

- **Greater resources and attention should be devoted to those countries of global significance, including both industrial countries and emerging economies.**
- **Clear and direct policy advice should be offered to all governments, particularly those which appear to be avoiding necessary policy measures.**
- **Greater attention should be devoted, in general, to financial and banking sector developments and, in particular, to the pattern of capital flows and their maturity. Better balance should also be achieved in the Fund's overall surveillance process between cross-cutting issues, such as common developments in capital markets, and country-specific issues.**
- **Wherever feasible, the Fund should be more open and transparent in its assessments and policy advice.**

Some of these objectives conflict, to some degree, with one another. Most importantly, any surveillance process faces a tension between the desire to function as a cooperative process and the frequent need to deliver a sharp, unambiguous policy message to national authorities. In carrying out this task, the IMF obviously needs to be selective. In practice, this means focusing particular attention on countries with a potentially large impact on the world economy.

Should bilateral surveillance fail to achieve its desired effect on the policies of certain member countries, a direct, but private, dialogue with national authorities should be encouraged.

- **The IMF Managing Director should be invited to work more closely with Executive Directors and when necessary, member governments, with a view to initiating a concerted policy dialogue with the national authorities of problem countries.**
- **Where appropriate, governments should be prepared to take on the role, collectively or individually, of passing a strong message on the need for policy actions to the national authorities of these countries.**

Early and Appropriate Policy Responses

In a well-functioning system, a country would begin taking policy actions to correct external or internal imbalances as soon as these materialise. The international financial institutions are set up to facilitate this process in several ways. The IMF, for example, undertakes a regular process of consultations with all member countries. These consultations provide an opportunity to candidly review the current policy stance of members and discuss prospective problems before these arise. The timing of such