



ABSTRACTS OF BACKGROUND PAPERS

BP/18-02/01. “IMF Bilateral Financial Surveillance,” by Shinji Takagi

This paper assesses aspects of IMF bilateral financial surveillance, primarily drawing on 15 country case studies and also utilizing a desk review of IMF documents and interviews with additional member country officials. Following the global financial crisis, the Fund intensified its efforts to better integrate macroeconomic and financial analysis. This paper confirmed that the coverage of financial sector issues and macrofinancial linkages has expanded, especially in countries without systemically important financial sectors. Even so, the Fund faces obstacles to effective financial surveillance, not least including data gaps and the absence of a well-established, quantifiable model of real-financial linkages. The paper concludes that macrofinancial integration remains a work in progress despite recent improvements.

BP/18-02/02. “Assessing the FSAP: The Quality, Relevance, and Utility of the IMF’s Program,” by Gerard Caprio

This paper examines the technical quality, relevance, and usefulness of the Financial Sector Assessment Program (FSAP). The FSAP has become an increasingly sophisticated tool for evaluating the stability of financial systems since the Global Financial Crisis and is generally regarded by country authorities as a high-quality and rigorous exercise. Financial regulatory authorities, however, have also made great strides in their own ability to assess financial stability. To optimize the value added of FSAPs, this paper recommends greater focus, prioritization, and greater integration with Article IV consultations.

BP/18-02/03. “IMF Multilateral Financial Surveillance,” by Jeromin Zettelmeyer

This paper evaluates IMF multilateral financial surveillance during 2013–17 along five dimensions: *GFSR* vulnerability analysis, the *GFSR*’s risk warnings, consistency of the *GFSR* with the *WEO* and the G20 notes, the Early Warning Exercise, and consistency of *GFSR* with bilateral financial surveillance of the United States and the euro area. The main finding is that multilateral financial surveillance has come a long way since the crisis, particularly with respect to increasing consistency of messages and integration with bilateral surveillance. Nevertheless, there remains room for improvement both in the presentation and substance of vulnerability analysis.

BP/18-02/04. “Collaboration in Financial Regulatory Reform: The IMF, the Financial Stability Board, and the Standard Setting Bodies,” by Stephen Cecchetti

This paper examines the IMF’s role in financial regulatory reform, with a focus on its relationship to the Financial Stability Board (FSB) and the standard-setting bodies (SSBs). The IMF has contributed greatly to the global regulatory reform agenda, not only by monitoring implementation of standards but also by providing fundamental research and assessing the

impact of reforms. Moreover, the IMF's relationships with the FSB and SSBs are generally working well. There are, however, opportunities for the IMF to enhance its contributions, particularly in pre- and post-implementation impact assessments.

BP/18-02/05. "Strengthening IMF Financial Surveillance: Organizational and Human Resource Issues," by Louellen Stedman

This paper assesses institutional arrangements aimed at enhancing financial surveillance in the IMF since 2010, in particular issues related to the IMF's organizational structure and processes, budgetary resources, and human resource management. To support its financial surveillance objectives, the IMF has continued to adapt its organizational arrangements, to align its budget and human resources, and to enhance the skills of country teams. Nonetheless, the IMF's efforts in this area remain a work in progress. The paper also provides recommendations to increase institutional knowledge of existing skills and enhance incentives related to financial skills and expertise.

BP/18-02/06. "Analytical Frameworks and Toolkits in IMF Financial Surveillance," by Olivier Jeanne

This paper evaluates the analytical frameworks and tools used by the IMF in its financial surveillance. The IMF was a leader in developing models and tools to analyze various financial and macrofinancial issues, including stress tests. Since the Global Financial Crisis, central banks in advanced economies and some emerging markets have made large investments in developing models of their own economies that incorporate financial frictions, and stress tests that are tailored to their circumstances. To continue being a center of excellence on financial and macrofinancial issues, this paper recommends that the IMF increase its investment in research and development of tools in areas of its comparative advantage, including cross-border financial spillovers and global liquidity stress tests.

BP/18-02/07. "Emerging Technology-Related Issues in Finance and the Fund: A Stocktaking," by Dimitri Demekas

This paper provides a stocktaking of the IMF's work on three emerging technology-related issues in finance: (i) cyber risk and cyber security for financial systems; (ii) technology-driven innovation in the provision of financial services ("fintech"); and (iii) digital currencies or cryptocurrencies. The stocktaking shows that the IMF has been paying increasing attention to technology-related issues in finance and has sought to engage with them, both as analytical issues and as topics in surveillance. Together with the World Bank, the IMF has developed the Bali Fintech Agenda that sets out a framework to help members consider how they will be impacted by fintech developments and how they should respond.

BP/18-02/08. "IEO Evaluation of IMF Financial Surveillance: Survey Results," by Chris Monasterski

This paper presents the results of IEO surveys of the Offices of Executive Directors (OED) and IMF staff. The OED survey focused on the goals and strategic directions of IMF financial surveillance and on perceptions of financial surveillance as undertaken via Article IV consultations, the Financial Sector Assessment Program (FSAP), and multilateral surveillance. The OED survey was sent to 211 recipients, of which 84 responded (39.8 percent). The staff survey focused on the goals and strategic direction of financial surveillance, respondent experience with integrating financial sector issues in IMF bilateral and multilateral surveillance, and individual skills and training. The staff survey was sent to 1,368 economist and specialized career stream staff (levels A12 to B4) in area departments, the Monetary and Capital Markets Department (MCM), and other select functional departments,¹ of which 415 responded (30.3 percent).

¹ Fiscal Affairs Department, Finance Department, Legal Department, Research Department, Strategy, Policy and Review Department, and Statistics Department.

BP/18-02/09. "IMF Financial Surveillance in Action: Country Case Studies from Europe and Sub-Saharan Africa"

Chapter 1: IMF Financial Surveillance of the Euro Area,
by Jean-Pierre Landau

Chapter 2: IMF Financial Surveillance of Germany,
by Jeffrey Anderson

Chapter 3: IMF Financial Surveillance of Italy,
by Jeffrey Anderson

Chapter 4: IMF Financial Surveillance of the
United Kingdom,
by David Miles

Chapter 5: IMF Financial Surveillance of Ghana, Kenya,
and Nigeria,
by Mthuli Ncube

BP/18-02/10. "IMF Financial Surveillance in Action: Country Case Studies from Asia and the Western Hemisphere"

Chapter 1: IMF Financial Surveillance of Brazil,
by Sanjay Dhar

Chapter 2: IMF Financial Surveillance of China,
by David Dollar

Chapter 3: IMF Financial Surveillance of Japan,
by Akira Ariyoshi

Chapter 4: IMF Financial Surveillance of Malaysia,
Singapore, and Thailand,
by Latifah Merican Cheong

Chapter 5: IMF Financial Surveillance of Mexico,
by Monica de Bolle

Chapter 6: IMF Financial Surveillance of the United States,
by John Murray