMG	DEV/LIC													
In percent																
Membership (benchmark)	0	3	21	3	4	11	11	9	3	0	9	8	1	9	8	100
Sample of 50	0	4	20	2	4	10	12	8	4	0	8	8	2	10	8	100
In numbers																
Membership (benchmark)	0	6	38	5	8	20	21	16	6	0	16	15	2	17	15	185
Sample of 50	0	2	10	1	2	5	6	4	2	0	4	4	1	5	4	50

## B. Summary of Staff Report Reviews by Thematic Background

Table 3. Summary of Staff Report Review - Focus

Questions	Total	ADV	EMG	DEV	AFR	APD	EUR	MCD	WHD	Program	Non-Program											
(in percentages of applicable sample)																						
<b>Part 1. Key questions asked by the report</b>																						
<b>Q1. Does the report ask (implicitly or explicitly) one or a few well identified questions? (Y/N)</b>																						
	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N										
	84	16	100	0	94	6	72	28	58	42	75	25	100	0	88	13	100	0	75	25	86	14
<b>Q2. Are the questions of key relevance to external stability?</b>																						
Yes, and the report makes the case explicitly.	45		27		51		48		42		60		55		21		44		25		48	
Yes, although the report does not make the case explicitly.	43		55		42		38		42		30		31		63		52		67		40	
No, but the report makes another case to justify the question.	2		5		0		2		0		5		3		0		0		0		2	
No, although the report tries, unconvincingly, to make the case.	1		0		2		0		4		0		0		0		0		0		1	
No, and no attempt is made to justify the question.	9		14		4		12		13		5		10		16		4		8		10	
<b>Part 2. Topics treated in greater depth</b>																						
<b>Q3. In what areas are the topics for which analytical</b>																						
Circle 1	Macro-framework	20		4		26		21		19		20		12		36		21		27		19
	Monetary Policy	12		7		14		12		7		27		9		12		9		4		14
	Fiscal Policy	27		33		21		29		19		23		33		28		32		23		28
	External Sector	18		15		23		16		19		17		14		20		21		23		17
	Exchange Rate	20		7		28		19		21		23		12		24		24		23		20
	Financial Sector Stability	20		30		23		16		14		23		28		12		21		8		22
Circle 2	Fiscal Structural Reform	10		11		7		12		12		3		9		16		12		23		8
	Monetary Structural Reform	2		0		2		2		0		0		0		0		9		4		1
Circle 3	Structural Policies to Increase Potential Growth	11		4		4		12		12		13		7		4		3		8		8
	Financial Sector Development	11		15		9		11		10		13		12		16		6		4		12
	Trade policies	3		4		4		3		2		13		0		4		0		0		4
	Labor Market	7		19		2		7		2		10		16		0		3		0		8
Circle 4	Other Sectoral Issues (including sectoral policies for promoting growth and reducing poverty)	5		7		2		7		7		10		5		0		0		8		5
	Governance	0		0		0		0		0		0		0		0		0		0		0
	Social Issues/Poverty Reduction	3		0		0		6		5		10		0		0		0		0		3
	AML/CFT	1		0		0		2		0		3		2		0		0		0		1
	Other	6		4		4		6		2		3		12		0		3		4		5
<b>Proximity indicator 1/</b>																						
	1.6		1.0		1.0		2.1		1.6		1.7		1.8		1.5		1.4		1.6		1.6	
<b>Q4. On a scale of 1 (very shallow) to 5 (very thorough), how deep do you consider the treatment of the topic?</b>																						
	Weighted average																					
	3.7		3.8		3.8		3.7		3.7		4.0		3.7		3.1		4.1		3.3		3.8	

Table 3. Summary of Staff Report Review - Focus (continued)

Questions	Total	ADV	EMG	DEV	AFR	APD	EUR	MCD	WHD	Program	Non-Program
(in percentages of applicable sample)											
<b>Q5. Was/were SIP chapter(s) devoted to that topic?</b> <i>(for each area, check what applies with Y/N)</i>											
	Y N	Y N	Y N	Y N	Y N	Y N	Y N	Y N	Y N	Y N	Y N
	56 44	56 44	39 61	40 60	57 43	73 27	63 37	16 84	62 38	38 62	59 41
<b>Q6.</b>											
<b>Is the topic central to answer any of the questions identified in Q1?</b> <i>(for each topic, check what applies)</i>											
Yes, to a question relevant to external stability.	87	81	90	88	91	91	86	80	88	94	86
Yes, but to a question not relevant to external stability.	10	15	8	9	5	9	9	20	9	6	11
No	3	4	2	3	5	0	5	0	3	0	3
Not applicable (no questions identified in Q1.)											
<b>Part 3. Issues at the periphery</b>											
<b>Q7. How many paragraphs of the reports are devoted to issues that meet none of the following criteria: (i) pertains to the health check; (ii) contributes to answering one the questions identified above; or (iii) pertains to one of the areas identified in Q4?</b> <i>Total number of paragraphs devoted to such issues (in percent of total number of paragraphs in the staff reports reviewed)</i>											
	3	2	3	4	3	5	3	3	2	2	3
<i>Memo item: number of reports in the subsample</i>	50	8	17	25	12	8	12	8	10	8	42

1/ Weighted average of the position across circles, assigning a grade 1 to C1, 2 to C2 etc. The indicator can range from 1 to 4. The smaller the value of the indicator, the closer the focus of surveillance to issues significantly impacting external stability.

Table 4. Summary of Staff Report Review - Health Check

Questions	Total	ADV	EMG	DEV	AFR	APD	EUR	MCD	WHD	Program	Non-Program
	(in percentages of applicable sample)										
<b>Effectiveness of Surveillance</b>											
<b>1. Does the staff report include a self-contained comprehensive statement assessing the effectiveness of surveillance in the country?</b>											
Yes, please specify below how extensive	60	75	59	56	42	63	58	100	50	88	55
1-2 sentences.	4	0	6	4	0	13	0	13	0	0	5
One paragraph <= 10 lines (approximately 100-150 words.)	24	25	24	24	25	25	17	38	20	38	21
More extensive coverage: > 10 lines, or several paragraphs.	4	0	0	8	8	0	0	13	0	13	2
Half page box or table.	16	13	24	12	8	0	25	25	20	38	12
Full page box or table.	12	38	6	8	0	25	17	13	10	0	14
No	40	25	41	44	58	38	42	0	50	13	45
If no, please skip to question 5											
<b>2. What previous policy recommendations are followed up on? (check if mentioned in SR being reviewed)</b>											
Fiscal policy changes.	67	67	50	79	60	80	100	75	0	57	70
Monetary policy changes.	40	33	30	50	40	60	43	38	20	57	35
Exchange rate policy changes (includes intervention.)	13	17	20	7	0	20	14	25	0	0	17
Structural reform in "core" areas (fiscal, monetary, financial sector frameworks.)	67	83	60	64	60	80	71	50	80	57	70
Other structural reforms (e.g. labor markets, product markets, trade.)	43	83	50	21	60	60	71	13	20	14	52
Other, please specify.	33	0	40	43	20	20	29	38	40	29	35
<b>3. What assessment of effectiveness of surveillance is provided?</b>											
Not applicable.											
Advice mostly followed.	32	50	22	31	20	0	43	38	40	43	29
Advice partly followed.	57	50	67	54	40	100	43	50	40	43	62
Advice mostly not followed.	11	0	0	23	20	0	14	13	0	14	10
Other information (including e.g. whether advice coincided with authorities' views from the outset.)	7	0	22	0	20	0	0	0	20	0	10
<b>4. What reasons were provided for not following IMF advice?</b>											
Not applicable.											
Broadly agree with advice, but want to proceed at a slower pace (e.g. because of political issues.)	40	67	43	30	0	60	75	20	25	0	53
Agree in general, but needed TA or other assistance to help implement, so not yet implemented.	20	0	0	40	0	40	25	0	25	20	20
Disagree with advice.	20	67	14	10	0	20	25	20	25	0	27
No reason(s) provided.	35	0	14	60	50	40	0	40	25	40	33
Other information.	35	0	43	40	50	0	50	20	50	60	13
<b>Recent Economic Developments and Policies</b>											
<b>5. Is the coverage of recent economic developments and policies sufficiently informative?</b>											
Yes	74	88	71	72	67	75	92	38	90	75	74
No, because:	18	0	18	24	33	13	8	38	0	13	19
There is no clear story line.	12	0	12	16	25	13	8	13	0	13	12
The pieces of information appeared inconsistent, and the story line did not address these.	2	0	0	4	0	0	0	13	0	0	2
There was a lack of data/information in certain areas.	6	0	6	8	17	0	0	13	0	0	7
Other explanations	8	13	12	4	0	13	0	25	10	13	7

Table 4. Summary of Staff Report Review - Health Check (continued)

Questions	Total	ADV	EMG	DEV	AFR	APD	EUR	MCD	WHD	Program	Non-Program
	(in percentages of applicable sample)										
<b>Short-Term Economic Outlook</b>											
<b>6. Is the short-term economic outlook, including risks to this outlook, presented in a substantiated way?</b>											
Yes	58	88	59	48	50	63	75	38	60	25	64
No, because:	30	13	29	36	33	25	25	38	30	63	24
There is no discussion of the risks to the outlook.	8	0	12	8	0	13	0	13	20	25	5
It is not clear why these risks were highlighted.	4	13	6	0	0	0	8	0	10	0	5
It is not clear how serious are the risks posed to the economy.	16	0	12	24	25	13	17	25	0	38	12
Other explanations , please specify	12	0	12	16	17	13	0	25	10	13	12
<b>Assessment of External Stability and Coverage of Macro Policy Areas</b>											
<b>7. Is there a clear (implicit or explicit) assessment of present and prospective external stability?</b>											
Not applicable (for members of currency unions)											
Yes	78	80	82	75	82	75	78	75	80	86	77
No, because:	22	20	18	25	18	25	22	25	20	14	23
The discussion does not allow the reader to make a clear judgment on the threats to external stability faced by the country.	13	20	18	8	18	0	22	13	10	0	15
The assessment misses some issues that may impact on external stability.	7	0	6	8	0	13	11	0	10	14	5
Other explanations (including inadequate data or knowledge.)	7	0	0	13	9	13	0	13	0	0	8
<b>8. Is there an adequate coverage of all core macroeconomic policy areas (i.e., exchange rate, monetary and fiscal policies), including identification of key policy challenges?</b>											
Yes	76	88	71	76	58	88	83	63	90	88	74
No, because:	24	13	29	24	42	13	17	38	10	13	26
One or more of the core areas are not adequately covered.	16	13	24	12	17	13	17	25	10	0	19
All core areas are adequately covered but not well integrated.	6	0	6	8	17	0	0	13	0	13	5
Other explanations (including inadequate data or knowledge.)	2	0	0	4	8	0	0	0	0	0	2
<b>Fiscal Policies</b>											
<b>9. Are recommended medium-term and short-term fiscal policy objectives clearly articulated? Are the envisaged short-term fiscal measures put in a clear medium-term fiscal road map?</b>											
Yes	76	88	71	76	58	75	92	63	90	63	79
No, because:	24	13	29	24	42	25	8	38	10	38	21
The discussion of medium-term fiscal objectives is inadequate.	10	0	24	4	8	25	0	13	10	0	12
The discussion of short-term fiscal objectives is inadequate.	8	0	12	8	17	13	0	13	0	25	5
The envisaged short-term fiscal measures are not put in a clear medium-term fiscal road map.	6	13	0	8	8	0	8	13	0	25	2
Other explanations .	4	0	0	8	17	0	0	0	0	0	5
<b>10. If fiscal adjustment is recommended, does the report provide sufficient rationale for the magnitude, pace and composition of proposed fiscal adjustment, along with a discussion of political feasibility of such adjustment?</b>											
<i>No adjustment is recommended</i>											
Yes	58	88	58	45	44	29	64	71	83	83	53
No, because:	33	13	33	40	44	57	27	14	17	17	35
There is no convincing justification of the recommended magnitude of (med term) fiscal adjustment.	10	0	17	10	22	29	0	0	0	17	9
There is no convincing justification of the recommended pace of fiscal adjustment.	15	13	8	20	22	43	9	0	0	17	15
There is no convincing justification of the recommended composition of fiscal adjustment.	5	0	8	5	11	0	0	0	17	17	3
There is limited or no discussions of possible measures to achieve the desired fiscal adjustment in the short term (current and next fiscal year.)	0	0	0	0	0	0	0	0	0	0	0
The discussion of political feasibility of proposed measures seems inadequate.	15	0	8	25	22	14	18	14	0	17	15
Other explanations	10	0	8	15	11	14	9	14	0	0	12

Table 4. Summary of Staff Report Review - Health Check (continued)

Questions	Total	ADV	EMG	DEV	AFR	APD	EUR	MCD	WHD	Program	Non-Program
	(in percentages of applicable sample)										
<b>Monetary Policy</b>											
<b>11. Does the report provide an adequate assessment of the monetary policy stance?</b>											
<i>No applicable (currency unions, currency boards)</i>											
Yes	81	100	93	65	71	75	100	75	88	83	80
No, because:	19	0	7	35	29	25	0	25	13	17	20
The discussion of the monetary policy stance is insufficient.	17	0	7	29	29	13	0	25	13	17	17
The staff's assessment of the monetary policy stance is missing or unclear.	3	0	0	6	0	13	0	0	0	0	3
Other explanations.	3	0	0	0	0	13	0	0	0	0	3
<b>12. If monetary policy adjustment is recommended, does the staff provide a convincing justification for the proposed changes in the monetary policy stance, and possible downside risks?</b>											
<i>No adjustment is recommended or not applicable</i>											
Yes	68	67	78	60	50	50	75	60	100	80	65
No, because:	5	0	0	10	25	0	0	0	0	20	0
There is no convincing justification of the recommended monetary policy adjustment.	5	0	0	10	25	0	0	0	0	20	0
There is no discussion of possible downside risks (e.g., possible balance-sheet effects, impact on the financial sector.)	0	0	0	0	0	0	0	0	0	0	0
Other explanations	27	33	22	30	25	50	25	40	0	0	35
Exchange rate questions revised and moved											
<b>Financial Sector Issues</b>											
<b>13. If this country had an FSAP or FSAP update with this Article IV consultation, does the report provide an adequate coverage of its findings?</b>											
<i>No FSAP or FSAP update in this period</i>											
Yes	88	100	82	88	83	100	83	88	90	88	88
No, because:	10	0	12	12	17	0	8	13	10	13	10
There is no discussion of the FSAP findings in the report.	0	0	0	0	0	0	0	0	0	0	0
FSAP findings are discussed, but not integrated with the analysis of the macro policy areas (i.e., relevance not clear).	0	0	0	0	0	0	0	0	0	0	0
FSAP findings are discussed, but policy implications are not clearly drawn.	0	0	0	0	0	0	0	0	0	0	0
Other explanations	2	0	6	0	0	0	8	0	0	0	2
<i>Memo item: number of reports in the subsample</i>	50	8	17	25	12	8	12	8	10	8	42

Table 5. Summary of Staff Report Review - Financial Sector Surveillance

Questions	Total	ADV	EMG	DEV	AFR	APD	EUR	MCD	WHD	Program	Non-Program
(in percentages of applicable sample)											
<b>(1) Does the report provide a clear assessment of FS vulnerabilities? And if so, is it clear from the report what is the level of FS vulnerabilities?</b>											
- Yes, FS vulnerabilities are MEDIUM or HIGH (M/H).	26	25	29	24	8	25	25	50	30	50	21
- Yes, FS vulnerabilities are LOW.	32	50	29	28	33	38	33	13	40	0	38
<b>NO, because</b>	42	25	41	48	58	38	42	38	30	50	40
- there is no assessment of FS vulnerabilities and its absence is not justified;	12	0	6	20	33	0	0	13	10	38	7
- insufficient <i>quantitative analysis</i> (none/few of the tools listed in (2) are used);	12	25	12	8	0	0	25	25	10	0	14
- the assessment is too hedged (there is no clear bottom line);	10	0	12	12	8	13	17	13	0	0	12
- insufficient <i>qualitative analysis</i> (none/few of areas listed in (2) are covered);	8	25	6	4	0	0	17	25	0	0	10
- there is no assessment of FS vulnerabilities, because FS is too small to be macro relevant;	4	0	6	4	17	0	0	0	0	13	2
- analysis of FS vulnerabilities is incomplete because relevant data/information is not available;	4	0	6	4	0	13	0	0	10	0	5
- other	4	0	6	4	8	13	0	0	0	13	2
<b>(2) What tools/information are used to assess FS vulnerabilities? - indicate which apply</b>											
<i>Quantitative analysis:</i>											
- financial soundness indicators (FSIs);	80	100	82	72	58	75	100	63	100	50	86
- market indicators;	34	63	53	12	0	50	33	25	70	25	36
- balance-sheet analysis (BSA or CCA);	14	25	29	0	0	0	17	13	40	25	12
- stress tests;	16	38	24	4	8	25	33	0	10	13	17
- other	6	13	12	0	0	0	8	0	20	13	5
<i>Qualitative analysis:</i>											
- analysis of weaknesses in the FS structure or infrastructure (e.g., legal framework, governance, payments);	22	38	29	12	8	25	17	25	40	25	21
- analysis of weaknesses in FS supervision and regulation;	54	63	47	56	25	50	67	50	80	38	57
- other	0	0	0	0	0	0	0	0	0	0	0
<i>Information sources/references:</i>											
- references to FSAP findings;	22	13	29	20	17	0	25	13	50	13	24
- references to SIP and/or previous staff analysis;	42	63	41	36	33	75	50	13	40	25	45
- discussions with market participants and/or credit rating agencies;	4	25	0	0	0	0	8	0	10	0	5
- other	2	13	0	0	0	0	0	0	10	0	2
<b>(3) Does the report provide a clear analysis of the risk factors that could trigger FS instability, including the analysis of risk transmission channels? 1/</b>											
<b>Yes</b>	26	50	31	14	22	13	25	14	50	33	25
<b>NO, because</b>	74	50	69	86	78	88	75	86	50	67	75
- the key risks to the FS stability are not clearly identified;	48	13	44	64	56	38	33	86	40	67	45
- insufficient analysis of risk transmission channels between the domestic NFS and FS;	28	25	19	36	33	38	25	29	20	17	30
- insufficient analysis of risk transmission channels between the external sector and FS;	26	25	31	23	22	25	33	57	0	33	25
- insufficient analysis of risk transmission from domestic policies to the FS;	22	25	19	27	22	13	42	43	0	33	23
- available data/information is NOT sufficient for accurate diagnostics;	6	0	0	14	11	13	0	0	10	17	5
<b>(4) Does the discussion of FS issues permit conclusions as to whether the FS is a potential source (or an amplifier) of macroeconomic or external instability? 1/</b>											
-Yes, FS instability would have significant macroeconomic or external stability implications.	20	38	13	18	11	25	17	14	30	33	18
-Yes, FS instability would have little/no macroeconomic or external stability implications.	7	13	0	9	11	13	0	14	0	17	5
-Yes, FS vulnerabilities are LOW and FS is not expected to amplify problems originating in other sectors.	2	0	6	0	0	13	0	0	0	0	3

Table 5. Summary of Staff Report Review - Financial Sector Surveillance (continued)

Questions	Total	ADV	EMG	DEV	AFR	APD	EUR	MCD	WHD	Non-	
										Program	Program
										(in percentages of applicable sample)	
<b>NO, because</b>	72	50	81	73	78	50	83	71	70	50	75
- insufficient analysis of risk transmission from the FS to the rest of the economy;	52	38	56	55	67	25	58	43	60	33	55
- insufficient analysis of the impact of the FS on the conduct of monetary, exchange rate, or fiscal policy;	30	25	31	32	33	13	33	57	20	17	33
- macroeconomic stability implications are NOT clearly drawn;	30	38	38	23	11	13	50	14	50	33	30
- insufficient analysis of the role of the FS in amplifying or muting problems originating in other sectors;	20	38	19	14	22	0	33	0	30	17	20
- external stability implications are NOT clearly drawn;	15	38	19	5	11	0	33	14	10	17	15
- available data/information is NOT sufficient for accurate diagnostics;	13	0	6	23	22	25	0	14	10	33	10
<b>(5) Does the report identify concerns with regard to FS development? And if so, how are they motivated?</b>											
<b>Yes</b>	46	38	41	52	58	75	33	38	30	63	43
- Yes, FS underdevelopment is an impediment for growth	26	0	12	44	50	25	0	38	20	50	21
- Yes, FS underdevelopment poses macroeconomic or external stability problems	14	38	18	4	8	13	33	0	10	13	14
- Yes, both of the above	6	0	12	4						0	7
<b>NO</b>	54	63	59	48	42	25	67	63	70	38	57
- the FS development problems are not clearly described;	24	0	29	28	25	13	17	25	40	25	24
- the FS development issues are not discussed or are not relevant	20	13	18	12	8	25	25	25	20	13	21
- the report does not clearly explain how FS development problems might affect future growth and/or macroeconomic stability;	14	13	24	8	17	0	17	25	10	0	17
- specific FS development problems are mentioned, but their causes and consequences are not discussed;	10	13	18	4	0	0	8	38	10	0	12
<b>(6) Does the report provide clearly-justified FS policy recommendations?</b>											
<b>Yes</b>	60	63	53	64	42	100	58	38	70	38	64
- Yes, the report provides recommendations on how to address FS vulnerabilities.	30	50	24	28	25	38	33	13	40	13	33
- Yes, the report provides recommendations on how to address concerns with regard to FS development.	10	13	12	8	8	13	8	0	20	0	12
- Yes, both of the above	20	0	18	28	8	50	17	25	10	25	19
<b>NO</b>	40	38	53	64	58	0	42	63	30	63	36
- NO recommendations are made.	16	13	24	28	50	0	17	0	0	38	12
- the report makes general statements about the importance of "prudential supervision", "vigilance", etc. or statements of general support of the authorities' policies and policy plans.	14	0	12	8	0	0	17	38	20	25	12
- recommendations are made, but not clearly justified.	10	25	18	28	0	0	17	25	10	0	12
- the report simply re-states the FSAP recommendations.	4	0	47	36	0	0	0	13	10	0	5
<i>Memo item: number of reports in the subsample</i>	50	8	17	25	12	8	12	8	10	8	42

1/ four countries – Angola, Afghanistan, CAR and Congo – for which questions Q3 and Q4 were considered NOT applicable by reviewers are excluded.

Table 6. Summary of Staff Report Review - Exchange Rate

Question	Not Applicable (in number)	Total	(in percentages of applicable sample)										Fixed ER reg. /1	Flex. ER reg. 2/	Issued before 09/01/07	Issued after 09/01/07	CA> 5 /3	CA< 5 and CA>-	Non-Program	Non-Program
			ADV	EMG	DEV	AFR	APD	EUR	MCD	WHD										
<b>Q1. If staff report provides an explicit label for the de facto regime, please state what it is:</b>																				
1.1 No separate legal tender		4	0	6	4	0	0	8	0	10			0	0	4	4	0	5		
1.2 Currency board		6	0	6	8	0	0	17	0	10			8	10	12	0	13	5		
1.3 Other conventional peg arrangements		32	0	24	48	58	25	0	63	20			32	5	38	25	38	31		
1.4 Peg within horizontal band		4	0	12	0	0	13	8	0	0			8	38	0	8	0	5		
1.5 Crawling peg		4	0	0	8	8	0	0	13	0			4	0	4	4	0	5		
1.6 Crawling band		0	0	0	0	0	0	0	0	0			0	5	0	0	0	0		
1.7 Managed float with no predetermined path for the exchange rate		28	13	35	28	17	63	17	25	30			20	0	19	38	25	29		
1.8 Independently floating		22	88	18	4	17	0	50	0	30			28	43	23	21	25	21		
<b>Q2. Does the report provide a clear description of "de facto" exchange rate regime and exchange rate policies?</b>																				
Not applicable because the regime and policies are well-known and therefore a description is redundant (e.g., the US, UK, Euro Area members).	5																			
<b>Yes</b>		96	100	94	96	100	100	88	100	89	96	95	91	100	100	91	100	95		
<b>No, because:</b>		4	0	6	4	0	0	13	0	11	4	5	9	0	0	9	0	5		
There is too limited a discussion, or no discussion, of the "de facto" exchange rate regime.		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
(For regimes other than hard pegs or pure floats) There is too limited a discussion, or no discussion, of exchange rate policies.		4	0	6	4	0	0	13	0	11	4	5	9	0	0	9	0	5		
Other explanations (specify).		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
<b>Q3. Does the report provide a reasoned appraisal of the "de facto" exchange rate regime?</b>																				
Not applicable	9																			
<b>Yes</b>		71	67	94	52	56	88	50	75	88	68	73	85	57	69	76	75	70		
<b>No, because:</b>		29	33	6	48	44	13	50	25	13	32	27	15	43	31	24	25	30		
The report does not discuss the appropriateness of the regime at all.		10	0	6	14	11	0	25	13	0	21	0	10	10	15	5	0	11		
The report merely mentions that "the regime has served the country well" or similar wording.		12	33	0	19	22	13	13	13	0	5	18	0	24	8	14	25	11		
Other explanations (specify).		7	0	0	14	11	0	13	0	13	5	9	5	10	8	5	0	8		
<b>Q4. For countries with discretionary exchange rate policies, does the report provide a reasoned appraisal of exchange rate policies?</b>																				
Not applicable	26																			
<b>Yes</b>		88	100	91	85	100	100	67	60	100	60	95	86	91	100	79	75	90		
<b>No, because</b>		12	0	9	15	0	0	33	40	0	40	5	14	9	0	21	25	10		
The report does not describe exchange rate policies clearly.		4	0	9	0	0	0	33	0	0	20	0	7	0	0	7	0	5		
The report describes exchange rate policies but does not give a view on their appropriateness.		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
The depth of appraisal is shallow.		8	0	0	15	0	0	0	40	0	20	5	7	9	0	14	25	5		

Table 6. Summary of Staff Report Review - Exchange Rate (continued)

Question	Not Applicable (in number)	Total	ADV	EMG	DEV	AFR	APD	EUR	MCD	WHD	Fixed	Flex.	Issued	Issued	CA>	CA <	Non- Program	Non- Program
											ER reg./1	ER reg. 2/	before 09/01/ 07	after 09/01/ 07	5 or 5 and CA<- CA>-	5 or 5		
(in percentages of applicable sample)																		
<b>Q5. Does the report provide a clear assessment of the consistency of the level of the exchange rate with its fundamental determinants?</b>																		
Yes		92	88	94	92	92	100	92	88	90	87	96	88	96	88	96	100	90
<b>No, because:</b>		8	13	6	8	8	0	8	13	10	13	4	12	4	12	4	0	10
Exchange rate level/competitiveness is not explicitly discussed.		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Exchange rate level/competitiveness is discussed but there is no clear bottom line.		6	13	0	8	8	0	8	0	10	9	4	8	4	12	0	0	7
Other explanations (specify).		2	0	6	0	0	0	0	13	0	4	0	4	0	0	4	0	2
<b>Q6. Please specify all techniques utilized for making an assessment</b>																		
Basic indicators (REER, market shares, export growth...)		82	63	94	80	83	75	75	100	80	87	78	84	80	81	83	88	81
Discussion of CA sustainability or DSA		42	50	47	36	50	63	25	50	30	48	37	32	52	35	50	38	43
PPP approaches		12	0	18	12	25	13	8	0	10	17	7	8	16	8	17	0	14
Quoting an estimate from CGER		26	75	41	0	8	25	42	13	40	4	44	28	24	19	33	25	26
Variants of CGER external sustainability approach		30	63	29	20	42	0	67	25	0	30	30	16	44	38	21	25	31
Econometric methods:		50	63	59	40	42	25	67	50	60	57	44	36	64	46	54	38	52
Variants of CGER macroeconomic balance approach		32	63	47	12	17	25	67	38	10	35	30	16	48	31	33	25	33
Variants of CGER equilibrium real exchange rate approach		40	63	41	32	33	13	50	38	60	39	41	36	44	38	42	25	43
Other approaches (specify):		32	38	24	36	50	38	33	13	20	26	37	24	40	38	25	67	64
<b>Q7. Does the report provide robust analysis to underpin the assessment of the exchange rate level?</b>																		
Yes		56	75	59	48	50	38	75	38	70	52	59	44	68	65	46	50	57
<b>No, because:</b>		44	25	41	52	50	63	25	63	30	48	41	56	32	35	54	50	43
(i) Assessment is done in a superficial way without any analysis.		6	0	0	12	8	25	0	0	0	0	11	12	0	8	4	0	7
(ii) Sophistication/depth of analysis is inadequate given available data.		16	0	18	20	8	38	8	25	10	22	11	28	4	19	13	25	14
(iii) The report does not disclose critical features of methodologies and/or key assumptions, or presents analysis in a "black box" way.		22	13	35	16	25	13	25	25	20	22	22	20	24	8	38	25	19
(iv) Analysis/conclusions appears to be either not taking into account all important factors or internally inconsistent (at odds with other facts presented in the report).		6	13	0	8	8	0	0	13	10	9	4	8	4	4	8	0	10
<i>Memo item: number of reports in the subsample</i>		50	8	17	25	12	8	12	8	10	23	27	25	25	26	24	8	42

1/ "Fixed" defined as arrangements with no separate legal tender, currency boards, other conventional pegs and pegs within horizontal bands (Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER), 2007).

2/ "Flexible" defined as crawling pegs (Botswana), managed floats and independent floats (Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER), 2007).

3/ The sample contains 17 cases with CA deficit over 5 percent of GDP and 9 cases with a CA surplus over 5 percent of GDP.

Table 7. Summary of Staff Report Review - Spillovers and Cross Country Analysis

Questions	Total	ADV	EMG	DEV	AFR	APD	EUR	MCD	WHD	Program	Non-Program												
(in percentages of applicable sample)																							
<b>1. Outward side: is there a discussion of the impact of this country's outlook/ policies on other economies?</b>																							
Yes	10	25	12	4	17	0	8	0	20	13	10												
Passing reference (acknowledging effects and risks in general terms)	4	0	6	4	8	0	0	0	10	13	2												
More than passing reference, with some analysis	4	13	6	0	8	0	8	0	0	0	5												
Extensive substantive analysis (e.g. possible scenarios and transmission mechanisms to show size of problem and why it needs attention)	2	13	0	0	0	0	0	0	10	0	2												
Other, please specify	0	0	0	0	0	0	0	0	0	0	0												
No discussion	90	75	88	96	83	100	92	100	80	88	90												
<b>2. Inward: Where relevant, does the staff report refer to the following trends in its analysis?</b>																							
<b>Backward-looking trends (NA, Y, N)</b>																							
	NA	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N		
(i) commodity price movements	(8)	63	37	57	43	63	38	65	35	75	25	71	29	36	64	86	14	56	44	57	43	64	36
(ii) overall global economic environment	(18)	29	71	63	38	20	80	22	78	33	67	14	86	33	67	0	100	50	50	17	83	31	69
(iii) overall global financial environment	(38)	52	48	88	13	47	53	17	83	40	60	0	100	67	33	75	25	43	57	50	50	52	48
(iv) regional trends/developments in neighboring economies	(20)	50	50	83	17	38	62	48	52	44	56	50	50	64	36	33	67	50	50	43	57	52	48
(v) other (please specify)	(67)	14	86	50	50	0	100	0	100	0	100	0	100	33	67	0	0	0	0	0	100	17	83
<b>Forward-looking trends (NA, Y, N)</b>																							
	NA	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
(i) commodity price movements	(8)	61	39	63	38	67	33	57	43	67	33	71	29	50	50	33	67	78	22	43	57	64	36
(ii) overall global economic environment	(10)	38	62	75	25	31	69	29	71	40	60	43	57	42	58	14	86	44	56	17	83	41	59
(iii) overall global financial environment	(36)	56	44	88	13	65	35	0	100	20	80	33	67	75	25	60	40	57	43	50	50	57	43
(iv) regional trends/developments in neighboring economies	(18)	41	59	67	33	36	64	38	62	33	67	38	63	27	73	33	67	86	14	29	71	44	56
(v) other (please specify)	(67)	14	86	0	100	0	100	20	80	0	100	0	100	0	100	0	0	100	0	50	50	0	100
<b>3. Inward: Does the staff report refer to relevant risks identified in the last WEO/GFSR in its analysis? (NA, Y, N)</b>																							
	NA	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
(i) commodity price movements	(20)	55	45	71	29	60	40	44	56	50	50	86	14	45	55	20	80	67	33	0	100	61	39
(ii) overall global economic environment	(22)	38	62	86	14	38	63	19	81	33	67	43	57	45	55	0	100	50	50	0	100	43	57
(iii) overall global financial environment	(30)	49	51	100	0	60	40	8	92	25	75	17	83	67	33	67	33	67	33	0	100	55	45
(iv) regional trends/developments in neighboring economies	(36)	25	75	40	60	27	73	19	81	25	75	29	71	20	80	0	100	40	60	0	100	29	71
(v) other (please specify)	(59)	14	86	0	0	0	100	20	80	0	100	0	100	0	100	0	0	100	0	0	100	17	83
<b>4. If there are references to WEO/GFSR-identified risks, is coverage adequate (in quantity and substance) compared to what would seem warranted? 1/</b>																							
Yes	61			75		62		50		71		17		70		50		86		0			63
No, because	39			25		38		50		29		83		30		50		14		100			38
Insufficient /generic/more shallow than warranted	33			25		38		33		14		83		30		50		14		0			34
Not in line with WEO/GFSR messages	0			0		0		0		0		0		0		0		0		0			0
Other, please specify	6			0		0		17		14		0		0		0		0		100			3



Table 8. Summary of Staff Report Review - Candor

Questions	Total	ADV	EMG	DEV	AFR	APD	EUR	MCD	WHD	Non-Program Program	
	(in percentages of applicable sample)										
<b>Q1. Baseline MT/LT Scenario: Is it possible to identify that (one of) the MT/LT scenario(s) provided is the baseline scenario (defined as the 'most probable' scenario)?</b>											
(1) Yes	74	88	71	72	75	88	75	63	70	50	79
(2) No	26	13	29	28	25	13	25	38	30	50	21
If the answer to Q1 is (1) YES,											
Q1-1. Is the baseline scenario convincing?											
(a) Yes, the baseline MT/LT scenario is convincing.	86	100	75	89	67	100	89	80	100	100	85
(b) No, the baseline is not convincing.	14	0	25	11	33	0	11	20	0	0	15
If the answer to Q1-1 is (b) NO, is it because (Please check all that apply)											
(i) External assumptions (e.g. exchange rates, CPI of G7 countries, oil and commodity prices, debt relief, etc.) do not appear realistic and the SR does not provide clear justification for them. (Please explain: )	0	0	0	0	0	0	0	0	0	0	0
(ii) Policy Implementation assumptions do not appear realistic and the SR does not provide clear justification for them. (Please explain: )	60	0	67	50	67	0	0	100	0	0	60
(iii) Underlying parameters (e.g. the elasticity of variable x on y) used in the baseline MT/LT scenario do not appear realistic and the SR does not provide clear justification for them. (Please explain: )	20	0	33	0	0	0	100	0	0	0	20
(iv) There are internal inconsistencies (e.g. inconsistencies among MT/LT scenario, the public and the external DSA). (Please explain: )	0	0	0	0	0	0	0	0	0	0	0
(v) Others (Please explain: )	20	0	0	50	33	0	0	0	0	0	20
If the answer to Q1 is (2) NO, then is it because											
(a) No MT/LT scenario is provided.	8	0	20	0	0	0	33	0	0	0	11
(b) A MT/LT scenario is provided but there is no indication in the SR that this is the baseline scenario defined as above.	77	100	60	86	67	100	67	100	67	100	67
(c) SR provides two or more scenarios with convincing explanation that the probability of outcome is equal among all scenarios.	0	0	0	0	0	0	0	0	0	0	0
(d) SR provides two or more scenarios but provides no indication of probability of any of the scenarios.	15	0	20	14	33	0	0	0	33	0	22
(e) Others (Please explain: )	0	0	0	0	0	0	0	0	0	0	0
<b>Q2. Risks to the baseline MT/LT scenario: Does the SR contain sufficient information on the risks surrounding the baseline MT/LT scenario (e.g. risks of the baseline scenario not occurring or occurring differently than expected)?</b>											
If the answer to Q1 is (1) YES (i.e. the baseline MT/LT scenario clearly identifiable), please choose among (1)-(3).											
(1) Yes, the risks to the baseline MT/LT scenario are sufficiently covered in the SR.	49	57	33	56	67	57	44	20	43	50	48
(2) There is some coverage of the risks to baseline MT/LT scenario in the SR, but more discussion is needed. (Please explain: )	41	43	42	39	22	43	44	80	29	25	42
(3) No, there is no coverage of risks to the baseline MT/LT scenario in the SR.	11	0	25	6	11	0	11	0	29	25	9
If the answer to Q1 is (2) NO (i.e. the baseline MT/LT scenario is not clearly identifiable), please choose between (4)-(6).											
(4) No. There is no discussion of risks to the baseline MT/LT scenario in the SR.	23	0	40	14	33	0	33	0	33	25	22
(5) There is some discussion of risks but there is no clearly-identified baseline MT/LT scenario to link them to.	46	100	20	57	33	0	33	100	33	75	33
(6) Others (Please explain: )	31	0	40	29	33	100	33	0	33	0	44
<b>Q3. Consistency: Is the overall verbal description of the baseline (and alternative, if applicable) MT/LT scenario consistent with the numerical presentation in the SR?</b>											
(1) Yes, numerical and verbal presentation are consistent.	78	63	82	80	75	100	67	88	70	63	81
(2) The numerical and verbal presentations are consistent for some areas, not for others. (Please explain in comment )	2	0	0	4	8	0	0	0	0	0	2
(3) No. Verbal presentation does not appear to be a fair representation of numerical analysis (e.g. excessive hedging). (Please explain in comment )	4	13	0	4	0	0	0	13	10	0	5
(4) Not applicable.	16	25	18	12	17	0	33	0	20	38	12
(a) There exist numerical representation of the baseline MT/LT scenario in the SR (e.g. tables, charts), but no verbal discussion of this in the text of the SR.	63	100	33	67	50	0	50	0	100	67	60
(b) Others (Please explain in comment )	38	0	67	33	50	0	50	0	0	33	40
<b>Q4. Incorporation of the risks: Are the risks to baseline MT/LT scenario incorporated in the bottom line message (e.g. staff appraisal) of the SR?</b>											
(1) Yes, the risks to baseline MT/LT scenario are appropriately incorporated in the bottom-line message (e.g. staff appraisal) of the SR.	54	75	53	48	50	63	58	38	60	25	60
(2) Only some of the risks to baseline MT/LT scenario appear to be appropriately incorporated in the bottom-line message (e.g. staff appraisal) of the SR. (Please explain: )	18	25	12	20	0	25	17	50	10	13	19
(3) No risks appear to be incorporated in the bottom-line message of the SR.	28	0	35	32	50	13	25	13	30	63	21
(a) There is no coverage of risks to the baseline to MT/LT scenario in the SR, and they are not incorporated in the bottom-line message (e.g. staff appraisal) of the SR.	57	0	83	38	50	0	67	0	100	60	56
(b) There is coverage of risks to baseline MT/LT scenario in the SR, but they are not incorporated in the bottom-line message (e.g. staff appraisal) of the SR.	43	0	17	63	50	100	33	100	0	40	44
<i>Memo item: number of reports in the subsample</i>	50	8	17	25	12	8	12	8	10	8	42

Table 9. Summary of Staff Report Review - Communication

Questions	Total	ADV	EMG	DEV	AFR	APD	EUR	MCD	WHD	Program	Non-Program											
	(in percentages of applicable sample)																					
<b>1. Please assess the text according to the following communication factors (Y/N)</b>																						
:																						
(i) Text makes frequent use of (unexplained) jargon, uncommon words, and/or unclear acronyms.	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N										
(ii) Text makes frequent use of pro forma language or cliches that weakened the significance of a statement or conclusion.	36	64	38	63	35	65	36	64	17	83	75	25	42	58	38	63	20	80	13	88	40	60
(iii) Text makes frequent use of qualifying or guarded words or phrases that made it hard to discern a bottom-line on a topic.	36	64	0	100	29	71	52	48	50	50	50	50	8	92	63	38	20	80	25	75	38	62
(iv) Text makes frequent use of overly long sentences .	18	82	38	63	18	82	12	88	17	83	0	100	25	75	13	88	30	70	13	88	19	81
(v) Text is poorly organized.	30	70	25	75	41	59	24	76	8	92	38	63	25	75	50	50	40	60	25	75	31	69
(vi) Other ( please use this space to write in here any other factor that significantly impacted the communication quality of the text ).	14	86	25	75	18	82	8	92	8	92	25	75	0	100	25	75	20	80	13	88	14	86
	58	42	63	38	59	41	56	44	42	58	63	38	75	25	50	50	60	40	50	50	60	40
<b>2.a Trying to put aside any information you have about this country other than what is provided in the staff report, the single most appropriate classification for this country among the following possibilities is:</b>																						
(i) A country that is likely to be highly vulnerable to an economic (external/domestic) crisis.	6		0		0		12		25		0		0		0		0		13		5	
(ii) A country facing significant challenges or risks (other than persistent low income issues, if these apply), but not highly vulnerable to an economic (external/domestic) crisis.	30		25		24		36		25		25		42		50		10		63		24	
(iii) Broadly alright in terms of domestic stability and external vulnerability (possibly despite persistent low income issues.)	28		13		41		24		33		38		25		25		20		13		31	
(iv) Doing well (despite persistent low income issues.)	36		63		35		28		17		38		33		25		70		13		40	
<b>2.b Please name the top risks to external stability in this country, as conveyed by the text (no more than three, can be less than three, and "none" or "not clear" are also possible answers.)</b>																						
The top risks in this country are: (Name up to three, or choose (1) = "no main risks" or (2) = "not clear")																						
	No main risk	No main risk	No main risk	No main risk	No main risk	No main risk	No main risk	No main risk	No main risk	No main risk	No main risk	No main risk										
	12	25	12	8	17	0	17	13	10	13	10	12										
	Not clear	Not clear	Not clear	Not clear	Not clear	Not clear	Not clear	Not clear	Not clear	Not clear	Not clear	Not clear										
	34	38	35	32	17	38	42	38	40	38	33	33										
Risk 1	58	50	53	64	67	63	50	50	60	63	57											
Risk 2	42	38	41	44	33	63	33	50	40	38	43											
Risk 3	38	38	41	36	33	50	25	50	40	38	38											

Table 9. Summary of Staff Report Review - Communication (continued)

Questions	Total	ADV	EMG	DEV	AFR	APD	EUR	MCD	WHD	Program	Non-Program
	(in percentages of applicable sample)										
<b>2.c The staff's bottom-line view about the exchange rate issues (i.e., level and policy) in this country is clear (4 = strongly agree, 3 = weakly agree; 2 = don't agree; 1 = not available)</b>	Weighted average										
	3.3	2.8	3.1	3.6	3.4	3.6	2.8	3.4	3.4	3.6	3.2
1. Not available	6	25	6	0	0	0	17	0	10	0	7
2. Don't agree	20	13	29	16	25	13	25	25	10	13	21
3. Weakly agree	12	25	12	8	8	13	17	13	10	13	12
4. Strongly agree	62	38	53	76	67	75	42	63	70	75	60
<b>2.d The staff's bottom-line view on financial sector vulnerabilities in this country is clear (4 = strongly agree, 3 = weakly agree; 2 = don't agree; 1 = not available)</b>	Weighted average										
	3.0	4.0	3.0	2.6	2.5	3.3	3.6	3.0	2.5	1.9	3.2
1. Not available	20	0	12	32	42	13	8	0	30	50	14
2. Don't agree	16	0	29	12	8	13	8	38	20	25	14
3. Weakly agree	12	0	6	20	8	13	0	25	20	13	12
4. Strongly agree	52	100	53	36	42	63	83	38	30	13	60
<b>3. Among the staff's policy advice/recommendations, does the text distinguish clearly a relatively small set of issues that require utmost priority (in terms of their importance for stability, not temporal priority)?</b>											
(i) Yes, clearly stated and explained.	28	38	12	36	42	25	25	13	30	38	26
(ii) Priorities are presented but not sufficiently explained/defended.	12	13	6	16	25	0	17	0	10	25	10
(iii) Prioritization is not clear, including because there are too many or a "laundry list" presentation.	60	50	82	48	33	75	58	88	60	38	64
<b>4. Assuming you read this report in order to get the IMF's specific and conclusive views on this country, to make an economic or financial decision about the country, how would you rate the degree to which the report met your needs:</b>											
(i) High	34	25	35	36	33	25	25	50	40	38	33
(ii) Medium	48	63	47	44	42	63	67	38	30	38	50
(iii) Low	18	13	18	20	25	13	8	13	30	25	17
<b>5. On balance, do you think that the main conclusions of this text would be comprehensible to the average college-educated adult?</b>											
Yes	90	100	76	96	100	88	92	75	90	88	90
No	10	0	24	4	0	13	8	25	10	13	10
<i>Memo item: number of reports in the subsample</i>	50	8	17	25	12	8	12	8	10	8	42

Table 9-1. Summary of Staff Report Review – Communication from Health Check

Questions	Total	ADV	EMG	DEV	AFR	APD	EUR	MCD	WHD	Program	Non-Program
	(in percentages of applicable sample)										
<b>Communication</b>											
<b>14. Was the bottom-line conclusion in the staff report on, respectively, the exchange rate and the financial sector and the impact on each on external stability, in agreement with and supported by the analysis in the report? (answer Y (yes) or N (no));</b>											
exchange rate:	70	38	82	72	67	88	50	75	80	100	64
financial sector:	64	100	71	48	42	50	75	63	90	50	67
	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
exchange rate:	10	38	0	8	8	0	33	0	0	0	12
financial sector:	2	0	0	4	8	0	0	0	0	13	0
	N	N	N	N	N	N	N	N	N	N	N
exchange rate:	20	25	18	20	25	13	17	25	20	0	24
financial sector:	34	0	29	48	50	50	25	38	10	38	33
<b>15. Did the length/word count of the report impact how you would rate its communication?</b>											
It felt too long, given the chosen focus/coverage.	22	13	24	24	33	13	25	13	20	38	19
It felt word-count constrained, given the chosen focus/coverage.	12	25	24	0	0	25	8	25	10	0	14
Length as related to the chosen focus and coverage seemed about right.	66	63	53	76	67	63	67	63	70	63	67
<b>16. How does this staff report strike you overall in terms of its communication quality?</b>											
Overall, an example of very good communication quality.	10	13	6	12	0	13	17	0	20	0	12
Overall, an example of good communication quality.	44	75	47	32	25	25	50	50	70	38	45
Overall, an example of poor communication quality.	22	13	18	28	33	38	8	38	0	38	19
Communication quality is neutral or average.	24	0	29	28	42	25	25	13	10	25	24
<i>Memo item: number of reports in the subsample</i>	50	8	17	25	12	8	12	8	10	8	42

Table 10. Summary of Staff Report Review - Evenhandedness

Focus	Does regional difference matter in Surveillance? AFR/APD/EUR/MCD/WHD					Does income matter in surveillance? ADV/EMG/DEV			Does exchange rate regime matter in surveillance? Peg/Crawl/Float			Does size matter in surveillance? <\$1000bn/ \$999- \$100bn/\$99-\$10bn/<\$9bn				
	(in percentages of applicable sample)															
	AFR	APD	EUR	MCD	WHD	ADV	EMG	DEV	Peg	Crawl	Float	>\$1000bn	&999-\$100	\$99-\$10bn	<\$9bn	
<b>Focus</b>																
Q: Does the report ask (implicitly or explicitly) one or a few well identified questions? (Y/N)	58	75	100	88	100	100	94	72	83	73	100	100	55	78	88	
<b>Health Check</b>																
Q1. Is the coverage of recent economic developments and policies sufficiently informative?	67	75	92	38	90	88	71	72	74	73	75	71	70	78	70	
Q2. Is the short-term economic outlook, including risks to this outlook, presented in a substantiated way?	50	63	75	38	60	88	59	48	61	40	75	86	64	43	67	
Q3. Is there a clear (implicit or explicit) assessment of present and prospective external stability?	82	75	78	75	80	80	82	75	73	75	75	100	60	83	75	
Q4. Is there an adequate coverage of all core macroeconomic policy areas (i.e., exchange rate, monetary and fiscal policies), including identification of key policy challenges?	58	88	83	63	90	88	71	76	70	80	83	100	45	78	89	
<b>AVERAGE</b>	<b>64</b>	<b>75</b>	<b>82</b>	<b>53</b>	<b>80</b>	<b>86</b>	<b>71</b>	<b>68</b>	<b>69</b>	<b>67</b>	<b>77</b>	<b>89</b>	<b>60</b>	<b>71</b>	<b>75</b>	
<b>Financial Sector Sustainability</b>																
Q1. Does the report provide a clear assessment of FS vulnerabilities? And if so, is it clear from the report what is the level of FS vulnerabilities?	42	63	58	63	70	75	59	52	43	60	83	86	45	57	56	
Q2. Does the report provide clearly-justified FS policy recommendations?	42	100	58	38	70	63	53	64	52	73	58	71	36	61	78	
<b>AVERAGE</b>	<b>42</b>	<b>81</b>	<b>58</b>	<b>50</b>	<b>70</b>	<b>69</b>	<b>56</b>	<b>58</b>	<b>48</b>	<b>67</b>	<b>71</b>	<b>79</b>	<b>41</b>	<b>59</b>	<b>67</b>	

Table 10. Summary of Staff Report Review - Evenhandedness (continued)

	Does regional difference matter in Surveillance? AFR/APD/EUR/MCD/WHD					Does income matter in surveillance? ADV/EMG/DEV			Does exchange rate regime matter in surveillance? Peg/Crawl/Float			Does size matter in surveillance? <\$1000bn/ \$999- \$100bn/\$99-\$10bn/<\$9bn			
	(in percentages of applicable sample)											>\$1000bn	&999-\$100	\$99-\$10bn	<\$9bn
	AFR	APD	EUR	MCD	WHD	ADV	EMG	DEV	Peg	Crawl	Float				
<b>Spill-over and Cross-Country</b>															
Q1. Where relevant, does the staff report refer to the global economic environment trends in its backward and forward analysis?	37	29	38	7	47	69	26	25	27	25	65	64	33	23	33
Q2.How extensive is the use of cross-country analysis in the staff report? (4-5 instances or more)	17	50	83	0	60	88	53	24	35	33	75	86	64	26	38
<b>Average</b>	<b>27</b>	<b>39</b>	<b>60</b>	<b>4</b>	<b>54</b>	<b>78</b>	<b>39</b>	<b>25</b>	<b>31</b>	<b>29</b>	<b>70</b>	<b>75</b>	<b>48</b>	<b>25</b>	<b>35</b>
<b>Candor</b>															
Q1. Risks to the baseline MT/LT scenario: Does the SR contain sufficient information on the risks surrounding the baseline MT/LT scenario (e.g. risks of the baseline scenario not occurring or occurring differently than expected)?	67	57	44	20	43	57	33	56	50	40	56	57	18	26	75
Q2. Incorporation of the risks: Are the risks to baseline MT/LT scenario incorporated in the bottom line message (e.g. staff appraisal) of the SR?	50	63	58	38	60	75	53	48	57	33	75	71	36	57	63
Q3. Would you agree that the staff's bottom-line view about the exchange rate issues (i.e., level and policy) in this country is clear? 1/	47	54	33	45	50	33	39	53	42	57	36	33	33	53	54
<b>AVERAGE</b>	<b>54</b>	<b>58</b>	<b>45</b>	<b>34</b>	<b>51</b>	<b>55</b>	<b>42</b>	<b>52</b>	<b>49</b>	<b>44</b>	<b>55</b>	<b>54</b>	<b>29</b>	<b>45</b>	<b>64</b>
<b>Overall quality</b>	<b>49</b>	<b>66</b>	<b>69</b>	<b>46</b>	<b>71</b>	<b>78</b>	<b>60</b>	<b>55</b>	<b>56</b>	<b>56</b>	<b>75</b>	<b>79</b>	<b>47</b>	<b>55</b>	<b>66</b>

1/ Q3 in Candor is derived from Q2c in the Communication section, answered by non-economist readers.

### C. Stakeholder Surveys

4. **Several surveys were conducted for the TSR, to gather views across different groups of stakeholders on various aspects of surveillance.** Survey audiences included member country authorities, Executive Directors, IMF mission chiefs, financial market participants, and think tanks and civil society. The surveys and responses follow.
5. **The surveys posed questions relevant for each TSR theme, varying in emphasis depending on the audience, with the aim of capturing each audience’s unique perspective of surveillance.** To maximize response rates, the number of questions in each survey were limited and the questions were phrased at a relatively general level.
  - **The thematic areas included** (i) focus; (ii) multilateral perspective (cross-border spillovers and cross-country analysis); (iii) financial sector and macroeconomic linkages; (iv) exchange rate analysis; (v) candor; and (vi) communications.
  - **The surveys of authorities, EDs, and mission chiefs were most similar in content and structure, focusing more on the quality of coverage in thematic areas.** Authorities and mission chiefs responded to questions about surveillance in their specific cases, while EDs shared their broader perspective of surveillance in countries *outside* of their constituency, as a proxy for the views of the international community.
  - **The surveys of market participants, think tanks, and civil society also focused on the quality of coverage in thematic areas, with questions also aiming to assess the effectiveness of communication.** In thematic areas, respondents were asked to compare the quality of the Fund’s analysis to other institutions doing similar analysis. The surveys also sought to assess the degree of use of various surveillance outputs, and strengths and weaknesses of these outputs.
  - **A more limited survey of the media focused on the effectiveness of communications.**
6. **For all audiences, efforts were made to include as many respondents as possible.** The table below summarizes the universe of possible respondents and response rates. All responses were anonymous. Questions were included to help stratify the results by region and income level, and the type of institution as relevant (e.g., finance ministry or central bank for authorities; investment bank, hedge fund, rating agency, etc. for market participants).

Table 11. Stakeholder Survey Sample Universes and Response Rates

Survey audience	Selection criteria for inclusion	Number of surveys sent	Response rate in percent (number)
Authorities	All member countries, allowing for responses from multiple official institutions within each country	185	34 (63)
Executive Directors	All chairs	24	58 (14)
Mission chiefs	Mission chiefs who conducted Article IV consultations between July 2007 and March 2008. Mission chiefs who covered more than one country during that period were asked to complete one survey per country. In the few cases for which the mission chief had left the Fund, the survey was sent to the senior desk on the mission.	83	66 (55)
Financial market participants	Broad array of institutions operating in various market and regions.	453	21 (96)
Media	Given or sent to journalists who attended the IMF Spring Meetings and selected Regional Economic Outlook launches targeted to the Middle East and emerging market Europe.	40	38 (15)
Think tanks	Wide range of institutions across various regions	320	3 (11)
Civil society	Sent to the full civil society organization contact list of the Fund External Relations Department	1000	0.3 (3)

\*Due to an insufficient number of responses, the surveys for think tanks, civil society and media are not included.

## D. Stakeholder Survey Questionnaires with Survey Results

### 1. 2008 Triennial Surveillance Review Survey of Country Authorities (Total 63 responses)

*The response rates for each question are in percentage. A number of responses for each question is provided when it is different from the total number of responses. The percentage figures are calculated based on this number. Due to no responses, the total percentage for each question may not add up to 100 percent.*

The Fund has begun work on the 2008 Triennial Surveillance Review (TSR). The key objectives of this Review are to take stock of experience with the new surveillance framework, and of the distance to the new frontier outlined by the refocusing exercise launched by the Managing Director. The Fund also wants to shed light on how and why there are shortcomings in the practice of surveillance, to help guide future work, and to identify key operational priorities in surveillance over the medium-term. The review is expected to focus on recent experience—broadly the past year. The views of country authorities are being sought to inform the review, and will be handled anonymously.

Which institution do you represent?

Monetary	56
Finance/Treasury	44
Both Monetary and Finance/Treasury	18

Which of the following best describes your country?

Advanced	37
Emerging market	44
Low income	17

Approximately when was your country's last Article IV?

Within last 12 months	83
Over 12 months ago	16

Which area department of the Fund is your country covered by?

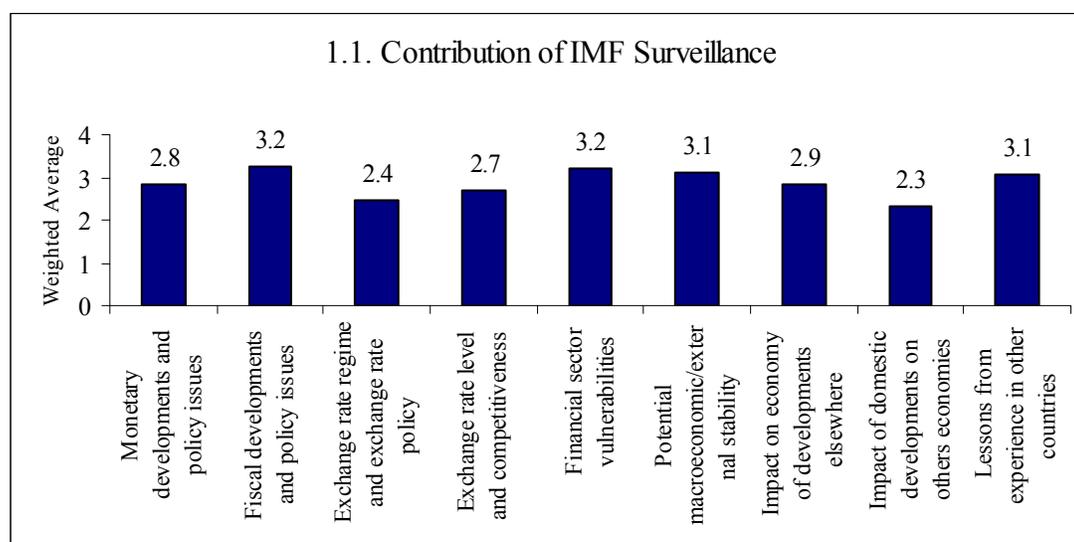
Africa	11
Asia and Pacific	17
Europe	48
Middle East and Central Asia	11
Western Hemisphere	11

*On the basis of recent surveillance of your country, please respond to the following statements:*

### Contribution of IMF surveillance

Please rate using: 1 – not at all; 2 – a little; 3 – to some extent; 4 – to a large extent; 5 – to a very large extent.  
*Surveillance has contributed to my understanding of, or provided new insights for me into, my country's:*

	1	2	3	4	5
CS1. Monetary developments and policy issues	11	19	29	33	3
CS2. Fiscal developments and policy issues	2	18	29	39	9
CS3. Exchange rate regime and exchange rate policy	17	22	28	20	4
CS4. Exchange rate level and competitiveness	11	25	33	24	2
CS5. Financial sector vulnerabilities	6	20	34	27	13
Potential macroeconomic/external stability implications of financial sector developments					
CS6. developments	6	20	39	26	9
CS7. Impact on economy of developments elsewhere (i.e., inward spillovers)	8	29	36	23	4
CS8. Impact of domestic developments on others economies (i.e., outward spillovers)	21	30	32	11	2
CS9. Lessons from experience in other countries	6	27	34	23	10
CS10. Other areas	1	1	1	6	0
CS11. Compared with previous Article IV cycles, I have noticed an improvement in:					
the quality of the most recent exchange rate analysis and advice in surveillance of					
(a) my country	14	16	37	19	2
the quality of the most recent financial sector analysis and advice in surveillance of					
(b) my country	6	16	48	18	6



\*Rating scale: 1 – not at all; 2 – a little; 3 – to some extent; 4 – to a large extent; 5 – to a very large extent

### Focus

**F1.** *Recently, the focus of surveillance in my country has been:*

too broad	5
too narrow	6
broadly okay	88

**F2. If topics should have been skipped, which:**

- Whole Article IV Consultation process
- Need more consultation before finalizing the report
- Structural issues covered by OECD
- Exchange rate level
- Calculation of equilibrium exchange rates for individual members of currency unions
- Corporate governance; immigration
- Appropriate
- Political commenting
- Equilibrium Exchange Rate
- Electrical sector; Auto & Airline manufacturers

**F3. If topics were missed, which:**

- Current account surplus in '07 Article IV
- Linkages with neighboring countries
- Need more consultation before finalizing the report
- Micro-prudential surveillance
- Sub-regional monetary integration
- The implications of structural reform for other sectors
- Regional outlook
- Impact of Euro appreciation and high oil prices on domestic economy
- Effects of ECB monetary policy in my country
- Appropriate
- Cross-country analysis

**Candor****CA1. The degree of candor in the staff report has been:**

Excessive	6
Insufficient	0
Appropriate	92

**CA2. More candid messages were delivered separately, rather than in the staff report:**

Agree	44
Disagree	51

**CA3. If you agree with C2, how?**

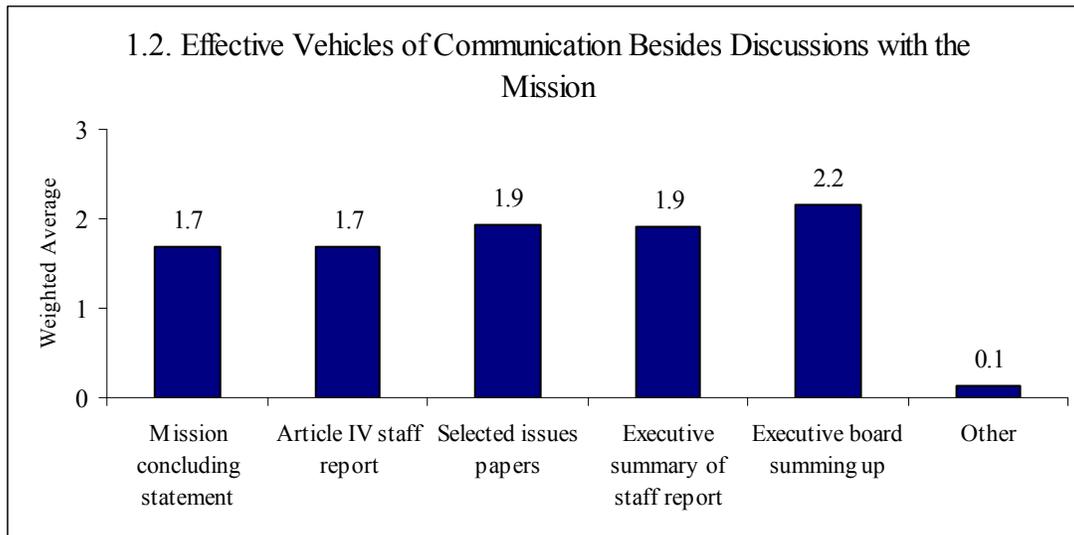
Concluding statement	20
Orally	57
Other	5
Concluding statement/Orally	14
Concluding statement/Orally/Other	4

**Communication**

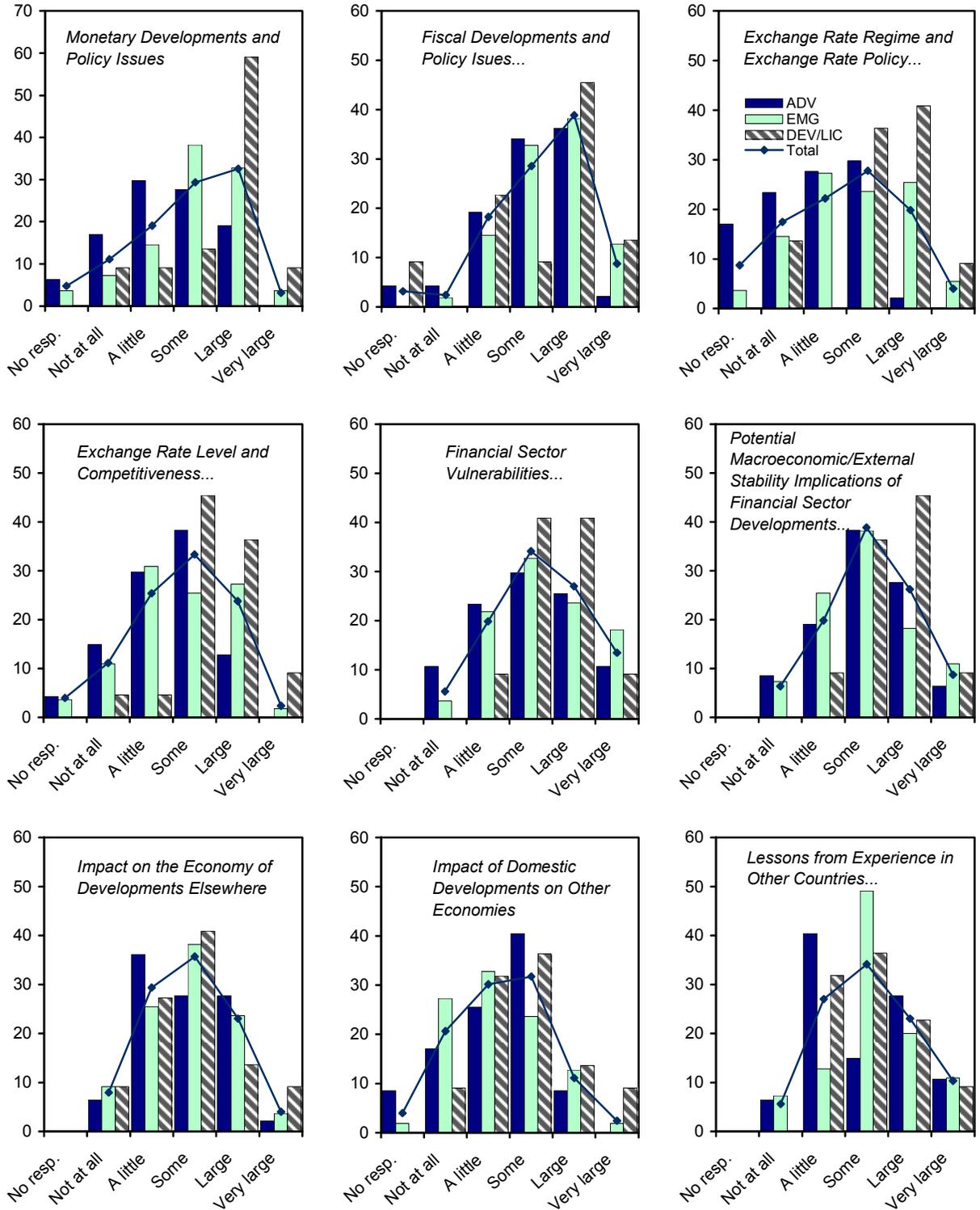
Please rate all the following using: 1 - strongly agree; 2 - agree; 3 - neutral; 4 - disagree; 5 - strongly disagree

**CO1.** Besides discussions with the mission, the following are effective vehicles to communicate the messages from surveillance to my institution:

	1	2	3	4	5
Mission concluding statement	40	48	6	3	0
Article IV staff report	29	47	10	2	2
Selected issues papers	14	44	18	10	0
Executive summary of staff report	13	47	21	5	1
Executive board summing up	10	40	24	11	2
Other	4	3	1	0	0

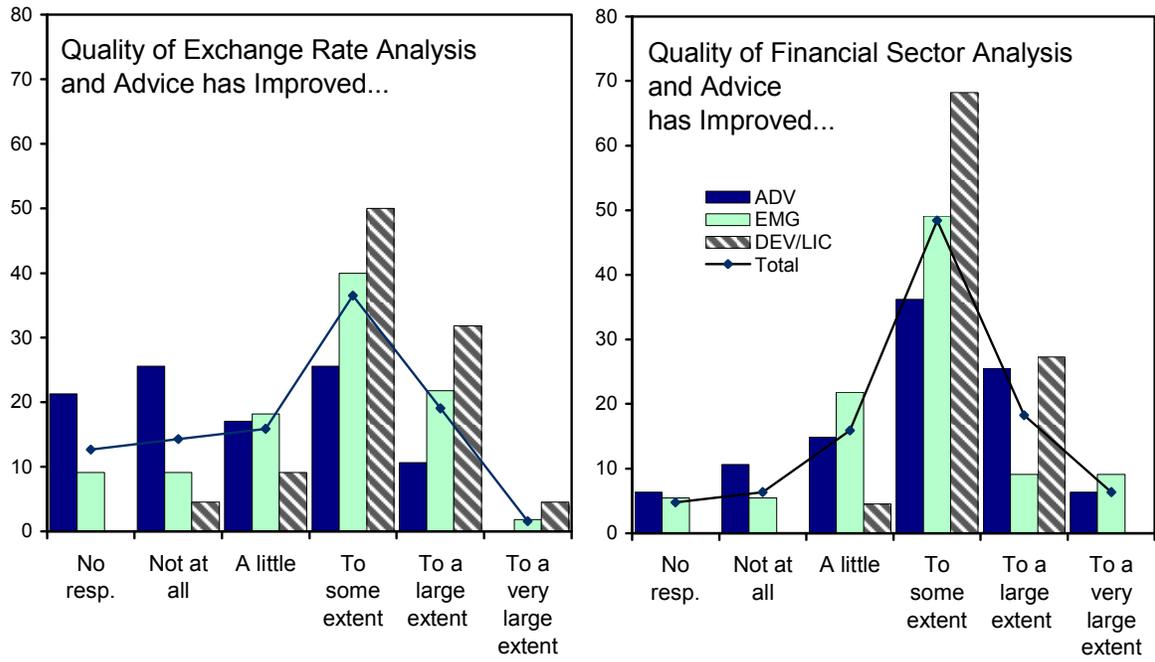


1.3. Areas Where Surveillance Contributed to Country Authorities' Understanding  
(in percent)

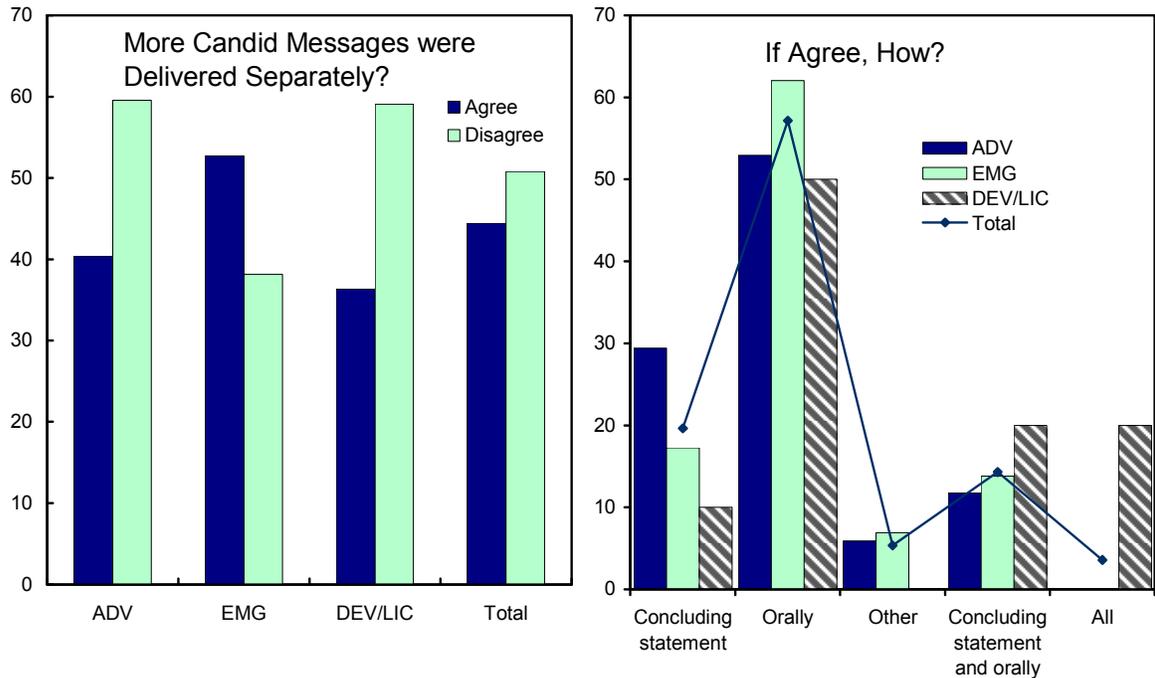


Source: TSR Authorities' survey responses.

1.4. Areas of Improvements Compared with Previous Article IV Cycles  
(in percent)

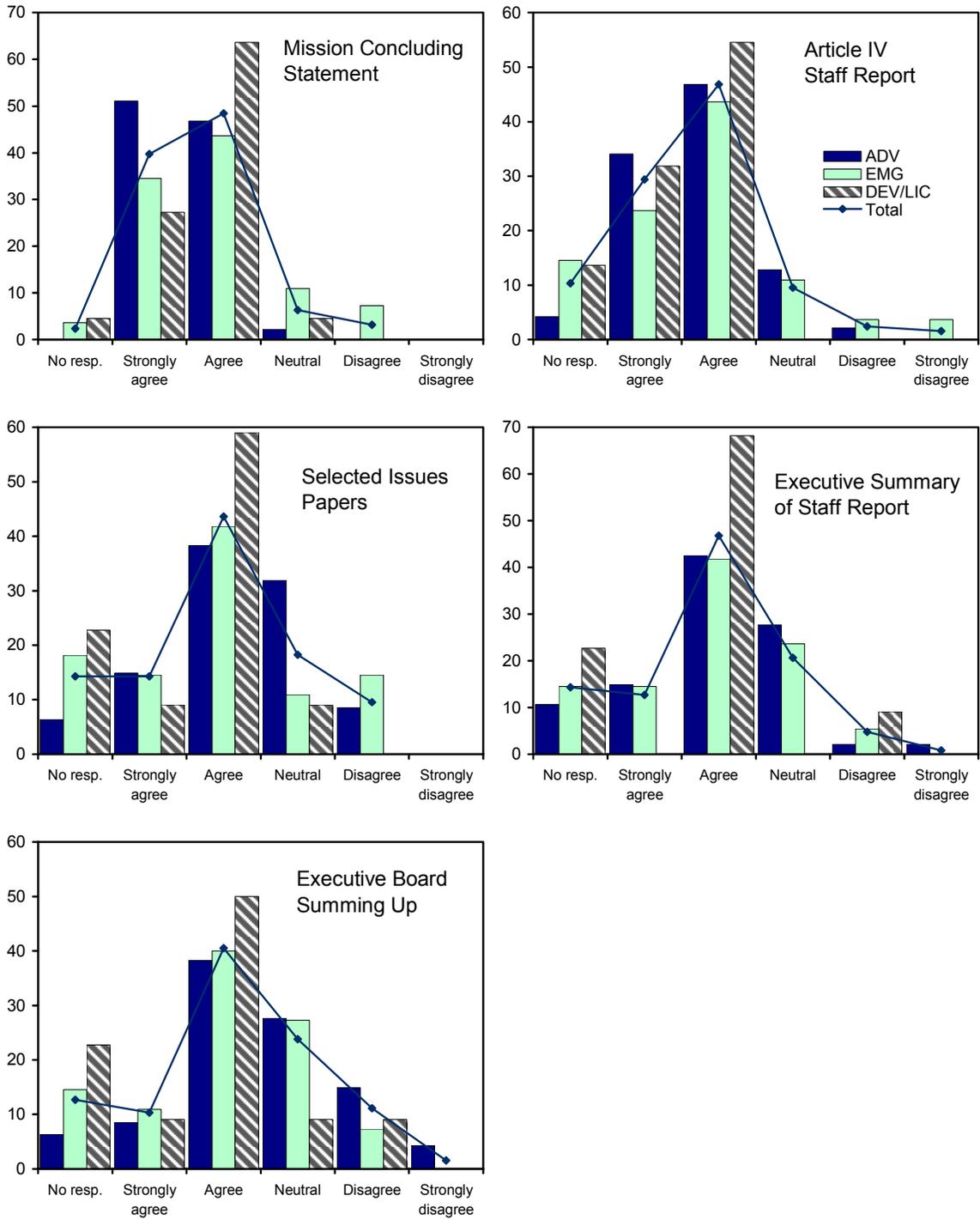


1.5. Candor  
(in percent)



Source: TSR Authorities' survey responses.

1.6. Effective Vehicles for Country Authorities to Communicate the Messages from Surveillance to Their Institution (in percent)



Source: TSR Authorities' survey responses.

## 2. 2008 Triennial Surveillance Review – Questionnaire for Executive Directors (Total 14 responses)

*The response rates for each question are in percentage. A number of responses for each question is provided when it is different from the total number of responses. The percentage figures are calculated based on this number. Due to no responses, the total percentage for each question may not add up to 100 percent.*

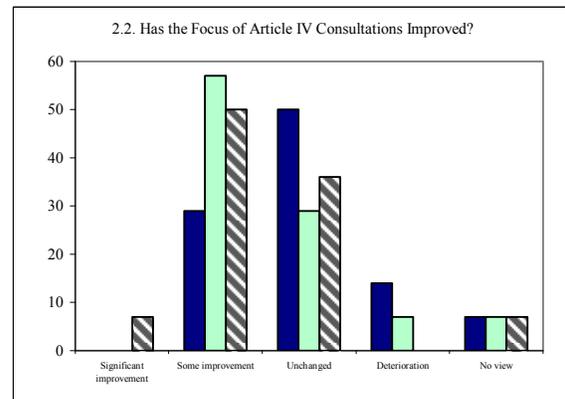
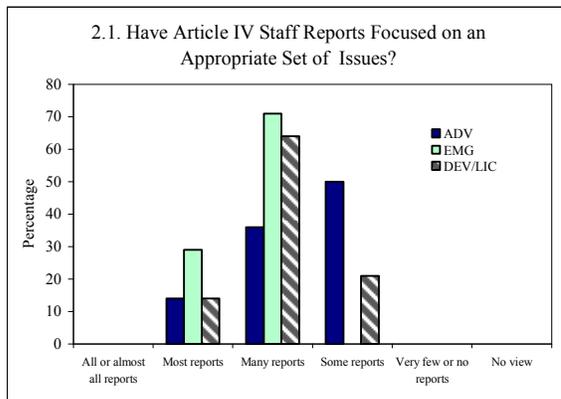
Welcome to the survey of Executive Directors, conducted in preparation for the 2008 Triennial Surveillance Review. **Please respond to these questions taking into consideration only Article IV reports for countries outside your constituency.** Your answers are very important to inform the review. To ensure a candid assessment, all responses will be anonymous and treated in strict confidence. We appreciate your participation.

### Quality of Analysis

#### Focus of consultations

1. With the hindsight of economic and financial developments (global and country-specific), please indicate what proportion of recent Article IV consultation staff reports discussed in the past 12 months focused on an appropriate set of issues.

	All or almost all reports	Most reports	Many reports	Some reports	Very few or no reports	No view
Advanced economies	0	14	36	50	0	0
Emerging market economies	0	29	71	0	0	0
Developing/Low income economies	0	14	64	21	0	0



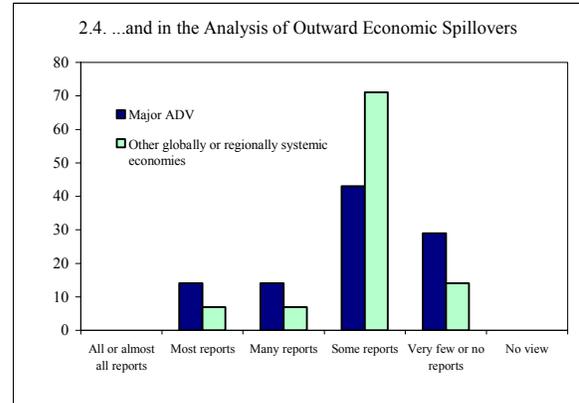
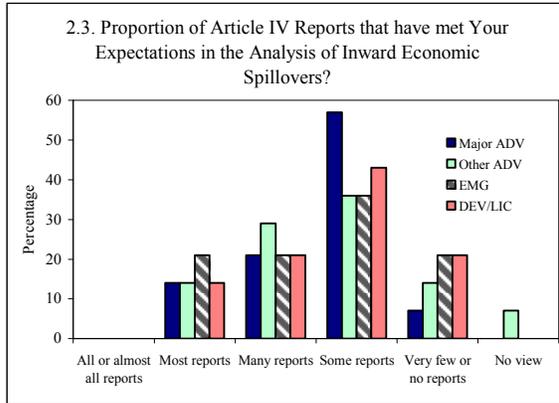
2. Please indicate whether the focus of Article IV consultations (grouped by type of economy) has improved in recent years.

	Significant improvement	Some improvement	Unchanged	Deterioration	No view
Advanced economies	0	29	50	14	7
Emerging market economies	0	57	29	7	7
Developing/Low income economies	7	50	36	0	7

### Multilateral perspective: Spillovers across countries, and cross-country analysis

3. Please indicate what proportion of Article IV reports discussed in the past 12 months have met your expectations in their analysis of relevant *inward* economic spillovers (e.g., global/regional economic and financial developments, as discussed in other surveillance vehicles such as the WEO, GFSR or REOs, and their impact on individual economies through real and financial linkages).

	All or almost all reports	Most reports	Many reports	Some reports	Very few or no reports	No view
Major advanced economies	0	14	21	57	7	0
Other advanced economies	0	14	29	36	14	7
Emerging market economies	0	21	21	36	21	0
Developing/Low income economies	0	14	21	43	21	0

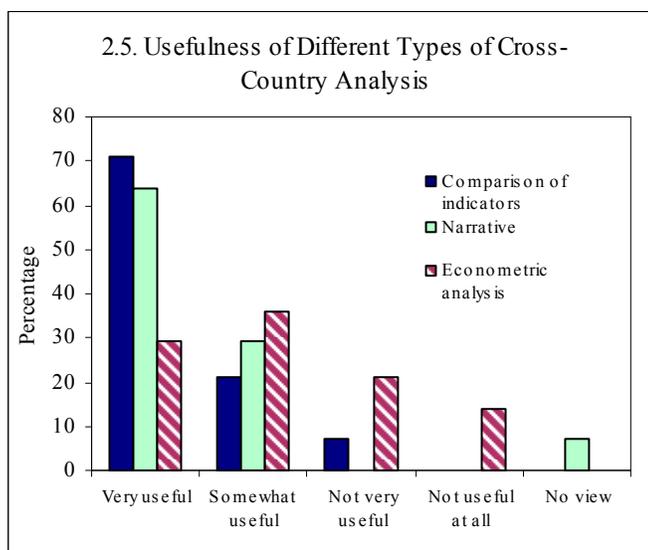


4. Please indicate what proportion of Article IV reports discussed in the past 12 months have met your expectations in their analysis of relevant *outward* economic spillovers (the impact of policies and developments in systemic economies, global and regional, on other countries).

	All or almost all reports	Most reports	Many reports	Some reports	Very few or no reports	No view
Major advanced economies	0	14	14	43	29	0
Other globally or regionally systemic economies	0	7	7	71	14	0

5. Please indicate the usefulness to you of the following types of cross country analysis in Article IV staff reports:

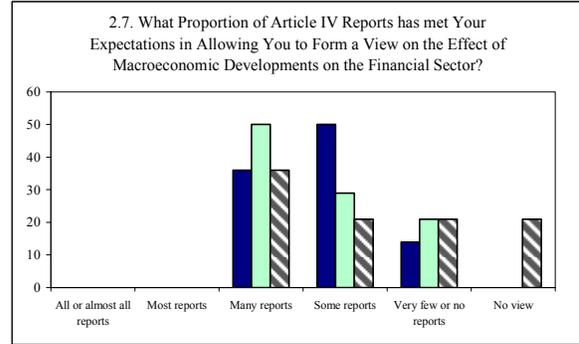
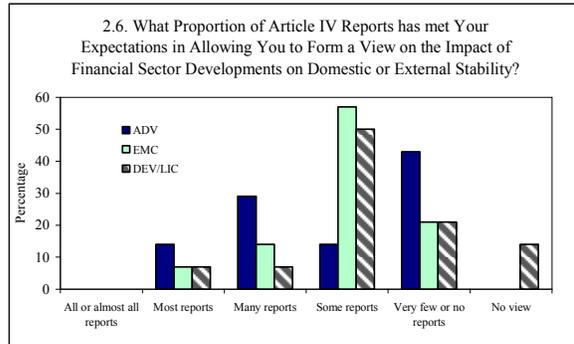
	Very useful	Somewhat useful	Not very useful	Not useful at all	No view
Comparison of indicators over a peer group	71	21	7	0	0
Narrative illustrating experience of one or several other countries	64	29	0	0	7
Econometric analysis (with many countries in the sample) seeking to prove appropriateness of policy recommendation	29	36	21	14	0



## Financial Sector Surveillance

6. In the analysis of financial sector and macro-financial issues, please indicate what proportion of Article IV reports discussed in the past 12 months has met your expectations, in allowing you to form a clear view on *how financial sector developments could potentially impact domestic or external stability* (the reverse linkages—from macro economic developments to the financial sector—are dealt with in the next question).

	All or almost all reports	Most reports	Many reports	Some reports	Very few or no reports	No view
Advanced economies	0	14	29	14	43	0
Emerging market economies	0	7	14	57	21	0
Developing/Low income economies	0	7	7	50	21	14

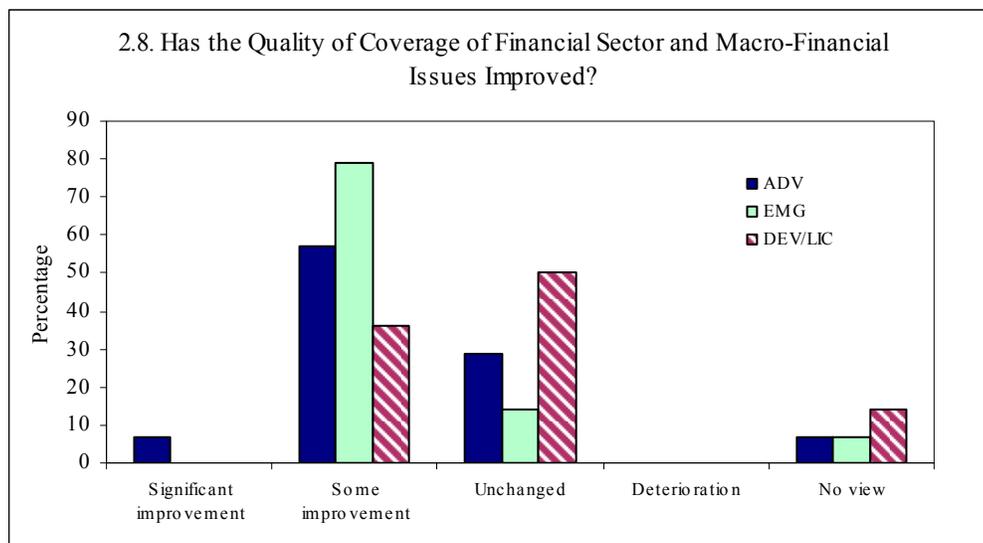


7. In the analysis of financial sector and macro-financial issues, please indicate what proportion of Article IV reports discussed in the past 12 months has met your expectations, in allowing you to form a clear view on *how macroeconomic developments could potentially affect the financial sector*.

	All or almost all reports	Most reports	Many reports	Some reports	Very few or no reports	No view
Advanced economies	0	0	36	50	14	0
Emerging market economies	0	0	50	29	21	0
Developing/Low income economies	0	0	36	21	21	21

8. Please indicate whether the quality of coverage of financial sector and macro-financial issues in Article IV reports discussed in the past 12 months has improved in recent years.

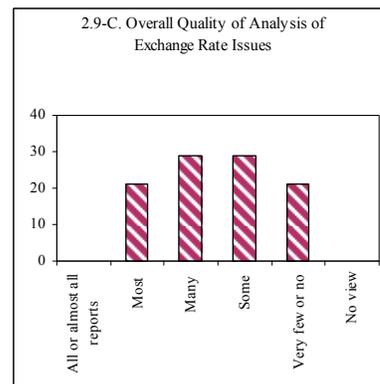
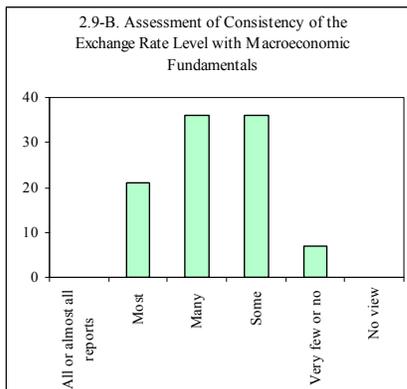
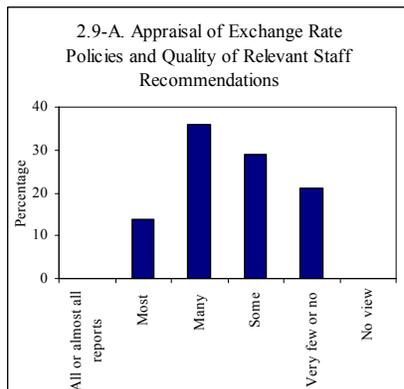
	Significant improvement	Some improvement	Unchanged	Deterioration	No view
Advanced economies	7	57	29	0	7
Emerging market economies	0	79	14	0	7
Developing/Low income economies	0	36	50	0	14



### Analysis of exchange rate issues

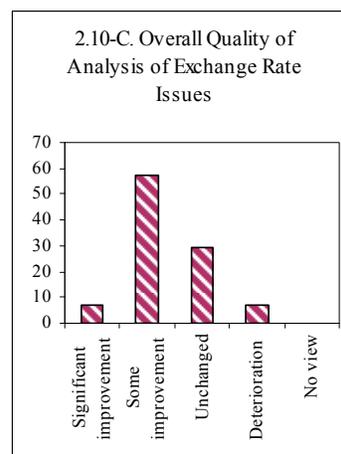
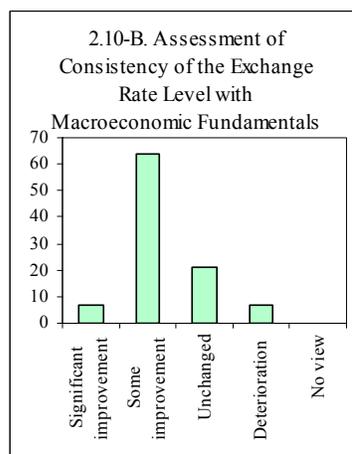
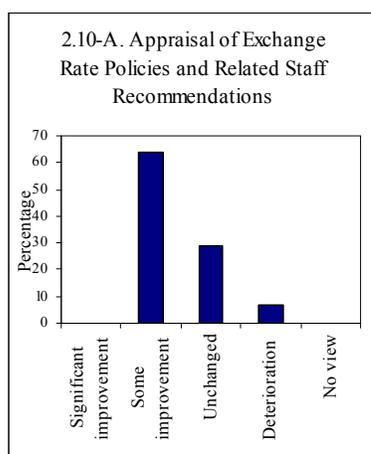
9. Please indicate in what proportion of staff reports discussed in the past 12 months the quality of analysis of exchange rate issues *has met your expectations* in the areas specified below.

	All or almost all reports	Most reports	Many reports	Some reports	Very few or no reports	No view
Appraisal of exchange rate policies and quality of relevant staff recommendations	0	14	36	29	21	0
Assessment of consistency of the exchange rate level with macroeconomic fundamentals (including analysis of external competitiveness)	0	21	36	36	7	0
Overall quality of analysis of exchange rate issues	0	21	29	29	21	0



10. Please indicate whether the quality of discussion of exchange rate issues in staff reports *has improved* in recent years in the areas specified below.

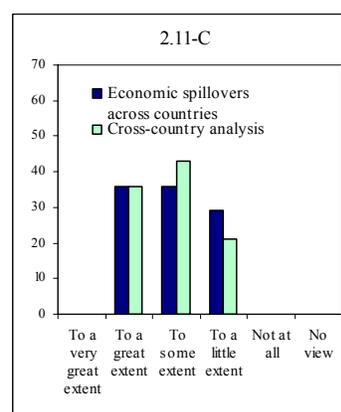
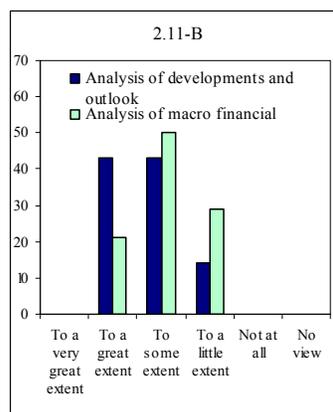
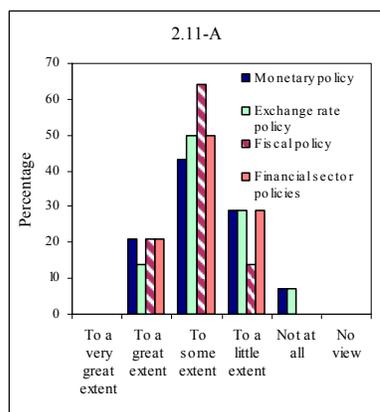
	Significant improvement	Some improvement	Unchanged	Deterioration	No view
Appraisal of exchange rate policies and related staff recommendations	0	64	29	7	0
Assessment of consistency of the exchange rate level with macroeconomic fundamentals (including analysis of external competitiveness)	7	64	21	7	0
Overall quality of analysis of exchange rate issues	7	57	29	7	0



## Overall quality of analysis

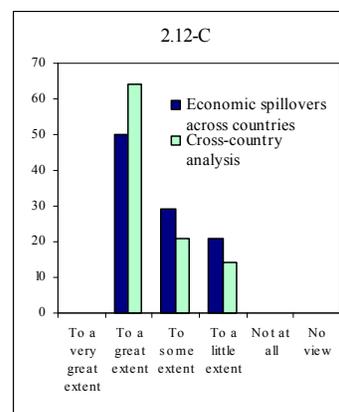
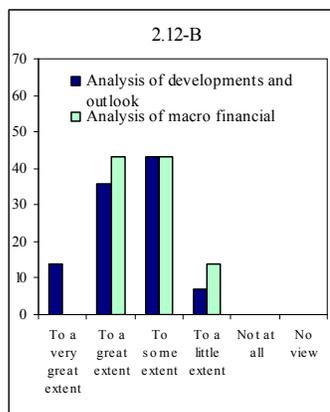
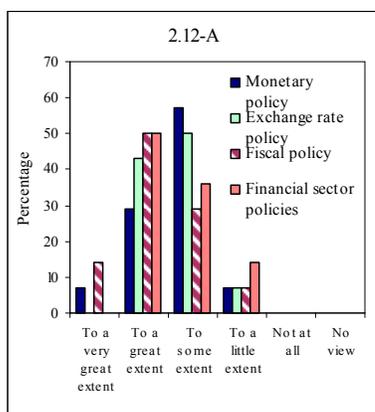
11. As it relates to *Advanced Economies*, please indicate the extent to which you, and the government agencies with which you liaise, rely on the Fund's Article IV consultation staff reports (for countries outside your constituency) for analysis of the issues specified below.

	To a very great extent	To a great extent	To some extent	To a little extent	Not at all	No view
Analysis of developments and outlook	0	43	43	14	0	0
Monetary policy	0	21	43	29	7	0
Exchange rate policy	0	14	50	29	7	0
Fiscal policy	0	21	64	14	0	0
Financial sector policies	0	21	50	29	0	0
Analysis of macro financial issues	0	21	50	29	0	0
Economic spillovers across countries	0	36	36	29	0	0
Cross-country analysis	0	36	43	21	0	0



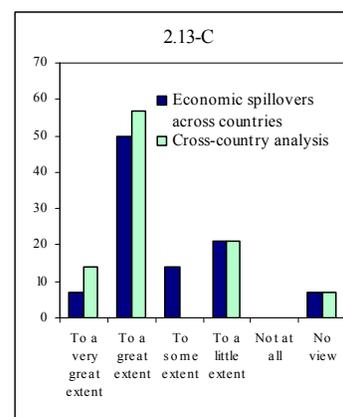
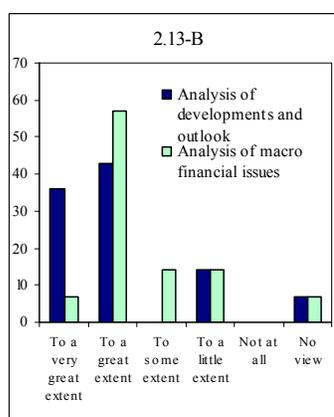
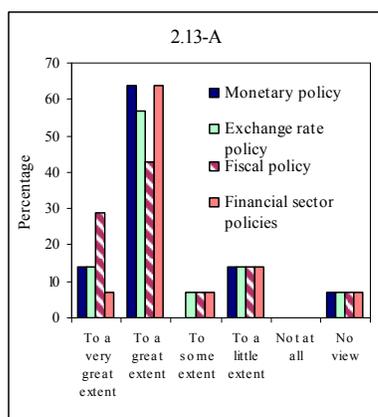
12. As it relates to *Emerging Market Economies*, please indicate the extent to which you, and the government agencies with which you liaise, rely on the Fund's Article IV consultation staff reports (for countries outside your constituency) for analysis of the issues specified below.

	To a very great extent	To a great extent	To some extent	To a little extent	Not at all	No view
Analysis of developments and outlook	14	36	43	7	0	0
Monetary policy	7	29	57	7	0	0
Exchange rate policy	0	43	50	7	0	0
Fiscal policy	14	50	29	7	0	0
Financial sector policies	0	50	36	14	0	0
Analysis of macro financial issues	0	43	43	14	0	0
Economic spillovers across countries	0	50	29	21	0	0
Cross-country analysis	0	64	21	14	0	0



13. As it relates to *Low Income Economies*, please indicate the extent to which you, and the government agencies with which you liaise, rely on the Fund's Article IV consultation staff reports (for countries outside your constituency) for analysis of the issues specified below.

	To a very great extent	To a great extent	To some extent	To a little extent	Not at all	No view
Analysis of developments and outlook	36	43	0	14	0	7
Monetary policy	14	64	0	14	0	7
Exchange rate policy	14	57	7	14	0	7
Fiscal policy	29	43	7	14	0	7
Financial sector policies	7	64	7	14	0	7
Analysis of macro financial issues	7	57	14	14	0	7
Economic spillovers across countries	7	50	14	21	0	7
Cross-country analysis	14	57	0	21	0	7



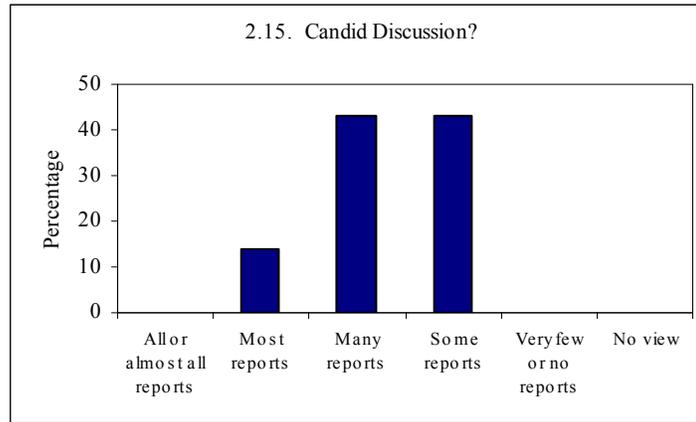
14. Please use this space to insert additional comments, if any, on the quality of analysis of consultations, including focus, economic spillovers, cross country analysis, financial sector surveillance, analysis of exchange rate issues, and overall quality of analysis. These may include examples of staff reports that stand out as best practice in particular areas, or as illustrations of missed opportunities.

- We still need to embed multilateral to bilateral and vice versa.
- Macro to financial analysis is sound but financial to macro remains weak.
- 2007 Decision has taken us backwards as there is now too much concentration on e/r levels and not enough on the overall consistency between the inter-related policy frameworks and their consistency with internal stability and their effects on external stability.
- While our countries use information on advanced and emerging economies regularly, they do not source this from Article IV reports for the most part. Up-to-date information is usually sourced from country websites or publications with respect to policy making. These reports serve more as an occasional reference document. Authorities may occasionally refer to specific reports to review the experiences of those countries in tackling a given issue. For us, specifically, these reports are reviewed primarily for Board discussions, they are not something we rely on to inform our decisions per se -- however, some of the information in them is internalized by us and may subsequently inform other work we do.
- We would encourage greater use of the organizing framework of domestic and external stability in writing Article IV reports.
- United States Article IV has been a missed opportunity to guide macro and supervisory policies, it sketched a too rosy picture and was not consistent with WEO.
- Switzerland Article IV was a fine example of addressing financial sector issues.
- India and Turkey Article IVs were excellent and well-focused.
- Among advanced economies, Euro-area countries' report tend to be less focused, possibly due to the lack of monetary policy.
- Although the focus of Article IV consultations has not deteriorated over the recent years, the analytical content of staff reports has.

### **Candor of Discussions**

15. Please indicate the proportion of staff reports which seem to candidly discuss any differences of view between the authorities and staff.

All or almost all reports	Most reports	Many reports	Some reports	Very few or no reports	No view
0	14	43	43	0	0



<For those who answer “many reports,” “some,” or “very few or no reports,” please also answer question 15.1>

15.1. Please indicate whether you see a systematic tendency for reports on certain types of countries, or countries with certain types of issues, to be less candid than others.

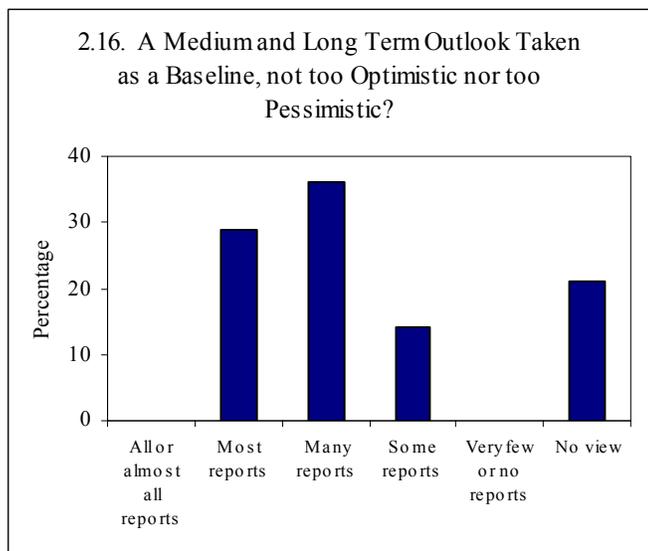
- I don't think this is about types of countries, or particular issues. Rather, if you are a Fund member that has a powerful voice (whether advanced or EME) and/or you protest a lot, then the area departments can be worn down in their candor. Also, many member countries are very concerned about the political economy when it comes to publications, and therefore candor in reports to the Board can suffer. In my view, we still have to look carefully in our publications policy on the trade off between the Fund being a confidential adviser, and it being candid and independent whistle blower.

- Reports on systemic countries' inaction or limited action in implementing stated or agreed policies to deal with global imbalances have tended to be 'papered' over. The same goes for international financial architecture / sector issues related to money laundering, where the emphasis tends to be on likely misdeeds in emerging market and low- income countries, with no searchlight focused on advanced-country financial institutions, where the laundered or stolen proceeds tend to reside.

- Yes, there is clearly a systematic tendency, mainly as result of political influence. But there are also systematic differences across area departments.
- There is a systematic tendency for staff reports to be less candid on major countries, both advanced and emerging.
- Yes, there is a systematic tendency of this type. For African countries, there is very little reflection of the authorities' viewpoints in Article IV reporting. The impression created that there was consensus in the discussions is often not true.
- The staff should be candid in discussing their views with their authorities throughout the membership.
- Gulf and Mid-east, larger surplus EMEs and to some extent pegged exchange rate countries more generally are systematically less candid.
- Exchange rate issues.
- Yes, I see such systematic tendency.
- GCC countries.
- No

16. Please indicate the proportion of staff reports that take as baseline a medium-term and long-term outlook that is neither too optimistic, nor too pessimistic.

All or almost all reports	Most reports	Many reports	Some reports	Very few or no reports	No view
0	29	36	14	0	21



<For those who answer “many reports,” “some,” or “very few or no reports,” please also answer question 16.1>

16.1. For the reports in which you do not consider the baseline appropriate, do you see a general tendency toward bias in a particular direction? (7 responses)

Undue optimism	43
Undue pessimism	14
Other	43

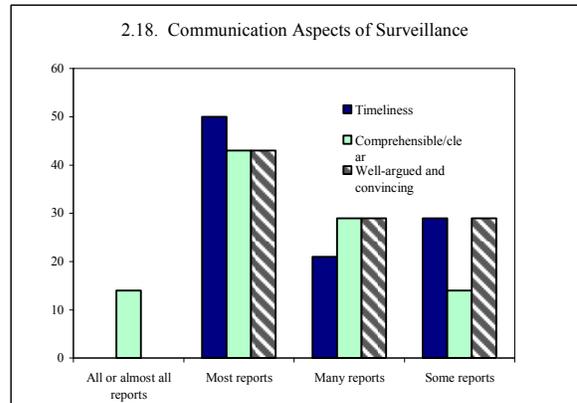
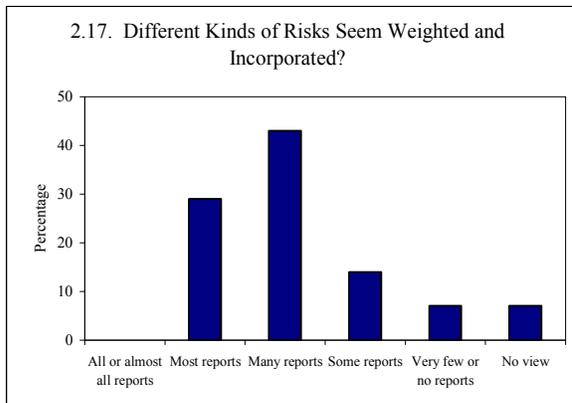
17. Please indicate the proportion of staff reports in which different kinds of risks to the medium and long-term outlook seem appropriately weighted and incorporated in the staff's bottom-line assessment.

All or almost all reports	Most reports	Many reports	Some reports	Very few or no reports	No view
0	29	43	14	7	7

<For those who answer “many reports,” “some,” or “very few or no reports,” please also answer question 17.1>

17.1. For the reports in which you do not consider the risks to be appropriately incorporated, do you see a general tendency toward bias in a particular direction? (9 responses)

Undue optimism	44
Undue pessimism	22
Other	33



### Communication Aspects

18. Please indicate the proportion of Article IV consultation staff reports which conform to the following statements about the communication aspects of surveillance.

	All or almost all reports	Most reports	Many reports	Some reports	Very few or no reports	No view
The information in staff reports is timely.	0	50	21	29	0	0
Staff reports are comprehensible and clear.	14	43	29	14	0	0
Staff reports are well-argued and convincing.	0	43	29	29	0	0

19. Please use this space to insert additional comments, if any, on the communications aspects of Article IV consultations.

- There is at times a disconnect between individual country projections in the WEO and the analysis in Article IV reports, where generally speaking Article IVs seem to be the more reliable ones.

- Communication on recent US policies has been inconsistent with Article IV analysis.

- Staff strength is in making well argued and convincing analysis.

- The weakness is in the fact that the report is dated by the time it is published. Also, often the reports aren't clear because they are too long and not focussed on IMF core issues, and the staff appraisal is often a repetition of the discussion of policy issues and it would be better if there were a clear and concise set of recommendations of what the Fund really wants the authorities to do.

- Finally, the Fund staff have difficulty connecting their top class economic analysis to the political economy. This is about having Mission Chiefs that are experienced in policy design and advising, and who can communicate to different stakeholders in engaged and influential ways. This comes from working closely with member countries about what is achievable both in the short and medium term and devising strategies to finally get there. It isn't a process that can be learnt from PhD studies.

- Staff's view, rather than Summing-up, is usually perceived as the official view of the Fund.

- Staff sometimes avoid changing views in the staff report despite important developments between an Article IV mission and a Board meeting.

- The analytical content of staff reports has deteriorated over the recent 2 years.

### 3. 2008 Triennial Surveillance Review – Questionnaire for Mission Chiefs (Total 55 responses)

*The response rates for each question are in percentage. A number of responses for each question is provided when it is different from the total number of responses. The percentage figures are calculated based on this number. Due to no responses, the total percentage for each question may not add up to 100 percent.*

#### Focus of consultation

Q1. What were the main considerations that guided the choice of the issues that the latest Article IV consultation focused on (i.e., on which the greatest analytical efforts were expended) ? (Check all that apply.)

	Total	ADV	EMG	DEV/LIC
The potential impact on domestic or external stability	96	100	97	94
The potential impact on long-term growth	60	80	48	83
The potential impact on poverty reduction	16	0	3	39
These were issues staff had done research on	11	0	10	17
These were issues of particular interest to the authorities	47	40	52	44
Other	7	20	7	6

Q2. Were there issues with a potentially significant impact on domestic or external stability that the latest consultation did not focus on (albeit they might have been discussed in passing)?

No	95
Yes	5

If yes, what were the reasons for not focusing on these issues? (Check all that apply.) (3 responses)

The probability that these issues would in fact impact domestic or external stability in the foreseeable future was low.	67
The issue had been dealt with extensively in previous consultations and there was nothing new to discuss.	33
The potential impact on domestic and external stability of the issues the consultation focused on was greater than that of these issues.	67
The authorities were not willing to engage on sensitivity grounds.	0
The authorities were not interested.	0
Other	33

Q3. With the hindsight of recent developments in the economy, do you think past Article IV consultations (prior to the latest one) focused on the most important topics from the point of view of preserving domestic or external stability?

Yes	93
No	7

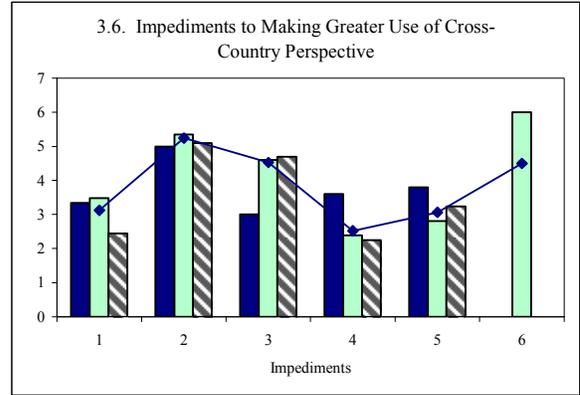
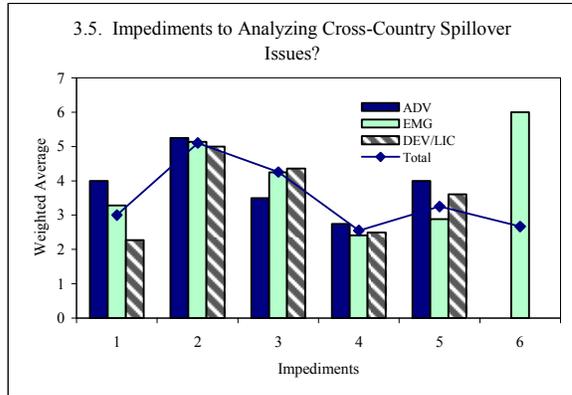
### Multilateral Perspective: Spillovers Across Countries and Cross Country Analysis

Q4. To what extent have you paid more attention to analyzing the following types of factors in the latest consultation than in previous years? (54 responses)

	Not at all	To a little extent	To some extent	To a large extent	To a very large extent
Spillover effects from other economies onto mine (e.g., global economic and financial environment)	6	7	35	37	15
Spillover effects: from my country to others (e.g., global imbalances, potential for contagion)	44	32	15	6	4
Analysis of various issues from a cross- country perspective	4	15	46	30	6

Q5. What impediments, if any, do you see to routinely analyzing cross-country spillover issues? (Please rank them from 1 to 6, 1 being the biggest impediment and 6 being the smallest impediment. A ranking may be used more than once. Factors not considered impediments should not be ranked) (53 responses)

	1 (Biggest impediment)	2	3	4	5	6 (Smallest impediment)
1. Data limitations /cost of acquiring the relevant information	19	28	13	15	11	9
2. Unfamiliarity with possible techniques	0	2	4	13	21	34
3. Lack of interest from the authorities	4	9	13	8	17	23
4. Resource constraints	23	32	13	17	4	4
5. Word count ceilings	9	21	34	8	17	8
6. Other	10	0	0	0	0	5



Q6. What impediments, if any, do you see to making greater use of cross-country perspectives? (Please rank them from 1 up, 1 being the biggest impediment and 6 being the smallest impediment. A ranking may be used more than once. Factors not considered impediments should not be ranked) (53 responses)

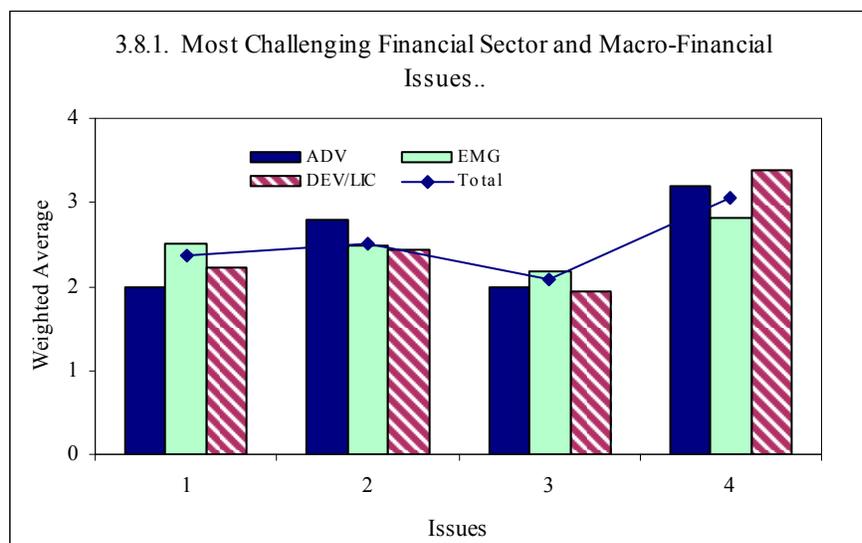
	1 (Biggest impediment)	2	3	4	5	6 (Smallest impediment)
1. Data limitations /difficulty in identifying appropriate comparators	17	19	21	15	13	8
2. Unfamiliarity with possible techniques	0	0	4	11	19	36
3. Lack of interest from the authorities	4	6	8	11	17	25
4. Resource constraints	25	30	11	17	4	4
5. Word count ceilings	9	25	26	19	9	4
6. Other	0	0	5	0	0	5

Q7. To what extent have you paid more attention to analyzing financial sector and macro-financial issues in the latest consultation than in previous years? (53 responses)

Not at all	To a little extent	To some extent	To a large extent	To a very large extent
2	17	30	30	21

Q8. What types of financial sector and macro-financial issues did you find the most challenging to cover in the context of the latest Article IV consultation? (Please rank them from 1 to 4, with 1 being the most challenging and 4 the least challenging.) (52 responses)

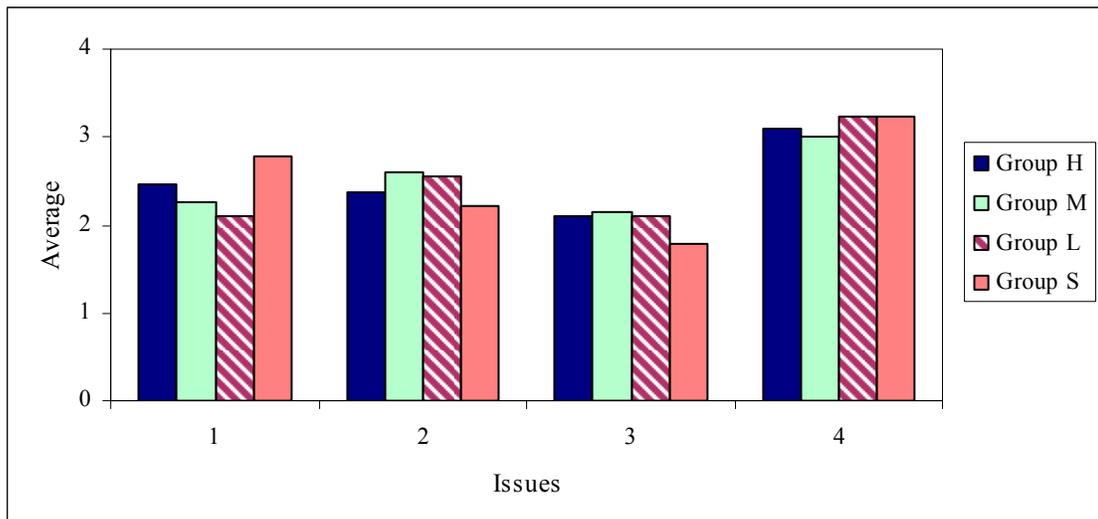
	1 (Most challenging)	2	3	4 (Least challenging)
1. Financial sector vulnerabilities	29	25	27	19
2. Key risks to financial stability (i.e., potential events including macroeconomic shocks, that could cause a financial sector crisis if realized)	8	42	42	8
3. Potential macroeconomic and/or external stability implications of financial sector developments	37	29	25	10
4. Other	27	4	6	64



Ranking scale: 1 being the most challenging and 4 the least challenging.

## 3.8.2. Average Rating on Challenging Issues by "Type" of Economy Based on Mission Chiefs' Characterization

Group H	A country highly vulnerable to an economic (external/domestic) crisis
Group M	A country facing significant challenges or risks (other than persistent low income issues, if these apply), but not highly vulnerable to an economic (external/domestic) crisis
Group L	Broadly alright in terms of domestic stability and external vulnerability (despite persistent low income issues, if these apply)
Group S	Doing well (despite persistent low income issues, if these apply)



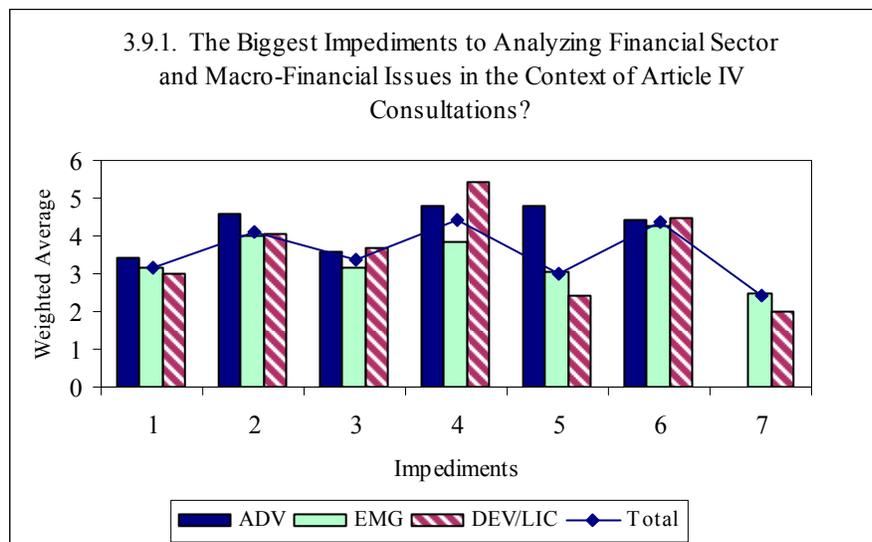
Q9. What do you see as the biggest impediments to analyzing financial sector and macro-financial issues in the context of Article IV consultations? *(Please rank them from 1 to 7, 1 being the biggest impediment and 7 being the smallest impediment. A ranking may be used more than once. Factors not considered impediments should not be ranked)*  
(52 responses)

	1 (Biggest impediment)	2	3	4	5	6	7 (Smallest impediment)
1. Lack of a clear analytical framework for macro-financial linkages	17	29	19	10	6	14	4
2. Lack of familiarity with the relevant tools for financial analysis	4	8	17	23	17	12	4
3. Lack of clarity on	14	25	17	14	6	14	6

what is expected in terms of integrating financial sector issues into macroeconomic analysis in the context of Article IV consultations

4. Unwillingness of the authorities to discuss the implications of low-probability downside risks	6	15	12	8	19	12	19
5. Limitations in data / access to information	25	21	15	14	19	4	2
6. Lack of support from the relevant functional departments	4	15	6	19	15	17	10
7. Other	13	4	0	0	0	0	4

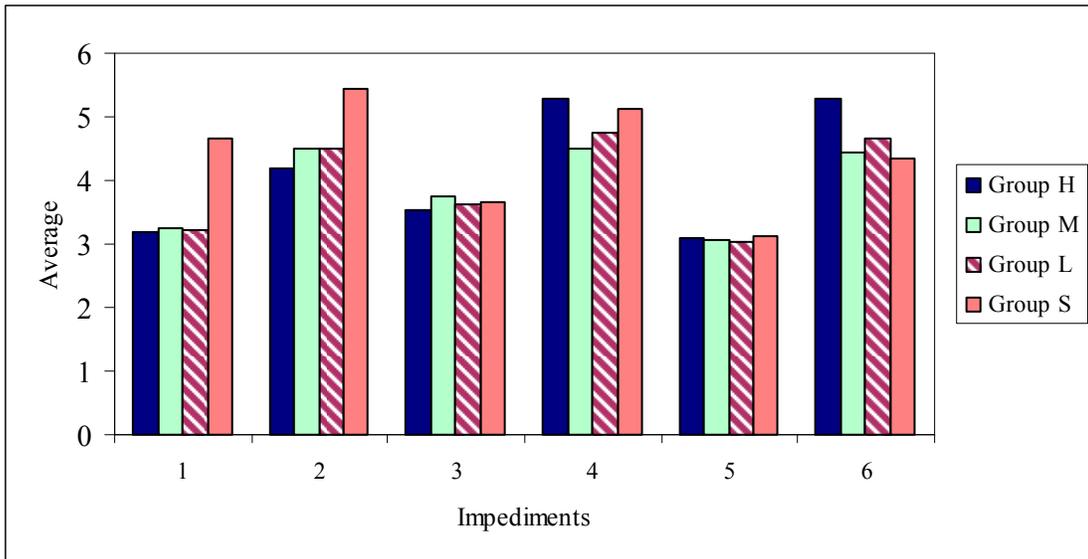
\* Specifics provided by the respondents as “other” include lack of resources and word count limits, lack of desk economists in the department who can effectively combine macroeconomic and financial sector perspectives, country’s shallow financial sector and limited scope of analysis, and that the fact that the profession itself does not always have a clear picture of the effect of financial sector developments on the macroeconomy, and the profession itself cannot provide a very solid understanding of the linkages unless very wide error bands are admitted.



*Ranking scale: 1 being the biggest impediment and 5 being the smallest impediment.*

3.9.2. Average Rating on Impediments by "Type" of Economy Based on Mission Chiefs' Characterization

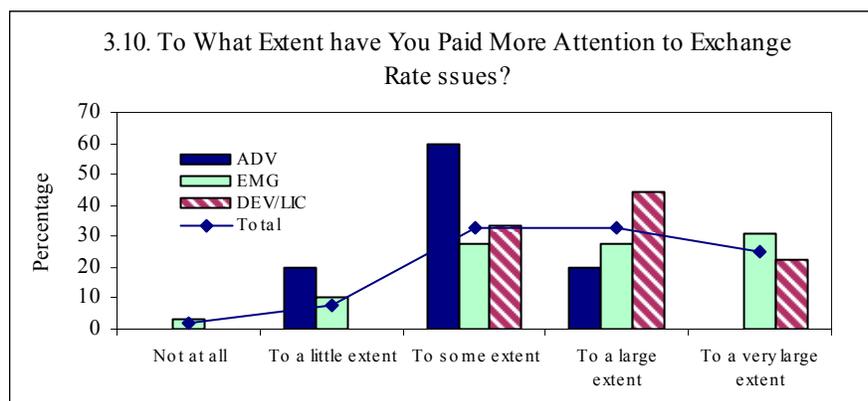
- Group H A country highly vulnerable to an economic (external/domestic) crisis
- Group M A country facing significant challenges or risks (other than persistent low income issues, if these apply), but not highly vulnerable to an economic (external/domestic) crisis
- Group L Broadly alright in terms of domestic stability and external vulnerability (despite persistent low income issues, if these apply)
- Group S Doing well (despite persistent low income issues, if these apply)



**Exchange rate issues**

Q10. To what extent have you paid more attention to exchange rate issues in the latest consultation than in previous years? (52 responses)

Not at all	To a little extent	To some extent	To a large extent	To a very large extent
2	8	33	33	25



Q11. If applicable, Please indicate what issues were discussed more extensively than before: (*Check all that apply.*) (52 responses)

Exchange rate regime	38
Intervention policies or other exchange rate policies	38
Reserve adequacy	19
Assessment of exchange rate level (i.e., consistency of the exchange rate with fundamentals) and (or) external competitiveness	92

Q12. Please indicate the extent to which each of the following factors posed a challenge for the full treatment of the discussions of exchange rate issues in your staff report: (52 responses)

	Not a constraint	To a little extent	To some extent	To a large extent	To a very large extent
(a) Time and resource constraints	27	19	37	10	8
(b) The lack of adequate and readily available analytical tools or data	27	25	35	6	8
(c) The need to preserve quality relationships with authorities	46	35	17	0	2
(d) The expectation of publication of staff reports	46	25	15	8	6
(e) Authorities' unwillingness to discuss certain issues	54	19	21	2	4
(f) Lack of internal guidance on the expectations of exchange rate surveillance	35	19	23	15	8
(g) Other factors	58	0	0	16	26

Q13. Based on your experience with the latest Article IV consultation in your country, to what extent would you say that the discussion of exchange rate issues with the authorities were candid? (52 responses)

Not at all	To a little extent	To some extent	To a large extent	To a very large extent
0	0	10	54	37

### Candor

Q14. How would you evaluate the degree of candor, on the part of the team, in the dialogue with the authorities? (52 responses)

Not at all candid	Hardly candid	Somewhat candid	Largely candid	Totally candid
0	0	2	52	46

Q15. How would you evaluate the degree of candor, on the part of the authorities, in the dialogue with the team? (52 responses)

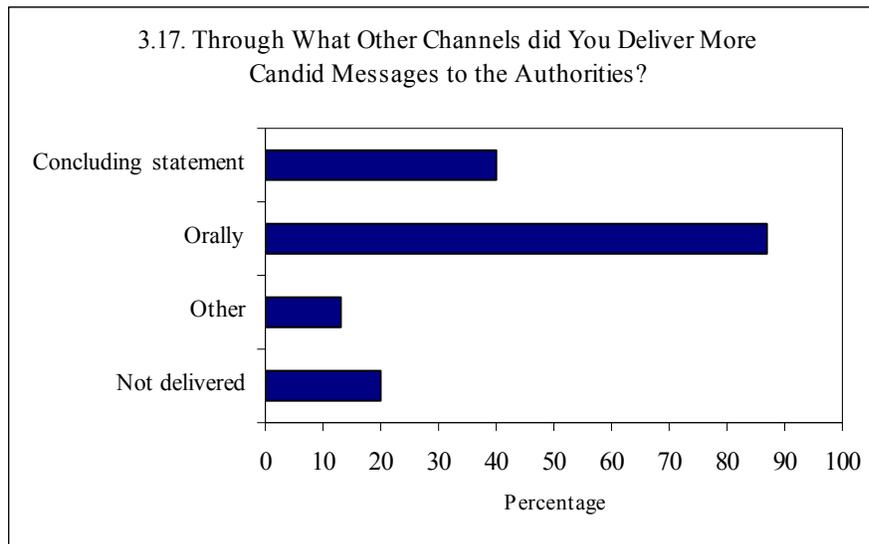
Not at all candid	Hardly candid	Somewhat candid	Largely candid	Totally candid
0	6	21	58	15

Q16. To what extent did the following possible factors constrain your presentation of a candid staff report? (Check what applies for each factor.) (52 responses)

	Not a constraint	To a little extent	To some extent	To a large extent	To a very large extent
(a) The need to preserve quality relationships with authorities	29	37	21	12	2
(b) Concerns about risk of leaks	65	17	14	4	0
(c) Concerns that the authorities might not consent to publication or delay it considerably	67	15	14	4	0
(d) The expectation of publication of the staff report, with only limited scope for deletions	60	21	15	2	2
(e) Other factors	77	0	0	6	18

Q17. If you answered “To a Large Extent” or “To a Very Large Extent” to any of the possible factors in Question 16 above, did you deliver more candid messages to the authorities through other channels? (15 responses)

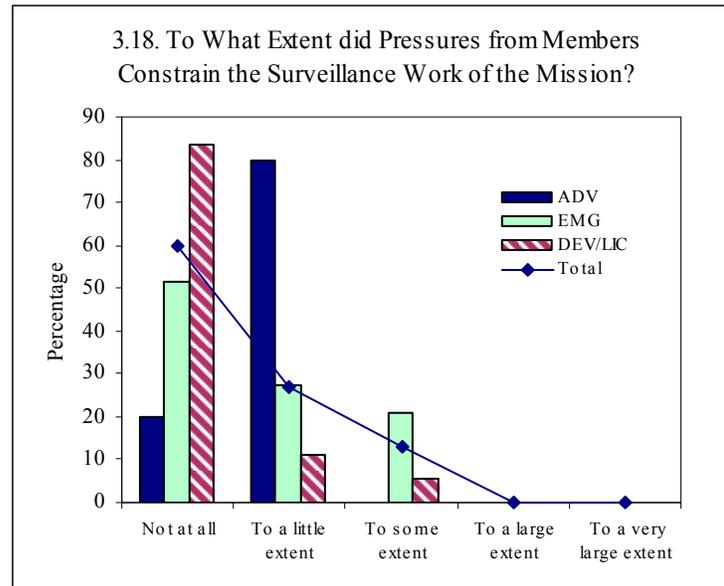
Concluding statement	Orally	Other	Not delivered
40	87	13	20



## Independence

Q18. To what extent did pressures from members (your assigned country, or others) constrain the surveillance work of the mission (e.g., issues discussed, analysis, policy recommendations, candor of the staff report)? (52 responses)

Not at all	To a little extent	To some extent	To a large extent	To a very large extent
60	27	13	0	0



## Communication

Q19. How much impact on the public debate would you say Fund surveillance achieves in your country thanks to each of the following communication tools? (52 responses)

	Not applicable	Not very much	Somewhat	A good deal	A great deal
Press conference at end of mission	44	6	14	19	17
Publication of staff report	12	17	46	21	4
PIN	2	48	33	14	4
News stories written by staff	50	15	19	15	0
Outreach to specific constituencies	15	17	33	15	19
Other	59	0	12	12	18

Q20. Are there procedural changes that, in your view, would likely improve the communication value of Fund surveillance if pursued? (52 responses)

No	52
Yes	48

### Country characteristics

Q21. As mission chief for what type of country are you answering this survey? (Check what applies.) (52 responses)

Advanced economy	10
Emerging market	56
Low-income country	35

Q22. What Fund department covers this country? (Check what applies.) (52 responses)

AFR	19
APD	21
EUR	23
MCD	10
WHD	27

Q23. What description best characterized your country at the time of the latest Article IV consultation? (52 responses)

A country highly vulnerable to an economic (external/domestic) crisis	21
A country facing significant challenges or risks (other than persistent low income issues, if these apply), but not highly vulnerable to an economic (external/domestic) crisis	38
Broadly alright in terms of domestic stability and external vulnerability (despite persistent low income issues, if these apply)	17
Doing well (despite persistent low income issues, if these apply)	17
I do not feel any of the above correctly characterize this country	6

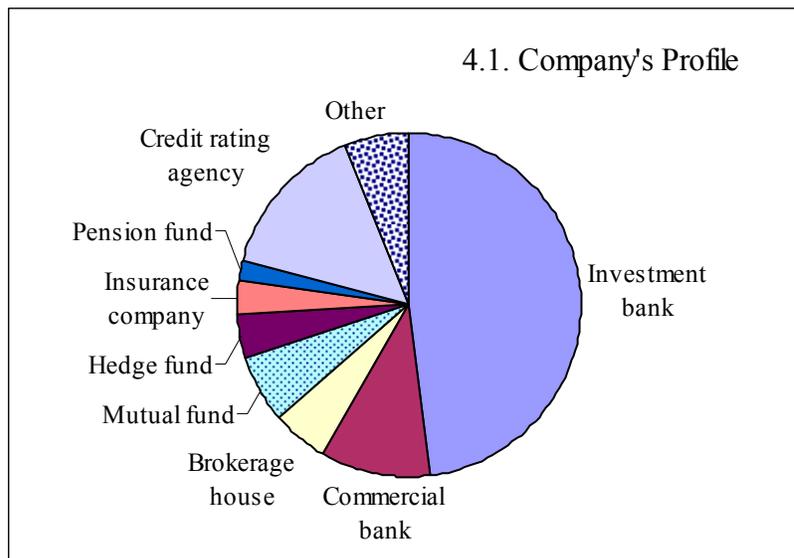
#### 4. 2008 Triennial Surveillance Review–Questionnaire for Financial Market Participants (Total 96 responses)

*The response rates for each question are in percentage. A number of responses for each question is provided when it is different from the total number of responses. The percentage figures are calculated based on this number. Due to no responses, the total percentage for each question may not add up to 100 percent.*

Welcome to the survey conducted in preparation for the 2008 Surveillance Review. Your answers are very important to inform the review. To ensure a candid assessment, all responses will be treated anonymously and in strict confidence. We appreciate your participation.

##### 1. What is your company's profile?

Investment bank	48
Commercial bank	10
Brokerage house	5
Mutual fund	6
Hedge fund	4
Insurance company	3
Pension fund	2
Credit rating agency	15
Other	6



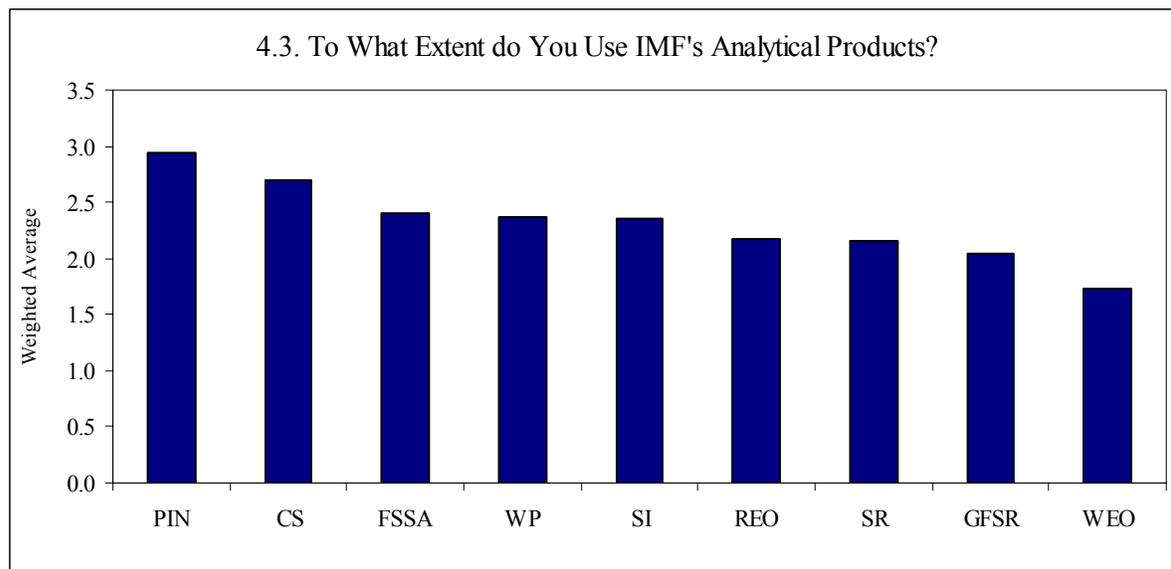
## 2. What are your areas of focus?

	Industrial countries – North America	Industrial countries – Europe	Industrial countries – Asia	Emerging Europe, Middle East & Africa	Emerging Asia	Latin America	Developing /Low-Income Countries
Economics	11	14	11	22	16	21	6
Asset allocation	13	14	11	18	16	27	2
Risk management	11	17	9	21	14	24	5
Equity markets	12	13	13	18	14	29	1
Fixed-income markets	11	12	13	18	16	24	5
Foreign exchange markets	14	14	12	19	14	22	5
Structured products	18	21	8	15	8	28	3
Derivatives	15	17	9	15	11	28	4
Other (please specify)	0	0	0	14	14	57	14

## 3. Which of IMF's analytical products do you use and to what extent? (70 responses)

- 1=to a large extent, 2=to some extent, 3=somewhat, 4=hardly; 5=not at all;

	Industrial countries – North America	Industrial countries – Europe	Industrial countries – Asia	Emerging Europe, Middle East & Africa	Emerging Asia	Latin America	Developing/ Low-Income countries	All
	(Weighted Average)							
Article IV Staff Reports (SR)	2.5	2.5	2.4	1.5	2.1	2.5	1.0	2.2
Article IV Concluding Statements (CS)	3.3	2.7	3.1	1.9	2.9	3.0	1.7	2.7
Public Information Notices (PIN)	3.2	3.1	3.3	2.4	3.1	3.1	2.2	2.9
Article IV Selected Issues (SI)	2.6	2.5	2.9	1.7	2.4	2.6	1.4	2.4
Working Papers or Occasional Papers (WP)	2.3	2.4	2.4	2.0	2.2	2.8	2.0	2.4
Financial Sector Stability Assessments (FSSA)	2.7	2.3	2.6	2.1	2.3	2.8	1.6	2.4
World Economic Outlook (WEO)	1.5	1.8	1.9	1.8	1.7	1.9	1.2	1.7
Regional Economic Outlook (REO)	2.1	2.5	2.4	2.1	2.1	2.2	1.4	2.2
Global Financial Stability Report (GFSR)	2.0	2.0	2.2	1.9	2.1	2.2	1.7	2.0



## All Countries

	Large extent	Some extent	Some-what	Hardly	Not at all
Article IV Staff Reports	46	22	12	7	12
Article IV Concluding Statements	23	30	22	6	19
Public Information Notices	13	32	22	13	20
Article IV Selected Issues	32	34	13	6	14
Working Papers or Occasional Papers	19	45	24	10	3
Financial Sector Stability Assessments	29	33	16	13	9
World Economic Outlook	50	27	20	1	1
Regional Economic Outlook	35	33	19	6	7
Global Financial Stability Report	42	30	18	3	7

## Industrial Countries - North America

	Large extent	Some extent	Some-what	Hardly	Not at all
Article IV Staff Reports	32	27	14	14	14
Article IV Concluding Statements	5	30	25	15	25
Public Information Notices	5	32	26	16	21
Article IV Selected Issues	29	24	24	10	14
Working Papers or Occasional Papers	13	50	29	8	0
Financial Sector Stability Assessments	26	17	26	26	4
World Economic Outlook	67	17	17	0	0
Regional Economic Outlook	43	24	19	10	5
Global Financial Stability Report	59	14	9	9	9

## Industrial Countries - Europe

	Large extent	Some extent	Some-what	Hardly	Not at all
Article IV Staff Reports	29	33	10	14	14
Article IV Concluding Statements	14	52	5	10	19
Public Information Notices	5	37	26	5	26
Article IV Selected Issues	26	42	5	11	16
Working Papers or Occasional Papers	14	46	32	5	5
Financial Sector Stability Assessments	29	38	14	14	5
World Economic Outlook	48	30	17	0	4
Regional Economic Outlook	20	45	15	5	15
Global Financial Stability Report	44	30	13	4	9

## Industrial Countries - Asia

	Large extent	Some extent	Some-what	Hardly	Not at all
Article IV Staff Reports	28	39	11	11	11
Article IV Concluding Statements	12	29	24	6	29
Public Information Notices	6	33	22	6	33
Article IV Selected Issues	17	33	22	0	28
Working Papers or Occasional Papers	17	44	22	11	6
Financial Sector Stability Assessments	24	35	12	12	18
World Economic Outlook	40	35	25	0	0
Regional Economic Outlook	22	39	22	6	11
Global Financial Stability Report	44	28	6	6	17

## Emerging Europe, Middle East &amp; Africa

	Large extent	Some extent	Some-what	Hardly	Not at all
Article IV Staff Reports	73	13	10	0	3
Article IV Concluding Statements	47	27	20	0	7
Public Information Notices	29	36	11	18	7
Article IV Selected Issues	45	45	7	0	3
Working Papers or Occasional Papers	31	45	17	3	3
Financial Sector Stability Assessments	33	48	7	0	11
World Economic Outlook	45	35	21	0	0
Regional Economic Outlook	38	35	14	10	3
Global Financial Stability Report	38	41	17	0	3

## Emerging Asia

	Large extent	Some extent	Some-what	Hardly	Not at all
Article IV Staff Reports	41	29	18	0	12
Article IV Concluding Statements	6	35	41	0	18
Public Information Notices	0	38	31	13	19
Article IV Selected Issues	25	44	13	6	13
Working Papers or Occasional Papers	11	58	32	0	0
Financial Sector Stability Assessments	25	50	6	13	6
World Economic Outlook	42	42	16	0	0
Regional Economic Outlook	29	41	24	0	6
Global Financial Stability Report	35	35	24	0	6

## Latin America

	Large extent	Some extent	Some-what	Hardly	Not at all
Article IV Staff Reports	42	14	17	6	22
Article IV Concluding Statements	22	19	22	9	28
Public Information Notices	18	15	27	15	24
Article IV Selected Issues	33	21	15	9	21
Working Papers or Occasional Papers	18	32	21	24	6
Financial Sector Stability Assessments	25	19	25	19	13
World Economic Outlook	51	17	26	3	3
Regional Economic Outlook	37	26	26	6	6
Global Financial Stability Report	33	24	33	3	6

## Developing/Low-Income Countries

	Large extent	Some extent	Some-what	Hardly	Not at all
Article IV Staff Reports	100	0	0	0	0
Article IV Concluding Statements	56	22	22	0	0
Public Information Notices	22	56	0	22	0
Article IV Selected Issues	56	44	0	0	0
Working Papers or Occasional Papers	30	50	10	10	0
Financial Sector Stability Assessments	56	33	11	0	0
World Economic Outlook	67	11	22	0	0
Regional Economic Outlook	67	22	11	0	0
Global Financial Stability Report	44	44	11	0	0

#### 4. How do you see the role of the IMF's country reports? (69 responses)

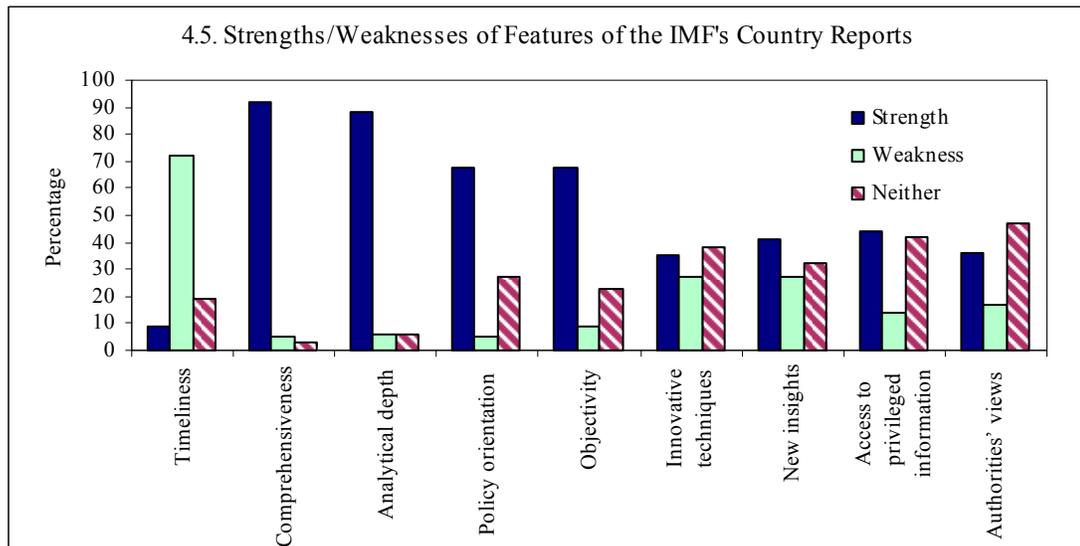
- please rank from 1 to 5, with 1 being the most important and 5 being the least important

	Mean
Providing input to decision making by the authorities	2.5
Providing objective assessments to the official community (including policy makers in other countries)	1.9
Shaping public debate on the key policy issues	2.9
Informing the private sector (including financial market participants)	3.1
Other	4.6

#### 5. What features of IMF's country reports do you consider as their *main* strengths/weaknesses?

- please mark each feature as a strength, a weakness, or neither

	Strength	Weakness	Neither
Timeliness (64 responses)	9	72	19
Comprehensiveness (66 responses)	92	5	3
Analytical depth (65 responses)	88	6	6
Policy orientation (63 responses)	68	5	27
Objectivity (65 responses)	68	9	23
Innovative techniques (66 responses)	35	27	38
New insights (66 responses)	41	27	32
Reflect access to privileged information (64 responses)	44	14	42
Presents authorities' views in addition to views of IMF staff (66 responses)	36	17	47



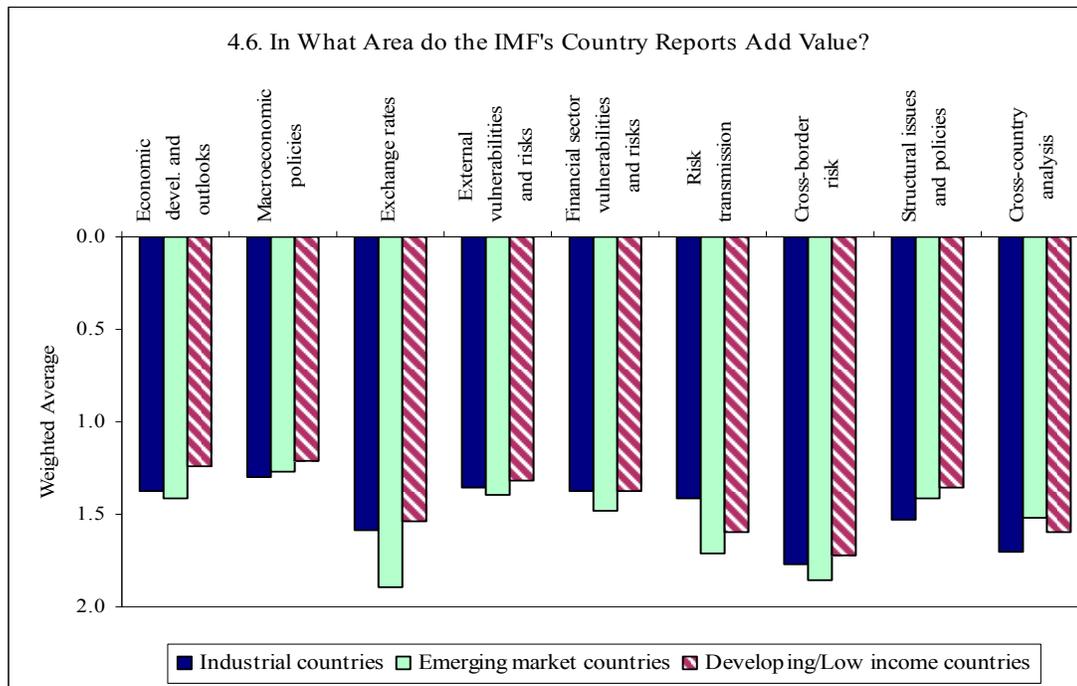
**6. In your view, what are the areas in which the IMF's country reports add value compared to the analytical products provided by other private and public institutions? (68 responses)**

- 1=significant contribution, 2=some contribution, 3=no contribution

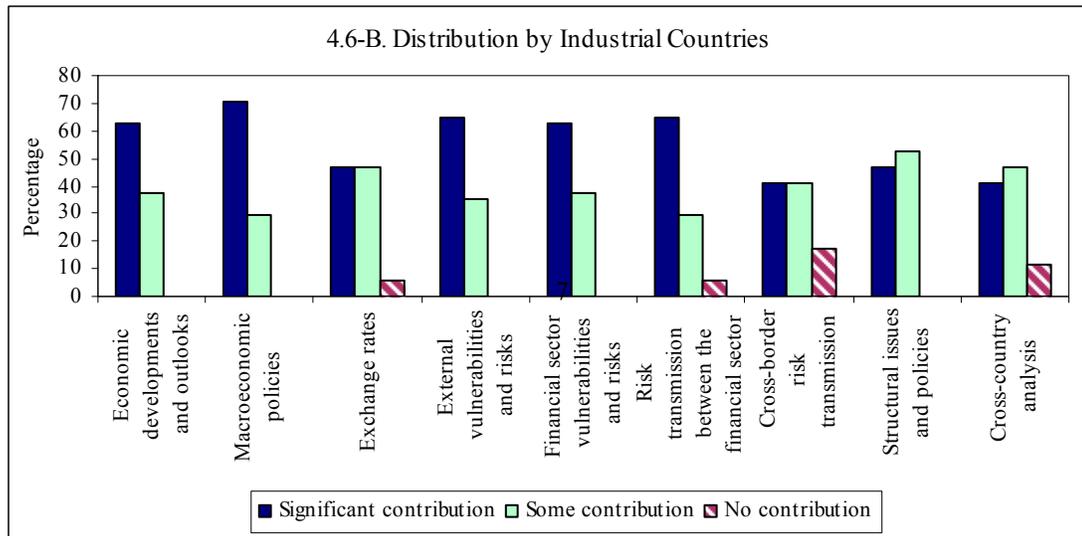
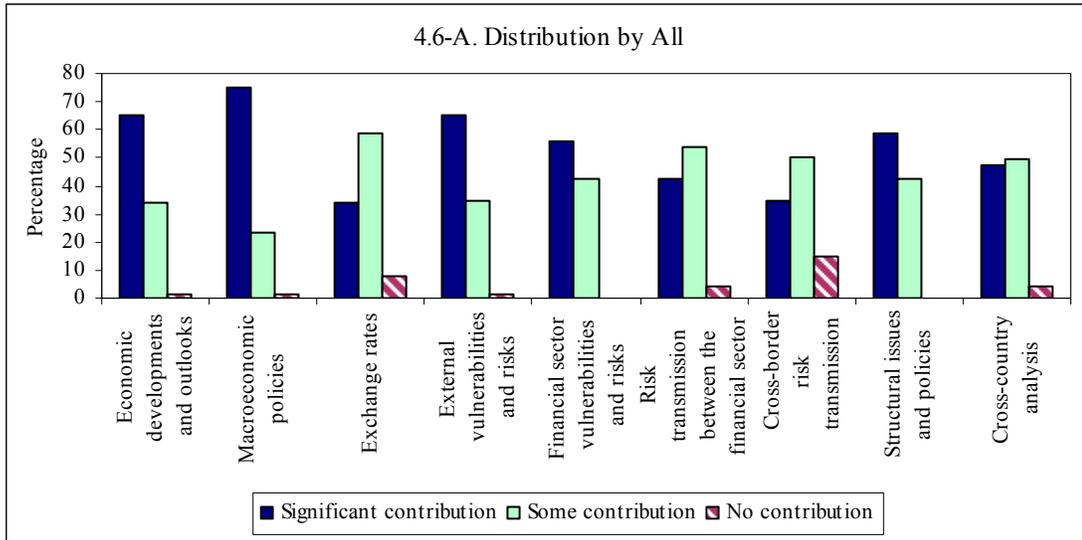
	Industrial countries	Emerging Market countries	Developing/Low-income countries	Total
	(Weighted Average)			
Economic developments and outlook	1.4	1.4	1.2	1.4
Macroeconomic policies	1.3	1.3	1.2	1.3
Exchange rates	1.6	1.9	1.5	1.7
External vulnerabilities and risks	1.4	1.4	1.3	1.4
Financial sector vulnerabilities and risks	1.4	1.5	1.4	1.4
Risk transmission between the financial sector and the real economy	1.4	1.7	1.6	1.6
Cross-border risk transmission	1.8	1.9	1.7	1.8
Structural issues and policies	1.5	1.4	1.4	1.4
Cross-country analysis (i.e., that brings in experience from other countries)	1.7	1.5	1.6	1.6

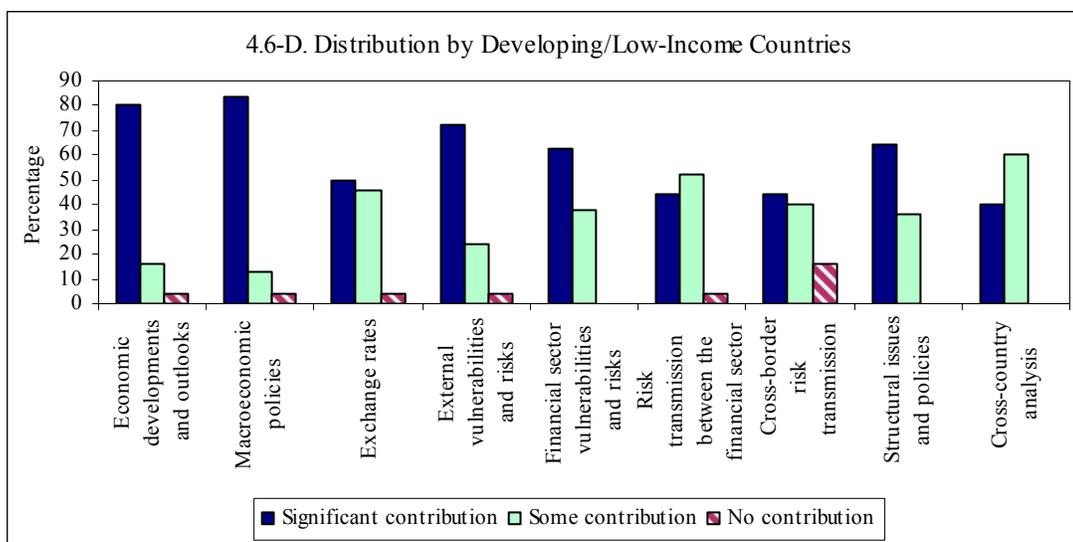
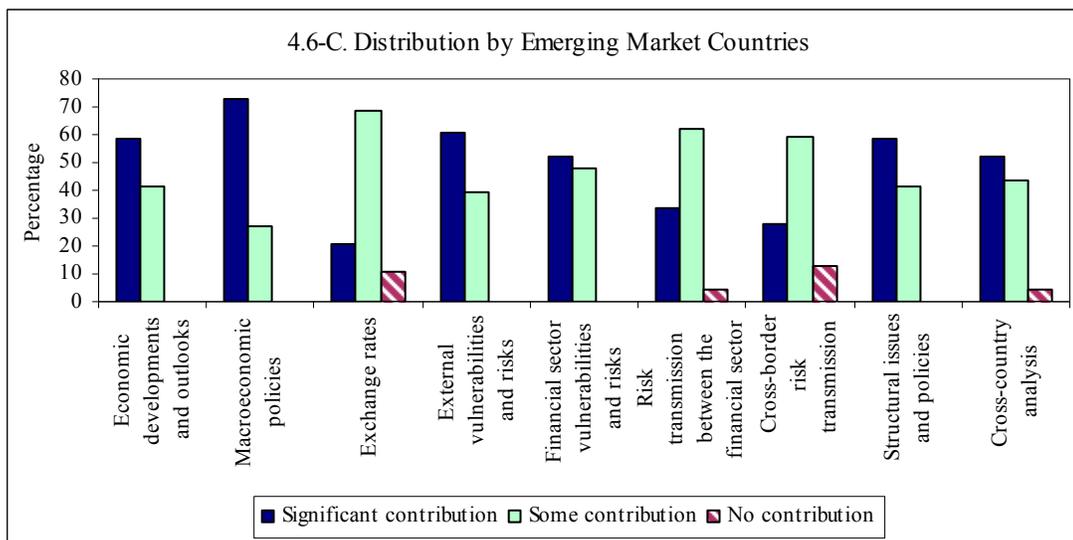
	All			Industrial Countries		
	Significant contribution	Some contribution	No contribution	Significant contribution	Some contribution	No contribution
Economic developments and outlooks	65	34	1	63	38	0
Macroeconomic policies	75	24	1	71	29	0
Exchange rates	34	58	8	47	47	6
External vulnerabilities	65	35	1	65	35	0
Financial sector	56	43	0	63	38	0
Risk transmission between the financial sector and the real economy	43	54	4	65	29	6
Cross-border risk transmission	35	51	15	41	41	18
Structural issues and policies	58	43	0	47	53	0
Cross-country analysis	47	49	4	41	47	12

	Emerging Market Countries			Developing/Low-Income Countries		
	Significant contribution	Some contribution	No contribution	Significant contribution	Some contribution	No contribution
Economic developments and outlooks	58	42	0	80	16	4
Macroeconomic policies	73	27	0	83	13	4
Exchange rates	21	69	10	50	46	4
External vulnerabilities and risks	60	40	0	72	24	4
Financial sector vulnerabilities and risks	52	48	0	63	38	0
Risk transmission between the financial sector and the real economy	33	63	4	44	52	4
Cross-border risk transmission	28	60	13	44	40	16
Structural issues and policies	58	42	0	64	36	0
Cross-country analysis	52	44	4	40	60	0



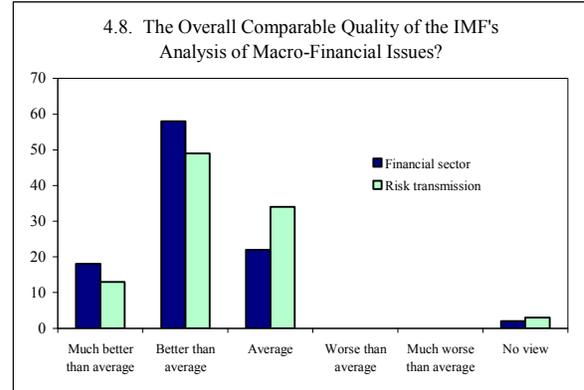
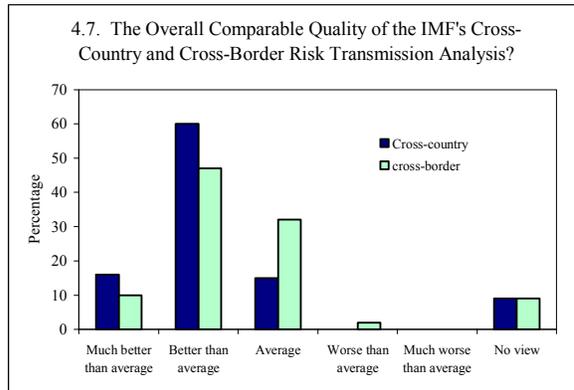
Ranking scale: 1=significant contribution, 2=some contribution, 3=no contribution





**7. How would you assess the overall quality of the cross-country analysis and of the analysis of cross-border risk transmission in the IMF's country reports? (compared to an average quality of similar type of analysis available from other public and private institutions): (68 responses)**

	Cross-country analysis	Analysis of cross-border risk transmission
Much better than average	16	10
Better than average	60	47
Average	15	32
Worse than average	0	2
Much worse than average	0	0
No view	9	9

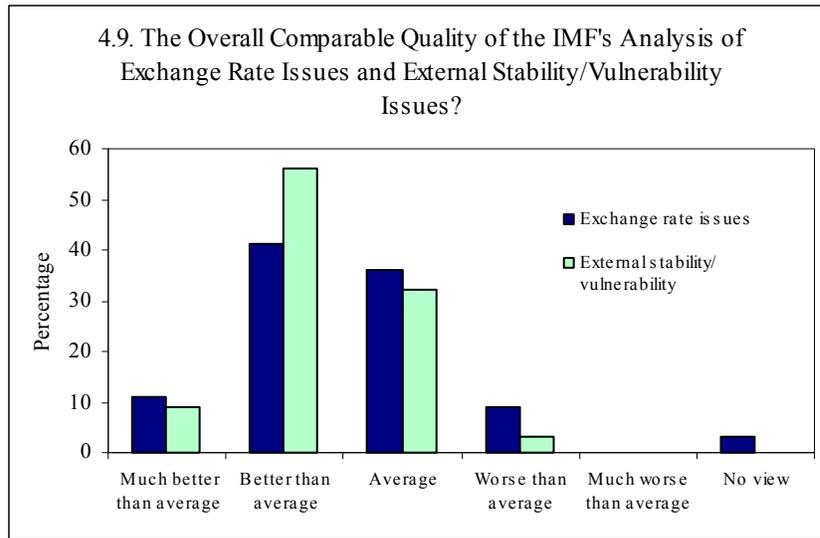


**8. How would you assess the overall quality of the analysis of macro-financial issues in the IMF's country reports (compared to an average quality of similar type of analysis available from other public and private institutions): (67 responses)**

	Analysis of financial sector risks and vulnerabilities	Analysis of risk transmission between the financial sector and the real economy
Much better than average	18	13
Better than average	58	49
Average	22	34
Worse than average	0	0
Much worse than average	0	0
No view	2	3

**9. How would you assess the overall quality of the analysis of exchange rate issues and external stability/vulnerability issues in the IMF's country reports? (compared to an average quality of similar type of analysis available from other public and private institutions): (66 responses)**

	Analysis of exchange rate issues	Analysis of external stability/vulnerability
Much better than average	11	9
Better than average	41	56
Average	36	32
Worse than average	9	3
Much worse than average	0	0
No view	3	0



**10. Please provide examples of the IMF analysis that you found particularly useful (please explain why):**

***General comments***

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- IMF publications including article IV staff reports, Global Financial Stability Report, World Economic Outlook, Regional Economic Outlook, selected issues papers, working papers, article IV mission concluding statements.
- Global statistics.
- Punctual facts.
- Global insights.
- I am a significant consumer of IMF reports. I find the GFSR and WEO the best resource for global cross-cutting "current" issues; I rely on the data tables in IMF article IV reports as an important cross check for our own data analysis; and as I'm responsible for an entire region also find the regional outlook reports particularly useful. My team frequently reverts to Article IV reports, particularly for low income countries where they tend to be the only source but also in emerging markets as a useful reality check for our own work.
- I found the working paper on 'Public debt markets in Central America, Panama and the Dominican Republic' particularly useful in gaining insight into the structure and composition of these markets and the key problems and challenges. This was useful background information in preparation for meetings with authorities and the report provided data that is not always easy to gather, particularly for domestic issuance.
- Last year's analysis on credit growth trends in the new EU countries and the risks that that poses, analysis of the recent Czech fiscal package, analysis of fair value on Iceland FX, EU funds and Poland in Poland's latest selected issues.
- Small industrial countries which is covered by IMF but not by other organizations, San Marino for example.
- Country reports / selected issues for low-income and EMs.  
exchange rate policy comes under national sovereignty, this can hamper the IMF in saying what it thinks.

***Comments on Article IV staff reports***

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- IMF's analysis of monetary conditions in Armenia, including policy strategy of authorities, was very useful.
- IMF's analysis of energy sector issues in Belarus and Ukraine was the clearest and most comprehensive available of an important area for both countries.
- You will see my referencing in my speeches and commentaries the excellent written work of the IMF, citing specific examples -- Article IV reports, FSAPs, ROCSs, GFSR.
- Your accounting, on the other hand, is opaque. I've written about that too.
- GDP forecast of it has been very useful.
- UAE Article IV report. Attempt to compile UAE wide fiscal numbers was not available elsewhere.

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***Comments on WEO***


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- WEO reports are insightful and extremely useful .
- World Economic Outlook presented comprehensive overview of current issues affecting both advanced and emerging economies.
- Chapter 3 on housing cycles, in the April WEO - depth, breadth and relevance.
- It provides a very thorough overview of the world economic conditions.

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***Comments on GFSR***


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- Some Financial Stability Reports (April 2007, on subprime) was ahead of the game.
- GFSR analysis of the sub-prime crisis. Breadth, relevance, insights and depth of knowledge of a complex issue.
- Global Financial Stability reports are very insightful and timely.

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***Comments on Selected Issues***


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- Selected issues papers on issues related to structural reform, giving a cross-country perspective has been useful.
- Analysis with respect to financial sector issues (for example related to legal issues in a cross-country comparison) have been useful.
- Selected issues papers on issues related to structural reform, giving a cross-country perspective has been useful.
- Many studies on the special issues on Article IV are insightful.

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***Comments on REO***


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- The latest Regional economic Outlook on sub-Sahara Africa was very topical and relevant.
- Africa REO - analysis of local debt markets.
- Compilation of REER series and publication in REOs (why not in IFS!??)

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***Comments on working papers***


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- I have read with great interest the IMF staff papers on the fair value of exchange rates (e.g. Alberola, Garcia, Lopez, Ubide "Global Equilibrium Exchange Rates - Euro, Dollar, "Ins," "Outs," and Other Major Currencies in a Panel Cointegration Framework".)
- IMF Working Paper WP/08/13, because of the insight it provides. Usefulness would be greatly enhanced however by providing access to databases.

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***Comments on statistics***


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- Now old, but the joint work on EM debt data was particularly useful due to consistency and breadth.
- Country reports on smaller Latin America economies where data is not always readily available is especially useful.

## 11. Please comment on types of analyses that you would like to see more of:

### *Comments on staff report*

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- More brief, short updates of the recent topic events in the economy.
- More timely/regular updates/assessments.
- More frequent country analyses - easy to wish!
- More timely and more frequent macro analysis. When I want to look for country analysis, the latest reports are often 1 to 2 years old. Furthermore, after returning from Article IV missions it can take months to release the papers. Previously the press releases for Article IV missions contained a forecast table. Please reinstitute the forecast tables. Otherwise we know nothing about what is happening with respect to macro developments until the board papers are published.
- Timeliness of publication is key. Critical that data tables are maintained - no one in the private sector devotes the time to projections that IMF teams do.
- Country reports with authors on the ground.
- More updates on development of authorities' policy strategy.
- Country by country - Stock Market reports.
- Overall information.

### *Comments on analyses*

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- Risk analyses.
- Macro issues, sensitivities.
- More detailed scenario analyses and sensitivities of growth and exchange rates in sub-Saharan Africa to commodity prices, global growth, the global growth breakdown and impact assessment/scenario of institutional reform in sub-Saharan Africa.
- In-depth analysis on the money flows between the major economies and emerging countries including bricks etc.
- Analysis of local money market issues is often missing and BoP analysis often stops short of a discussion of the factors driving demand for equities and bonds. More generally, BoP projections could be more detailed and more explicit about assumptions underlying specific line items.
- Global financial vulnerabilities.
- Financial sector spillover risks to cross-border vulnerabilities.
- Exchange rate valuation analysis.
- Sector analysis: Provide analysis on economic potentials. for instance, assume case scenarios in Colombia of its potential by developing agro business, creating strong infrastructure. What would be an impact on GDP, and What would be a growth like? We need independent assessments publicly known to show the possibilities of development and its real impact on the community.
- More cross country comparisons of corporate accounts including consistent treatment of pension liabilities.
- Broad cross-country comparisons of development paths (e.g. work done on housing markets recently has been a good example of that) and policy choices.

***Comments on analyses (continued)***

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- Stock markets regulation cross country comparison. Answer a simple question, why has the Brazilian market exploded in market cap terms, while Mexico's is lagging behind?
- In addition to country specific analyses, it would be helpful to have more regional analyses that compares and contrasts policy responses to macroeconomic challenges (eg inflation shock, terms of trade shock) and the effectiveness of the results of these policy choices.
- Thematic cross country research is always very useful, such as last year's article on credit growth in the new EU countries. The regional reports are great.

***Comments on linkages***

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- In terms of types of analyses, it would be useful to enhance further the analysis of the interlinkages between exchange rates, financial systems and the real economy.
- More on linkages between the financial sector and the real sector. Regional, cross-border financial sector surveillance is important. Why not move over to "regional FSAPs" in regions with important cross-border flows.
- Links / risk transmission between developed and emerging markets.
- Factor affecting credit markets in both advanced and emerging economies.
- Systemic risks and financial stability report is always interesting. Maybe could include More on impact on financial market linkages due to rise in certain entities, e.g rise of quant funds and rule based trading impact on volatility and tail risk.

***Comments on data***

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- I think the IMF has done a great job with standardizing international statistics and I hope the SDDS databases will be further enhanced and made available with historical time series.
- I will consumer anything you publish on smaller Latin American economies, especially data which can be hard to come by.
- More data on hedge fund exposures and activities.
- Possibly include external accounts info on a cross currency accounting basis (if I understand correctly, BOP is done on a country of ownership basis.)
- Ready access to your data bases in areas where private sources are lacking. eg cross country comparisons of house price indexes, public debt (and composition), productivity. Also, IMF's long time series history in many areas is very useful.
- Little attempt has been made to provide comprehensive GG debt numbers on a regular basis.
- Data in Article IV reports is often inconsistent across countries.

***Comments on debt***

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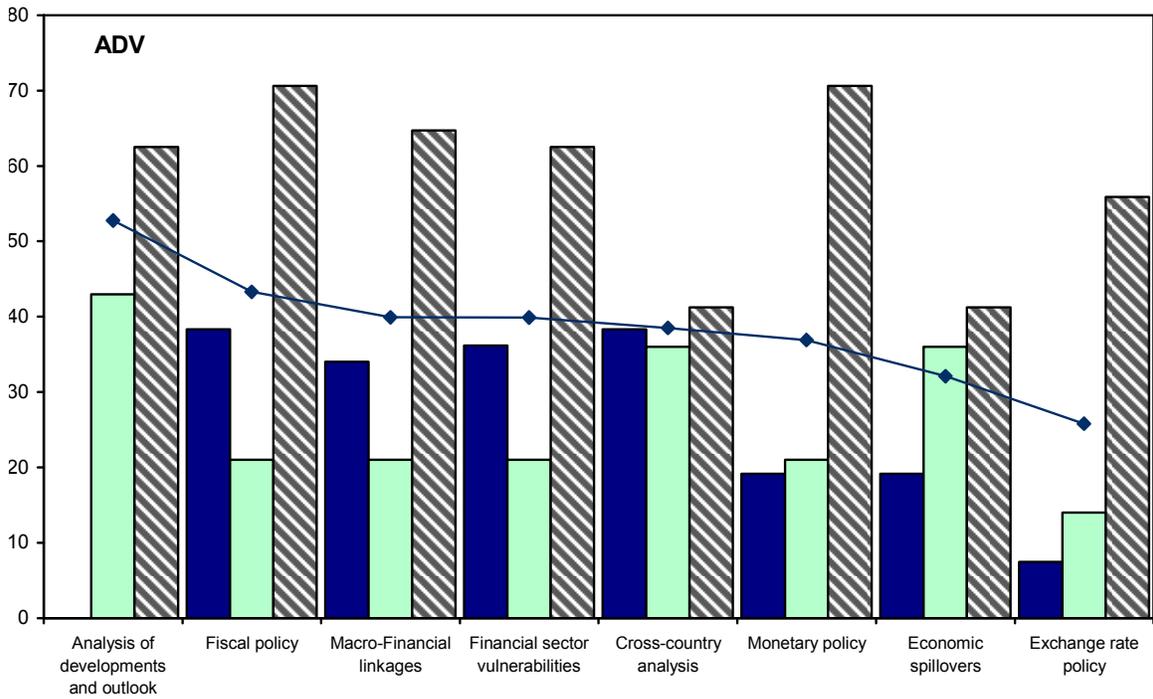
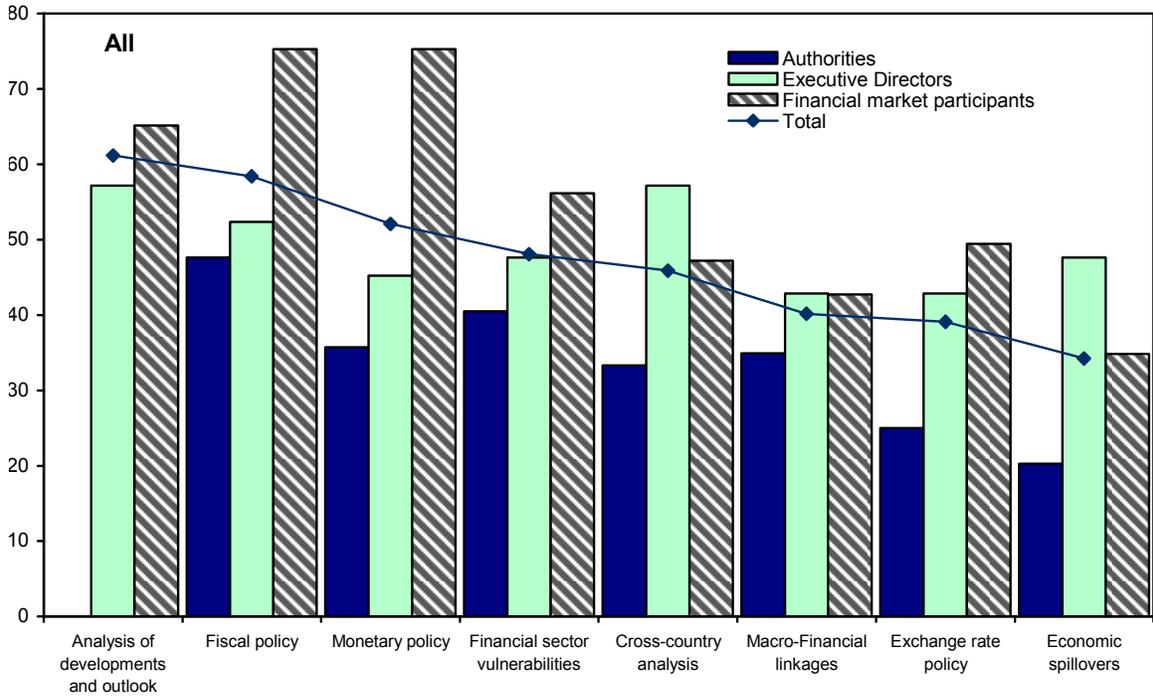
- Public debt issues - local fixed income markets.
- External debt analysis still often ignores private sector debt and makes no attempt to qualify official data if suspect.
- External Debt Sustainability.
- There should be more data on debt, both domestic and external, and debt of the private sector.

***General comments***

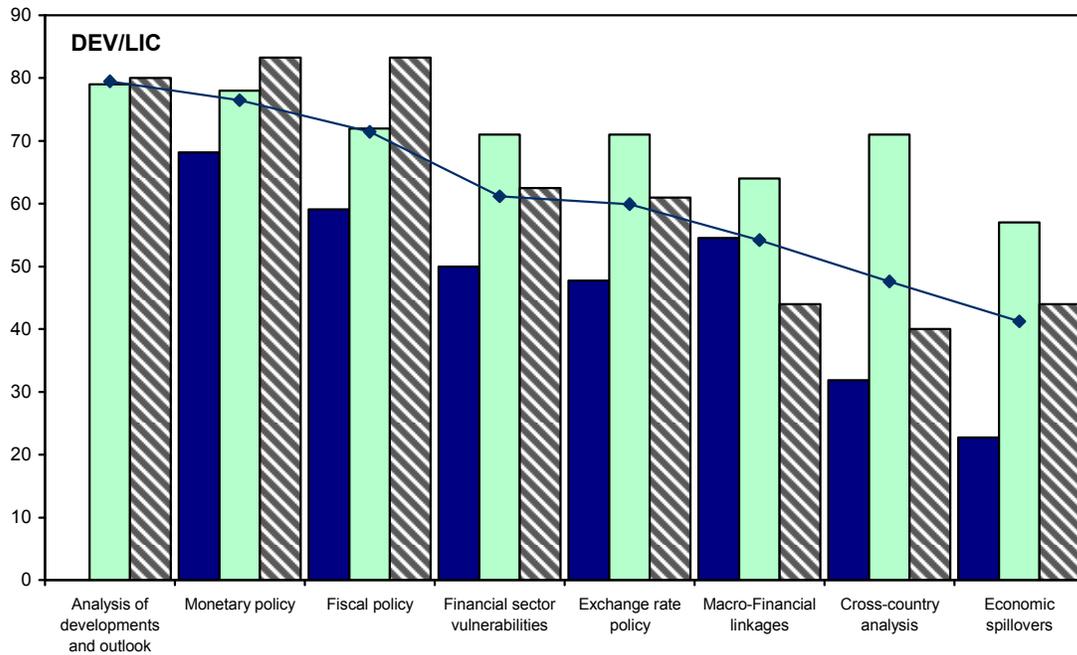
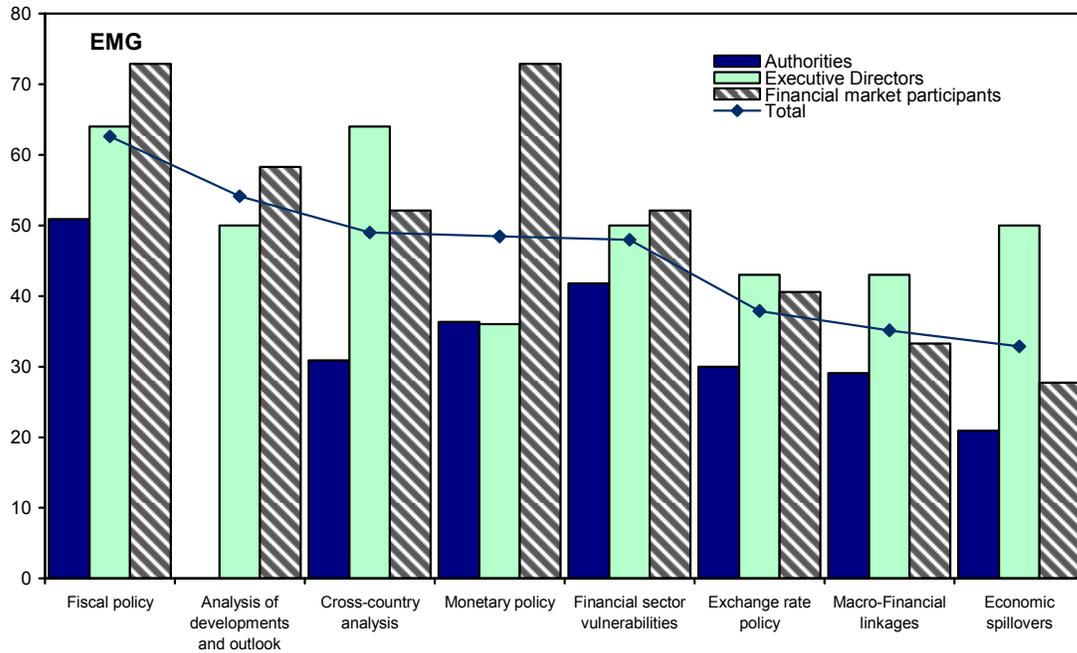
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- Unfortunately, I think that your objective should be to maintain the current level of output. I don't see how you can increase it with the staff reductions that are underway.
- Competitiveness.
- Fiscal policy.
- Structural.
- Growth, balance of payments, debt management, exchange rate management.
- Sources of long term growth; interaction of demographics and economics; optimal capital market liberalization. Clarification of the ECB lender of last resort role; costs of undervalued exchange rates; actual job losses ascribable to trade; costs and benefits of originate to distribute. And so on.
- More on asset allocation; home bias, market trends and impacts.
- Methods of forecasting inflation.
- Forecasting Frequency.
- Macro models.
- Selected Economic Issues.
- FSAPs.

D.1. Areas of Staff Report Significantly Valuable to Stakeholders by Income Group  
(in percent)



D.1. Areas of Staff Report Significantly Valuable to Stakeholders by Income Group (continued)  
(in percent)



Note: Percentage response rates are taken for answer choices, "To a large (great) extent" and "To a very large (great) extent" from the Authorities' (Executive Directors') survey, and " Significant contribution" from the Financial Market Participants survey.

Source: TSR Stakeholders' survey of Authorities, Executive Directors, and Financial Market Participants.

## E. Key Data on the Analytical Underpinnings of Surveillance

1. **This chapter presents the key data collected through the case study of the focus of surveillance’s analytical underpinning.** This study reviewed the areas of focus of the individual chapters of all Selected Issues Papers (SIPs) issued from July 2006 to June 2008, and of two samples of 50 working papers (WPs) each, one from the second half of 2006, and one from the first half of 2008. It also assessed in which areas resources for bilateral were intended to be put in the next three years, by reviewing the work program sections of all surveillance agendas (SAs) produced between July 2007 and April 2008.

2. The methodology for this data builds on the guidance provided by the new Surveillance Decision for the focus of bilateral surveillance. The study sought to classify the topics of relevant documents (SIP chapters, WPs, SAs) according to how likely the area in which they fall is to significantly impact external stability. Specifically, topics were classified into 4 circles, as defined in the illustration below, with circle 1 including issues the most likely relevant to external stability and circle 4 the least. Assigning a grade 1 to circle 1, 2 to circle 2 and so on allowed to calculate a weighted average measure of the proximity to external stability (the “proximity indicator”) for a given group of countries over a given period of time and allowed comparisons across groups and over time. The “proximity indicator” ranges from 1 to 4, with a smaller value denoting a sharper focus. This tool is rudimentary, but it allows to form a view of the main trends at play.

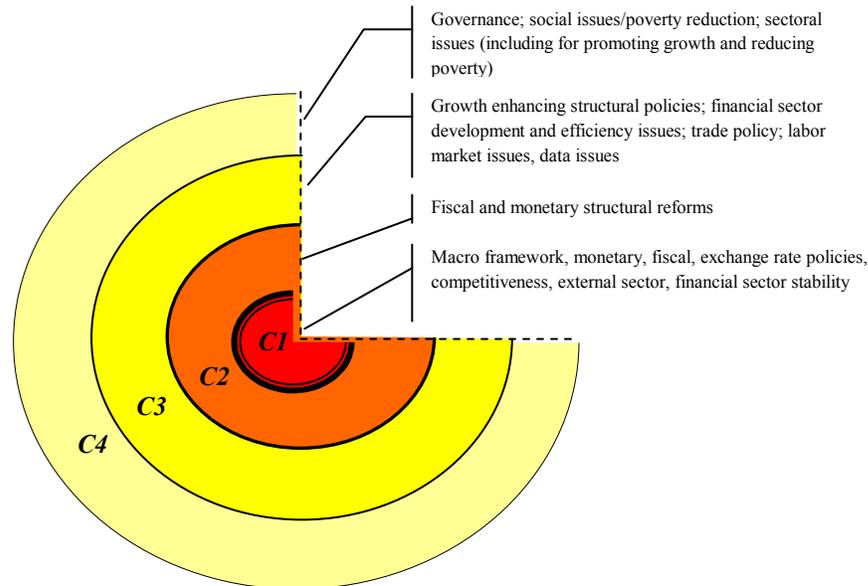


Table 12. Focus of Selected Issue Paper Chapters, 2006-08

	Number of SIP Chapters	C1	C2	C3	C4	C1+C2	C1+C2+C3	Proximity Indicator 1/
(In percent of all SIP chapters within the same category)								
All countries								
2006H2	184	69.0	8.2	16.3	6.5	77.2	93.5	1.6
2007H1	159	66.0	8.8	16.4	8.8	74.8	91.2	1.7
2007H2	113	73.5	8.8	8.0	9.7	82.3	90.3	1.5
2008H1	164	75.6	10.4	8.5	5.5	86.0	94.5	1.4
Advanced economies								
2006H2	40	65.0	5.0	17.5	12.5	70.0	87.5	1.8
2007H1	20	90.0	5.0	5.0	0.0	95.0	100.0	1.2
2007H2	31	64.5	12.9	16.1	6.5	77.4	93.5	1.6
2008H1	34	73.5	14.7	8.8	2.9	88.2	97.1	1.4
Emerging makets								
2006H2	85	82.4	4.7	10.6	2.4	87.1	97.6	1.3
2007H1	63	71.4	6.3	12.7	9.5	77.8	90.5	1.6
2007H2	48	87.5	6.3	0.0	6.3	93.8	93.8	1.3
2008H1	67	76.1	11.9	7.5	4.5	88.1	95.5	1.4
Developing countries								
2006H2	59	52.5	15.3	23.7	8.5	67.8	91.5	1.9
2007H1	76	55.3	11.8	22.4	10.5	67.1	89.5	1.9
2007H2	34	61.8	8.8	11.8	17.6	70.6	82.4	1.9
2008H1	63	76.2	6.3	9.5	7.9	82.5	92.1	1.5
African Department								
2006H2	36	55.6	16.7	22.2	5.6	72.2	94.4	1.8
2007H1	41	61.0	7.3	24.4	7.3	68.3	92.7	1.8
2007H2	25	60.0	4.0	12.0	24.0	64.0	76.0	2.0
2008H1	31	80.6	0.0	9.7	9.7	80.6	90.3	1.5
Asian and Pacific Department								
2006H2	40	72.5	2.5	15.0	10.0	75.0	90.0	1.6
2007H1	38	65.8	10.5	10.5	13.2	76.3	86.8	1.7
2007H2	28	82.1	7.1	3.6	7.1	89.3	92.9	1.4
2008H1	30	63.3	13.3	13.3	10.0	76.7	90.0	1.7
European Department								
2006H2	70	75.7	5.7	14.3	4.3	81.4	95.7	1.5
2007H1	48	72.9	8.3	12.5	6.3	81.3	93.8	1.5
2007H2	27	63.0	14.8	18.5	3.7	77.8	96.3	1.6
2008H1	55	72.7	16.4	5.5	5.5	89.1	94.5	1.4
Middle Eastern Department								
2006H2	7	28.6	14.3	42.9	14.3	42.9	85.7	2.4
2007H1	3	33.3	0.0	33.3	33.3	33.3	66.7	2.7
2007H2	5	80.0	20.0	0.0	0.0	100.0	100.0	1.2
2008H1	10	80.0	10.0	10.0	0.0	90.0	100.0	1.3
Western Hemisphere Department								
2006H2	31	74.2	9.7	9.7	6.5	83.9	93.5	1.5
2007H1	29	65.5	10.3	17.2	6.9	75.9	93.1	1.7
2007H2	28	85.7	7.1	0.0	7.1	92.9	92.9	1.3
2008H1	38	84.2	7.9	7.9	0.0	92.1	100.0	1.2

1/ Weighted average of the position across circles, assigning a grade 1 to C1, 2 to C2 etc. The indicator can range from 1 to 4. The smaller the value of the indicator, the closer the focus of surveillance to issues significantly impacting external stability.

Table 13. Focus of Selected Issue Paper Chapters, Detailed Breakdown, 2006-08

Number of SIP Chapters	First circle (C1)							Second circle (C2)			Third circle (C3)				Outer circle (C4)				
	Macro-framework	Monetary Policy	Fiscal Policy	Other External sector	Other Competitiveness	Exchange Rate	Financial Sector Stability	Fiscal Structural Reform	Monetary Structural	Growth Enhancing Structural Policies	Financial Sector Development and Efficiency	Trade Policy	Data Issues	Labour Market	Governance Issues	Social Issues/Poverty Reduction	Sectoral Issues (incl. for promoting growth and reducing poverty)	Other	
(In percent of all SIP chapters within the same category)																			
All countries																			
2006H2	184	12.0	6.0	13.0	12.0	3.8	7.1	15.2	7.6	0.5	3.3	8.7	1.1	0.5	2.7	0.5	3.3	2.7	0.0
2007H1	159	12.6	6.3	17.6	4.4	2.5	6.9	15.7	8.8	0.0	7.5	6.3	1.9	0.0	0.6	0.6	4.4	1.9	1.9
2007H2	113	14.2	6.2	8.0	15.0	4.4	9.7	15.9	7.1	1.8	1.8	3.5	0.0	0.0	2.7	0.0	2.7	4.4	2.7
2008H1	164	9.8	7.3	12.8	16.5	13.4	6.1	9.8	9.1	1.2	0.6	4.3	0.0	0.6	3.0	0.6	2.4	1.8	0.6
Advanced economies																			
2006H2	40	7.5	5.0	17.5	7.5	7.5	0.0	20.0	5.0	0.0	2.5	12.5	0.0	0.0	2.5	2.5	5.0	5.0	0.0
2007H1	20	20.0	5.0	35.0	0.0	5.0	10.0	15.0	5.0	0.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2007H2	31	6.5	0.0	6.5	22.6	6.5	9.7	12.9	12.9	0.0	0.0	9.7	0.0	0.0	6.5	0.0	0.0	3.2	3.2
2008H1	34	8.8	0.0	0.0	11.8	38.2	5.9	8.8	14.7	0.0	0.0	2.9	0.0	0.0	5.9	2.9	0.0	0.0	0.0
Emerging markets																			
2006H2	85	12.9	7.1	10.6	14.1	1.2	14.1	22.4	4.7	0.0	2.4	3.5	0.0	1.2	3.5	0.0	2.4	0.0	0.0
2007H1	63	12.7	4.8	15.9	4.8	4.8	6.3	22.2	6.3	0.0	4.8	6.3	0.0	0.0	1.6	0.0	6.3	1.6	1.6
2007H2	48	20.8	12.5	8.3	12.5	2.1	12.5	18.8	4.2	2.1	0.0	0.0	0.0	0.0	0.0	0.0	4.2	2.1	0.0
2008H1	67	10.4	11.9	14.9	20.9	3.0	7.5	7.5	9.0	3.0	0.0	6.0	0.0	0.0	1.5	0.0	4.5	0.0	0.0
Developing countries																			
2006H2	59	13.6	5.1	13.6	11.9	5.1	1.7	1.7	13.6	1.7	5.1	13.6	3.4	0.0	1.7	0.0	3.4	5.1	0.0
2007H1	76	10.5	7.9	14.5	5.3	0.0	6.6	10.5	11.8	0.0	10.5	7.9	3.9	0.0	0.0	1.3	3.9	2.6	2.6
2007H2	34	11.8	2.9	8.8	11.8	5.9	5.9	14.7	5.9	2.9	5.9	2.9	0.0	0.0	2.9	0.0	2.9	8.8	5.9
2008H1	63	9.5	6.3	17.5	14.3	11.1	4.8	12.7	6.3	0.0	1.6	3.2	0.0	1.6	3.2	0.0	1.6	4.8	1.6
African Department																			
2006H2	36	16.7	2.8	16.7	5.6	5.6	2.8	5.6	13.9	2.8	8.3	11.1	2.8	0.0	0.0	0.0	2.8	2.8	0.0
2007H1	41	9.8	9.8	12.2	2.4	0.0	12.2	14.6	7.3	0.0	9.8	7.3	7.3	0.0	0.0	2.4	0.0	0.0	4.9
2007H2	25	8.0	8.0	4.0	12.0	8.0	8.0	12.0	0.0	4.0	8.0	4.0	0.0	0.0	0.0	0.0	4.0	16.0	4.0
2008H1	31	9.7	9.7	9.7	22.6	19.4	3.2	6.5	0.0	0.0	3.2	3.2	0.0	0.0	3.2	0.0	3.2	6.5	0.0
Asian and Pacific Department																			
2006H2	40	12.5	10.0	15.0	12.5	2.5	10.0	10.0	2.5	0.0	2.5	10.0	0.0	2.5	0.0	0.0	5.0	5.0	0.0
2007H1	38	10.5	2.6	15.8	10.5	2.6	2.6	21.1	10.5	0.0	7.9	2.6	0.0	0.0	0.0	0.0	5.3	7.9	0.0
2007H2	28	21.4	0.0	7.1	14.3	3.6	14.3	21.4	7.1	0.0	0.0	3.6	0.0	0.0	0.0	0.0	0.0	3.6	3.6
2008H1	30	6.7	10.0	13.3	13.3	6.7	6.7	6.7	10.0	3.3	0.0	10.0	0.0	3.3	0.0	0.0	6.7	0.0	3.3

Table 13. Focus of Selected Issue Paper Chapters, Detailed Breakdown, 2006-08 (continued)

Number of SIP Chapters	First circle (C1)							Second circle (C2)			Third circle (C3)				Outer circle (C4)				
	Macro- framework	Monetary Policy	Fiscal Policy	Other External sector	Other Competitiv ness	Exchange Rate	Financial Sector Stability	Fiscal Structural Reform	Monetary Structural	Growth Enhancing Structural Policies	Financial Sector Development and Efficiency	Trade Policy	Data Issues	Labour Market	Governance Issues	Social Issues/ Poverty Reduction	Sectoral Issues (incl. for promoting growth and reducing poverty)	Other	
(In percent of all SIP chapters within the same category)																			
European Department																			
2006H2	70	12.9	2.9	11.4	17.1	5.7	5.7	20.0	5.7	0.0	1.4	7.1	0.0	0.0	5.7	1.4	1.4	1.4	0.0
2007H1	48	12.5	6.3	27.1	2.1	2.1	8.3	14.6	8.3	0.0	6.3	4.2	0.0	0.0	2.1	0.0	4.2	0.0	2.1
2007H2	27	14.8	0.0	11.1	14.8	3.7	7.4	11.1	14.8	0.0	0.0	7.4	0.0	0.0	11.1	0.0	3.7	0.0	0.0
2008H1	55	9.1	5.5	5.5	10.9	23.6	5.5	12.7	16.4	0.0	0.0	0.0	0.0	0.0	5.5	1.8	1.8	1.8	0.0
Middle Eastern Department																			
2006H2	7	14.3	0.0	14.3	0.0	0.0	0.0	0.0	14.3	0.0	0.0	14.3	14.3	0.0	14.3	0.0	0.0	14.3	0.0
2007H1	3	0.0	0.0	0.0	0.0	0.0	0.0	33.3	0.0	0.0	0.0	33.3	0.0	0.0	0.0	0.0	33.3	0.0	0.0
2007H2	5	40.0	20.0	0.0	0.0	0.0	20.0	0.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2008H1	10	0.0	20.0	20.0	10.0	0.0	20.0	10.0	10.0	0.0	0.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Western Hemisphere Department																			
2006H2	31	3.2	12.9	9.7	9.7	0.0	12.9	25.8	9.7	0.0	3.2	6.5	0.0	0.0	0.0	0.0	6.5	0.0	0.0
2007H1	29	20.7	6.9	13.8	3.4	6.9	3.4	10.3	10.3	0.0	6.9	10.3	0.0	0.0	0.0	0.0	6.9	0.0	0.0
2007H2	28	7.1	14.3	10.7	21.4	3.6	7.1	21.4	3.6	3.6	0.0	0.0	0.0	0.0	0.0	0.0	3.6	0.0	3.6
2008H1	38	15.8	2.6	23.7	23.7	2.6	5.3	10.5	5.3	2.6	0.0	5.3	0.0	0.0	2.6	0.0	0.0	0.0	0.0

Table 14. Focus of Working Papers, 2006-08

	Number of Working Papers (Samples)	(In percent of all Working Papers within the same category)						Proximity Indicator 1/
		C1	C2	C3	C4	C1+C2	C1+C2+C3	
2006H2	50	74.0	4.0	12.0	10.0	78.0	90.0	1.6
2008H1	50	66.0	6.0	22.0	6.0	72.0	94.0	1.7

1/ Weighted average of the position across circles, assigning a grade 1 to C1, 2 to C2 etc. The indicator can range from 1 to 4. The smaller the value of the indicator, the closer the focus of surveillance to issues significantly impacting external stability.

Table 15. Focus of Working Papers, Detailed Breakdown, 2006-08

Number of Working Papers (Samples)	First circle (C1)							Second circle (C2)			Third circle (C3)				
	Macro-framework	Monetary Policy	Fiscal Policy	Other External sector	Other Competitiveness	Exchange Rate	Financial Sector Stability	Fiscal Structural Reform	Monetary Structural	Growth Enhancing Structural Policies	Financial Sector Development and Efficiency	Trade Policy	Data Issues	Labour Market	
(In percent of all Working Papers within the same category)															
2006H2	50	12.0	12.0	14.0	8.0	2.0	8.0	18.0	4.0	0.0	2.0	4.0	0.0	4.0	2.0
2008H1	50	8.0	14.0	12.0	20.0	0.0	2.0	10.0	6.0	0.0	0.0	12.0	4.0	0.0	6.0

Outer circle (C4)				
Governance Issues	Social Issues/Poverty Reduction	Sectoral Issues (incl. for promoting growth and reducing poverty)		Other
2006H2	6.0	4.0	0.0	0.0
2008H1	2.0	0.0	4.0	0.0

Table 16. Focus of the Work Program Sections of Surveillance Agendas, July 2007-April 2008

	Number of SA topics	C1	C2	C3	C4	C1+C2	C1+C2+C3	Proximity Indicator 1/
		(In percent of all SA topics)						
All countries	543	61.0	15.5	19.5	4.1	76.4	95.9	1.7
2007Q3	254	59.4	15.4	20.9	4.3	74.8	95.7	1.7
2007Q4	94	57.4	16.0	22.3	4.3	73.4	95.7	1.7
Jan-Apr. 2008	195	64.6	15.4	16.4	3.6	80.0	96.4	1.6
Advanced economies	95	63.2	13.7	22.1	1.1	76.8	98.9	1.6
Emerging makets	227	66.1	15.9	16.3	1.8	81.9	98.2	1.5
Developing countries	221	54.8	15.8	21.7	7.7	70.6	92.3	1.8
African Department	76	50.0	17.1	25.0	7.9	67.1	92.1	1.9
Asian and Pacific Department	116	62.9	12.9	20.7	3.4	75.9	96.6	1.6
European Department	125	71.2	12.0	16.8	0.0	83.2	100.0	1.5
Middle Eastern Department	93	57.0	20.4	18.3	4.3	77.4	95.7	1.7
Western Hemisphere Department	133	58.6	16.5	18.8	6.0	75.2	94.0	1.7

1/ Weighted average of the position accross circles, assigning a grade 1 to C1, 2 to C2 etc. The indicator can range from 1 to 4. The smaller the value of the indicator, the closer the focus of surveillance to issues significantly impacting external stability.

Table 17. Country Groupings used in the Triennial Surveillance Review

## 50 Sample countries

Afghanistan	Burkina Faso	Egypt	Iceland	Mexico	Serbia	Yemen
Angola	Cambodia	Finland	India	Montenegro	South Africa	Zambia
Barbados	Central Africa Republic	France	Ireland	Morocco	Sudan	
Bhutan	Chile	Germany	Israel	Myanmar	Swaziland	
Bolivia	Colombia	Guinea	Korea	Namibia	Syria	
Bosnia & Herzegovina	Congo, DR	Guinea-Bissau	Lao PDR	Pakistan	United States	
Botswana	Dominica	Haiti	Lebanon	Papua New Guinea	Uruguay	
Bulgaria	Ecuador	Hungary	Lesotho	Russia	Vietnam	

## Income group

*Advanced*

Australia	Cyprus	Germany	Israel	Luxembourg	Portugal	Sweden
Austria	Denmark	Greece	Italy	Netherlands	San Marino	Switzerland
Belgium	Finland	Iceland	Japan	New Zealand	Singapore	United Kingdom
Canada	France	Ireland	Korea	Norway	Spain	United States

*Emerging*

Argentina	Croatia	Estonia	Lebanon	Nigeria	Russian Federation	Turkey
Brazil	Czech Republic	Hungary	Lithuania	Pakistan	Slovak Republic	Ukraine
Bulgaria	Dominican Republic	India	Malaysia	Panama	Slovenia	Uruguay
Chile	Ecuador	Indonesia	Malta	Peru	South Africa	Venezuela
China	Egypt	Jordan	Mexico	Philippines	Thailand	
Colombia	El Salvador	Latvia	Morocco	Poland	Tunisia	

*Developing*

Afghanistan*	Botswana	Eritrea*	Kazakhstan	Micronesia	Samoa*	Tajikistan*
Albania*	Brunei Darussalam	Ethiopia*	Kenya*	Moldova*	Sao Tome & Principe*	Tanzania*
Algeria	Burkina Faso*	Fiji	Kiribati*	Mongolia*	Saudi Arabia	Timor Leste*
Angola*	Burundi*	Gabon	Kuwait	Montenegro	Senegal*	Togo*
Antigua and Barbuda	Cambodia*	Gambia*	Kyrgyz Republic*	Mozambique*	Serbia, Republic of	Tonga*
Armenia*	Cameroon*	Georgia*	Lao PDR*	Myanmar*	Seychelles	Trinidad & Tobago
Azerbaijan*	Cape Verde*	Ghana*	Lesotho*	Namibia	Sierra Leone*	Turkmenistan
Bahamas, The	Central African Republic*	Grenada*	Liberia*	Nepal*	Solomon Islands*	Uganda*
Bahrain	Chad*	Guatemala	Libya	Nicaragua*	Somalia*	United Arab Emirates
Bangladesh*	Comoros*	Guinea*	Macedonia, FYR	Niger*	Sri Lanka*	Uzbekistan*
Barbados	Congo, DR*	Guinea-Bissau*	Madagascar*	Oman	St. Kitts & Nevis	Vanuatu*
Belarus	Congo, Republic of*	Guyana*	Malawi*	Palau	St. Lucia*	Vietnam*
Belize	Costa Rica	Haiti*	Maldives*	Papua New Guinea*	St. Vincent*	Yemen*
Benin*	Cote d'Ivoire*	Honduras*	Mali*	Paraguay	Sudan*	Zambia*
Bhutan*	Djibouti*	Iran	Marshall Islands	Qatar	Suriname	Zimbabwe*
Bolivia*	Dominica*	Iraq	Mauritania*	Romania	Swaziland	
Bosnia & Herzegovina	Equatorial Guinea	Jamaica	Mauritius	Rwanda*	Syrian Arab Republic	

\* indicates Low-income countries eligible to the PRGF

## IMF area department

*AFR*

Angola	Central African Republic	Eritrea	Kenya	Mozambique	Seychelles	Zambia
Benin	Chad	Ethiopia	Lesotho	Namibia	Sierra Leone	Zimbabwe
Botswana	Comoros	Gabon	Liberia	Niger	South Africa	
Burkina Faso	Congo, DR	Gambia	Madagascar	Nigeria	Swaziland	
Burundi	Congo, Republic of	Ghana	Malawi	Rwanda	Tanzania	
Cameroon	Cote d'Ivoire	Guinea	Mali	Sao Tome & Principe	Togo	
Cape Verde	Equatorial Guinea	Guinea-Bissau	Mauritius	Senegal	Uganda	

*APD*

Australia	China	Kiribati	Marshall Islands	New Zealand	Singapore	Tonga
Bangladesh	Fiji	Korea	Micronesia	Palau	Solomon Islands	Vanuatu
Bhutan	India	Lao PDR	Mongolia	Papua New Guinea	Sri Lanka	Vietnam
Brunei Darussalam	Indonesia	Malaysia	Myanmar	Philippines	Thailand	
Cambodia	Japan	Maldives	Nepal	Samoa	Timor Leste	

*EUR*

Albania	Cyprus	Greece	Lithuania	Norway	Slovak Republic	United Kingdom
Austria	Czech Republic	Hungary	Luxembourg	Poland	Slovenia	
Belarus	Denmark	Iceland	Macedonia, FYR	Portugal	Spain	
Belgium	Estonia	Ireland	Malta	Romania	Sweden	
Bosnia & Herzegovina	Finland	Israel	Moldova	Russian Federation	Switzerland	
Bulgaria	France	Italy	Montenegro	San Marino	Turkey	
Croatia	Germany	Latvia	Netherlands	Serbia, Republic of	Ukraine	

**MCD**

Afghanistan	Djibouti	Jordan	Libya	Qatar	Tajikistan	Yemen
Algeria	Egypt	Kazakhstan	Mauritania	Saudi Arabia	Tunisia	
Armenia	Georgia	Kuwait	Morocco	Somalia	Turkmenistan	
Azerbaijan	Iran	Kyrgyz Republic	Oman	Sudan	United Arab Emirates	
Bahrain	Iraq	Lebanon	Pakistan	Syrian Arab Republic	Uzbekistan	

**WHD**

Antigua and Barbuda	Bolivia	Costa Rica	Grenada	Jamaica	Peru	Trinidad & Tobago
Argentina	Brazil	Dominica	Guatemala	Mexico	St. Kitts & Nevis	United States
Bahamas, The	Canada	Dominican Republic	Guyana	Nicaragua	St. Lucia	Uruguay
Barbados	Chile	Ecuador	Haiti	Panama	St. Vincent	Venezuela
Belize	Colombia	El Salvador	Honduras	Paraguay	Suriname	