THE IMF'S ROLE IN PROMOTING TRANSPARENCY

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ABSTRACT

The IMF's interest in transparency and standards arises from their potentially important contribution to a more robust international financial system and, at the national level, to improved macroeconomic performance. In this regard, the IMF has promoted transparency and openness in its own operations while encouraging member countries to adopt standards and best practices in its four core areas of interest: economic and financial statistics, fiscal operations, monetary and financial policy, and banking supervision. The IMF carries out this function in the context of its unique role in surveillance but also in connection with its programs of technical and financial assistance to members. The IMF also collaborates closely with other international financial institutions and standards setting bodies to promote transparency and standards, thereby helping to foster good governance and curb corruption.

I. WHY IS THE IMF CONCERNED WITH TRANSPARENCY AND GOVERNANCE?

Transparency, accountability, and governance are words that have come to the forefront in current discussions of macroeconomic and financial policy. Availability of information on government economic policies and actions, a clear sense of organizational responsibility, and an assurance that governments are efficiently administered and free of systemic corruption have always, of course, been seen as important. Until very recently, however, these concerns have been dealt with at a rather general political or administrative level. Now they are clearly seen as issues to be addressed as an integral part of economic analysis and policy discussion, be it by the IMF and other International Financial Institutions (IFIs), or by national governments and regional organizations.

Events in recent years have underlined the necessity for the IFIs to become systematically involved in the promotion of transparency and good governance, in the development and dissemination of codes and standards, and more generally in cooperating to ensure progress in these and related areas of concern to the international financial community.

With the demise of the Cold War and its effects on defining relations among nations, ideological and political considerations have receded in importance, making way for the ascendancy of economic performance as a mark of national success in the contemporary world. Moreover, good economic performance has now been strongly linked, both in theory and in experience, with the maintenance of macroeconomic stability, underpinned by strong policy fundamentals and sound institutions. Rapid globalization and increased integration of markets have enhanced the role of international capital flows in financing investment and growth, with access to financial markets on favorable terms becoming an important objective of economic policy. As a consequence, national governments are now likely to attach greater weight to assessments of their economic performance by the IFIs and financial markets. In this regard, the achievement of transparency, accountability, and effectiveness in government, coupled with the maintenance of a rules-based environment for private sector activity, play an important role in shaping these assessments.

On a more specific level, among the contributing factors to the development and spread of the financial crises in East Asia and in Russia were weaknesses in governance structures, including ambiguous relations between the official and private sectors, and, equally important, an absence of reliable information on the financial positions of institutions and the policy intentions of officials.

It is not our intention to expand on the post mortems of recent crises. Suffice it to say that their genesis illustrates the importance of issues of transparency and governance in emerging market economies. Key elements in generating the crisis in Asia were underlying fundamental vulnerability of the financial sector, combined with policies of easy liquidity in several countries in the region. Common elements of financial vulnerability arose from the credit boom in the 1990s, spurred by global macroeconomic imbalances and fueled by capital inflows, which were directed in significant measure to real estate and equities. The risks were compounded by excessive short-term borrowing in foreign currency relative to longer-term, domestic currency denominated assets. Moreover, loan classification and provisioning practices, as well as transparency and the disclosure of information, were lax by generally recognized standards.

While central government finances appeared to most observers to be sound in many of the East Asian countries, corporate governance was generally acknowledged to be a concern. Thus, when credit conditions tightened, a vicious cycle developed whereby real estate and equity values fell, leading to an increase in nonperforming loans and further restrictions in credit. These conditions were quickly transmitted through the external account, giving rise to widening current account deficits and volatility of short-term capital flows and exchange rates. The initial impact of these effects in Thailand was very quickly replicated in other countries in the region which had, or were perceived to have, equally serious underlying problems.

Transparency and governance issues are even more evident in economies in transition, where efforts are being directed toward the creation of more open and accountable public institutions and distancing the state from the activities of the enterprise and banking sectors. In Russia and other transition economies it is apparent that considerable more work needs to be done to establish stable, market-based responses to crises. In August 1998, domestic economic imbalances and policy shortcomings in Russia were compounded by the uncertain economic environment and particularly by declining oil and commodity prices. As a result, when crisis struck in Russia at a time when global markets were being battered by the effects of the Asian crisis, investors pulled back from lending to emerging market countries generally and compounded the adverse impact on international financial conditions.

Globalization and increased integration of economies and markets thus increasingly mean that the stability and smooth functioning of financial systems may no longer be adequately served by the occasional corrective action focused on individual countries; in addition, they require that more fundamental issues of the structure of the international financial system be properly addressed. To realize the many potential benefits of globalization and, as far as possible, to avoid the risks, it is essential that this structure be strengthened. Helping national authorities address systemic weaknesses of transparency and governance is seen as a critical element in reinforcing the underpinnings of a reformed international financial system.

More generally, good governance in relation to macroeconomic policies is seen by the IMF as being of central importance in promoting macroeconomic stability and sustainable growth. In a Guidance Note issued by the Executive Board in July 1997,[1] IMF staff are requested to pay particular attention to governance issues in the context of Article IV consultations and IMF-supported programs, to adopt a proactive and evenhanded approach to advocating policies and systems that eliminate opportunities for corruption, and to collaborate with other IFIs to

[1] *Good Governance: the IMF's Role*, IMF, Washington DC, 1997.

these ends. Since then, issues of transparency and governance have become important elements in the IMF's interaction with member countries, be it in surveillance, in the provision of technical assistance, or in negotiations on use of Fund resources (UFRs).
As will be discussed below, much of the work that has been done in this area over the two years since issuance of the guidance note has been by way of making these general guidelines operational within the IMF's mandate and resources.

A word of caution may, however, be in order at this point. While increased attention to transparency and governance in recent years, both at the national and international levels, may be a welcome development, we should not unduly inflate our expectations concerning the immediate impact on economic performance. For whereas transparency in government and adherence to standards may be necessary conditions for improved economic outcomes, they are by no means sufficient. Even when salutary, the adoption of transparency and accountability standards can begin to improve economic performance only when such an action sets in train a process of fundamental reforms in policies and institutions. These reforms, as we know from experience, can be complex, time-consuming, and costly, and may also be fraught with risks.

It is also important to remind ourselves that the advocacy of transparency and the promotion of standards in the present context has not escaped the criticism of those who see a particular cultural tone pervading the current discussions. Without passing judgment on the merits of the case, it is nevertheless important that the promotion of transparency and standards remain mindful of the cultural diversity of societies and national governments and the importance of taking this diversity into account in rendering assessments and in designing remedial policies and programs.

This presentation will deal first with recent efforts to improve transparency in IMF operations, while the remainder of the paper describes the IMF's evolving role in promoting transparency and implementation of internationally accepted standards among member countries.

II. TRANSPARENCY IN IMF OPERATIONS

In recent years, the IMF has taken a number of steps to subject its own practices and policy advice to more external scrutiny. Necessarily, however, progress in this area has to give due consideration to the varying circumstances of individual member countries and, in any event, is dependent on an increased willingness by member countries to make these discussions public. Moreover, there are risks that greater transparency of internal or bilateral policy discussions could lead to diminished candor and to a deterioration in the quality of information provided to staff. A cautious and experimental approach is therefore being adopted to determine appropriate modalities, with a broad presumption in favor of disclosure of information and publication of key decisions. The major actions that have been taken by the IMF to date in this area include the following:

- The IMF has actively encouraged the **publication of Public Information Notices (PINs)** at the conclusion of Article IV discussions with members. During the first eight months of 1999, PINS have been issued for about 80 percent of the Article IV discussions.

- An 18-month pilot project for the **voluntary release of Article IV staff reports** was established in April 1999. Forty-five countries have agreed to participate in the pilot project, and, as of September 15, 1999, 16 staff reports have been published or authorized for publication.

- Since June 3, 1999, the IMF has begun **releasing Chairman's statements summarizing the Executive Board's views** following discussions of UFRs. The presumption has also been established for UFR cases that the relevant Letters of Intent (LOI), Memoranda of Economic and Financial Policies (MEFP), and Policy Framework Papers (PFPs), if any, will be published. So far, 32 Chairman's statements have been released and the relevant UFR country documents have been released in 26 cases. (The latter are available through the IMF's external website (http://www.imf.org/external/country/index.htm.)

- The IMF has commissioned **external evaluations of several core activities** and the practice will continue. External evaluations have covered the 10-year experience with the Extended Structural Adjustment Facility (ESAF), the IMF's surveillance function, and its research activities. The evaluations themselves, staff statements on these documents, and the summing-up of the Executive Board discussions have also been released.

- The IMF also publishes information on its own **liquidity position** and on member accounts with the IMF on its website. **Public access to IMF archives** has been enhanced through reduction in the waiting period for Executive Board documents from 30 years to 5 years and for other documents to 20 years.

Experience with the release of the various documents will be reviewed over the next six months. Also experience with external evaluations of surveillance, research, and ESAF-supported programs will be reviewed as a basis for possibly developing a system of independent evaluations. Among other external evaluations, a review of the efficiency of IMF operating procedures is being considered.

III. THE IMF'S ROLE IN PROMOTING TRANSPARENCY AND STANDARDS

The IMF's work on promoting transparency and standards focuses on **four areas** regarded as core areas of interest to IMF operations and mandate. These are:

- data dissemination;

- fiscal transparency;
- monetary and financial policy transparency; and
- banking supervision.

The last of these is undertaken in close cooperation with the World Bank and a working group of the Basle Committee on Banking Supervision (BCBS).

In each area, the IMF has been developing (or, in the case of banking supervision, participating in development of) standards of good practice in wide consultation with relevant IFIs and will continue to modify these in the light of practical experience in member countries.[2] As standards become firmly established, efforts will be increasingly focused on encouraging member countries to implement them. The IMF's surveillance activities are seen as the primary vehicle for encouraging implementation.

A. Development of Standards in the IMF's Core Areas of Interest

Economic and financial statistics

With regard to data dissemination standards, the IMF has sought to promote good practices of statistical reporting for some time through its publication of *International Financial Statistics* and *Government Finance Statistics*. From early 1995, work began on development of explicit data dissemination standards to guide member countries on the provision of comprehensive, timely, and publicly accessible **economic and financial statistics**. The initial stage of this effort resulted in the opening, in April 1996, of the Special Data Dissemination Standard (SDDS) for subscription by IMF members on a voluntary basis. By August 1999, there were 47 subscribers, comprising a mix of industrial, emerging, and transition countries. The SDDS is aimed at members having or seeking access to international financial markets. The General Data Dissemination System (GDDS), aimed more broadly at promoting good practices of data dissemination among all member countries, was published in 1997. The two vehicles for improvement of data dissemination are in recognition of the fact that countries are at different stages of development of their statistical systems.

In March 1999, it was agreed to strengthen the SDDS with respect to reporting on **international reserves and external debt,** including information on the levels and composition of reserve assets, other foreign assets held by the central bank and the government, short-term foreign liabilities, and related activities that can lead to demand on reserves (such as financial derivatives positions and guarantees extended by the government for private borrowing). Several countries are already disseminating data on this basis, and all

[2] Information on each of these standards and codes, as well as country reports, is available at http://www.imf.org/external/standards/index.htm.

SDDS subscribers are required to conform to the template by end-March 2000.

Fiscal transparency

The IMF has, for many years, encouraged member countries to improve their fiscal management systems through its technical assistance programs as well as through its surveillance and UFR activities. In response to the concerns of the international community, basic requirements of fiscal transparency were formalized in the *Code of Good Practices on Fiscal Transparency—Declaration on Principles*, which was endorsed by the Interim Committee in April 1998 (see Box 1).

The Code emphasizes the importance of defining institutional relationships, establishing a clear legal framework, and extending coverage of fiscal activity beyond the conventional budget and public accounts documentation. In conjunction with the Code and the Manual, a questionnaire and summary self-assessment form are also available on the website. Implementation of the fiscal transparency code is being promoted on a voluntary basis and these tools are intended to facilitate an initial self-assessment by countries. A number of countries would require some technical assistance to complete a self assessment, and the IMF has provided this in a number of cases. So far, it has been found that much of the more traditional forms of technical assistance provided by the IMF (and indeed by other agencies) can be readily shaped to provide advice focused on the fiscal transparency code. As discussed further below, we anticipate that initial assessments will be promoted more extensively through the IMF's surveillance activities and that technical assistance needs to promote transparency will be identified and prioritized in close conjunction with surveillance.

Monetary and financial policies

In a similar way, transparency aspects of traditional IMF technical assistance and policy advice in the areas of **monetary and financial policies**, have been formalized in the *Code of Good Practices in Monetary and Financial Policies*, which was endorsed by the Interim Committee in September 1999. The Code (with separate sections on monetary and financial aspects) was intensively discussed with representative central banks and other IFIs.

Like the fiscal code, the code of transparency practices for monetary and financial policies includes provisions that go beyond the mere publication of monetary and financial data. The emphasis of the code is that information provided should be comprehensive, understandable, timely, and readily accessible to the public. It requires, for instance, that the objectives of monetary policy be clearly defined in legislation, and that changes in the setting of monetary policy or significant changes in financial policies be publicly announced in a timely manner. Both the fiscal and the monetary and financial codes refer to SDDS or GDDS standards for periodicity and timeliness of data dissemination.

Box 1. Promoting Fiscal Transparency

The *Code of Good Practices on Fiscal Transparency—Declaration on Principles* was adopted by the Interim Committee of the Board of Governors of the IMF in April 1998. A draft *Manual on Fiscal Transparency* providing more detailed guidance on good practices in implementing the fiscal transparency code—and acknowledging the variety of systems and administrative capacity among member countries—was made available through the IMF's website on October 1998, and the revised Manual has been available from April 1999.

The Code provides an extended and operational definition of what constitutes fiscal transparency. It is based on four general principles: (1) roles and responsibilities, of and within, the government should be clear; (2) governments should make a commitment to make comprehensive reliable and timely information available to the public; the processes of budget preparation, execution, and reporting should be clear; and (4) fiscal information should be subject to independent scrutiny and assurance of integrity. Under these general principles, nine more specific principles are given, and under these, a total of 31 areas of good practice are identified. The fiscal transparency code is being promoted through a number of mechanisms:

- Countries are being encouraged to implement the code on a voluntary basis. As distinct from the SDDS, no formal subscription process is envisaged. Similar to the GDDS level of data dissemination standards, however, different administrative capacities among member countries are explicitly recognized by identifying a selected number of areas of good practice and identifying minimum standards to which all countries should aspire.

- Awareness of the code and mechanisms for implementation are discussed at regional seminars, individual country seminars, as components of regular IMF Institute courses, and through regular discussions in surveillance and technical assistance missions of the IMF.

- As discussed further in the text, fiscal transparency, along with other core IMF standards, is increasingly being integrated with IMF Article IV consultations and the modalities of incorporating these standards into surveillance activities is being explored through a series of experimental reports on standards carried out in conjunction with country authorities, and with varying degrees of technical assistance inputs, depending on individual country needs.

Banking system soundness

On banking supervision, the IMF is working closely with other international organizations on implementation of the *Basle Core Principles for Effective Banking Supervision.* The main objective of these principles is to enhance financial stability by establishing standards for effectiveness of supervision. Transparency plays an important role, however, and the principles include requirements for clarity of the objectives of banking supervision, information sharing between supervisory agencies at home and abroad, and obligatory publication of financial statements by banks. The principles also emphasize assurance of quality of information in a similar way to the codes described above, by requiring consolidation of accounts in prudential reporting, appropriate internal controls and risk management systems, and independent verification of reported information.

A draft handbook on the methodology for assessing implementation of the Basle Core Principles, which has been developed by a working group including the IMF, is being reviewed by the BCBS for final approval. The IMF and the World Bank have undertaken several assessments of countries' compliance with the core principles, in some cases jointly.

B. Interagency Cooperation

In addition to work on standards relating to the IMF's core mandate, the staff cooperate with other institutions, particularly the World Bank, on other areas of relevance to the broad objective of improving financial stability. Where other agencies have the primary role, however, IMF staff do not attempt an assessment of a country's compliance with standards. Both the Executive Board and the external evaluators of IMF surveillance activities have strongly endorsed the view that the IMF should focus primarily on assessments within its direct operational focus. The need for comprehensive coverage of standards beyond these traditional areas is recognized, but other institutions will be expected to take the lead in their areas of expertise, and a "shared ownership" of a more comprehensive assessment against internationally recognized standards is foreseen.

To help ensure coordination, the IMF maintains links with a wide range of other international bodies. For example, major efforts are being made to **involve the private sector in forestalling and resolving crises**. Enhancement of transparency in private sector decision making, including corporate governance, and strengthening and implementing standards to promote a healthy regulatory environment are important aspects of this work. Other agencies take a leading role in promoting standards in this area (see Box 2).

In principle, an interlocking set of activities has been established to coordinate further development and implementation of a wide range of standards of relevance to the global financial stability objective. The role of the IFIs, and especially that of the IMF and the World Bank, varies depending on the nature of the issues addressed, but remains important even as a catalyst in promoting transparency and open standards in an increasingly complex global financial system.

Box 2. Activities of Other Agencies in Establishing Standards

Many agencies are involved in establishing standards that are relevant to the promotion of transparency and good governance in the international community. Other activities in which other agencies take the lead, and in which the IMF takes an active interest include the following:[1]

- The OECD's *Principles of Corporate Governance* were endorsed at the May 1999 OECD Ministerial meeting, and the OECD and the World Bank have established a Global Corporate Governance Forum to promote dialogue on these issues. The World Bank has initiated a process of undertaking corporate governance assessments in a number of countries.

- A comprehensive set of International Accounting Standards (IAS) has been completed and is being promulgated by the International Accounting Standards Committee (IASC), the International Federation of Accountants (IFAC) is formulating international standards on auditing and auditing practice (and is formulating accounting standards for the public sector based on the IAS).

- The International Organization of Securities Commissions (IOSCO) has prepared a set of principles for securities supervision (*Objectives and Principles of Securities Regulation*) and *International Disclosure Standards for Cross-Border Offerings and Initial Listings by Foreign Issuers*, which is a set of standards for nonfinancial statement disclosure. IOSCO is currently examining IAS to determine whether these standards can be endorsed for use by foreign issuers in cross-border listings. It is also considering proposals to increase the transparency of dealings between highly leveraged institutions (HLIs) and securities firms, to strengthen risk management procedures by securities firms, and improve information flows about HLI activities to regulators.

- The BCBS has identified and reviewed, through its Accounting Task Force, those IAS of interest to bank supervisors. It also addresses corporate governance in the context of banking supervision.

- The International Association of Insurance Supervisors (IAIS) issued *Insurance Supervisory Principles*, a compendium of principles, standards and guidance papers, and has established a task force to prepare a methodology for monitoring implementation of the principles.

1 See *Report of the Managing Director to the Interim Committee on Progress in Strengthening the International Financial System*, September 24, 1999, for more details.

To help improve information flows among participating agencies and institutions, a Financial Stability Forum (FSF) was established recently, and it met for the first time in April 1999. The purpose of this forum is to enhance information exchange and international cooperation in financial market supervision and surveillance. Working groups have been set up to consider systemic implications of HLIs, capital flows, and offshore financial centers.

C. Reports on Standards

Now that the basic standards and codes in its core areas of interest have been promulgated, the IMF is placing major emphasis on promoting their implementation. A series of **experimental reports** on observance of the IMF standards has been prepared in conjunction with country authorities. These reports involved substantive discussion with the authorities on all (or in some cases, specific aspects) of the standards, but a major objective of the reports has also been to examine modalities and resource costs of implementation. Two rounds of these studies have been carried out so far.[3] Eight of the reports covered all four core areas, several more studies have been initiated on a "modular" basis, covering only one of the core areas. The World Bank assisted in the preparation of a number of the second round studies. All of the consolidated reports and two of the modules (on fiscal transparency in Ukraine and Cameroon) have been released publicly and are available on the IMF website.

Thus far, the reactions have been positive—from the authorities involved, from the interested public, and from IMF staff. The benefits from the standpoint of a country having or seeking access to financial markets, the implementation of transparency standards provides an explicit demonstration of a country's commitment to openness and accountability (which, when credible, constitutes an important signal to financial markets). For developing countries or economies in transition, the reports indicate a commitment to improve practices and provide a basis for identifying priority areas for further progress and for possible technical assistance. In time, improvements in country production of reliable economic data should facilitate the operation of surveillance and UFR missions.

In the immediate future, however, it is clear that substantial resources are required both from the IMF and the country authorities. For those countries most in need of improvement the pay-off from this investment will be realized only in the medium to long term. In recognition of the high priority given by the IMF to the implementation of transparency reports and the propagation of standards, the following steps are to be taken to place this effort at the center of IMF activity.

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[3] The first set of reports on Argentina, Australia, and the United Kingdom were released in April 1999. A second set of reports on all core areas was published for Bulgaria, the Czech Republic, Hong Kong SAR, Tunisia, and Uganda in September 1999.

- The staff will continue to work with authorities on the preparation of reports **on an experimental basis**—though these experiments will be expected to contribute substantively to IMF-country dialogue.

- Future reports will generally be prepared on a **modular basis,** so that the work can be geared to the programs of IMF technical departments dealing with fiscal, monetary or statistical issues, as well as distributing the burden of work over time for participating countries.

- Existing traditional **technical assistance** or mission work of the IMF will be adapted as far as possible to provide inputs to standards reports.

- **Other agencies**, particularly the World Bank, will be encouraged to provide inputs where they are carrying out country work of direct relevance to IMF standards—and, of course, this would be reciprocated in work related to other agency standards.

- **Technical consultations** (TCs) and **technical cooperation action plans** (TCAPs) that are to be initiated to help strengthen the IMF's technical assistance will also take account of progress on the implementation of standards.

D. Standards and IMF Surveillance

IMF surveillance activities will be the primary vehicle for encouraging member countries to adopt standards and codes. This initiative is one of many taken over the past two years to broaden and deepen the nature of surveillance to improve the capacity of the IMF and the international community to avert crises wherever possible, and to respond effectively when these occur.

Improved information on institutions and better economic and financial data are seen as crucial for either objective. Internal evaluations of IMF surveillance and the recent external evaluation mentioned earlier have reached similar conclusions on areas where further strengthening is needed. Aside from an increased focus on standards, as described above, the main suggested areas for further strengthening involve a focus on specific areas where better and more timely country information is needed to forewarn of possible crises. These include:

- Greater attention to **financial sector vulnerabilities.**

- Greater focus on **debt and reserve management practices** and development of early warning systems to signal potential problems.

- **More continuous surveillance** through interim visits, informal reviews, and enhanced multilateral and regional surveillance.

Development of vulnerability assessments can be seen in some ways as a logical extension of the work on standards. Analysis of financial sector vulnerability is receiving increasing attention in IMF surveillance, with increasing emphasis being placed on joint IMF-Bank collaboration on financial sector issues through the establishment of the Financial Sector Liaison Committee (FSLC). The FSLC has facilitated the launch of a collaborative Financial Sector Assessment Program (FSAP), which is designed to identify financial system strengths and vulnerabilities in countries and suggest remedial measures to overcome systemic weaknesses (see Box 3). Preliminary work is also underway in the IMF to develop a similar approach to assess fiscal vulnerability, a natural extension of the IMF's ongoing work on fiscal transparency.

{PRIVATE}**Box 3. Key Issues Covered in an FSAP Report**

The FSAP is designed to identify financial system strengths and vulnerabilities. The coverage typically includes:

I. Financial institutions

- Soundness of financial institutions (e.g., developments in prudential indicators, stress testing, and sensitivity analyses).
- Developments in the corporate sector that may flow on to the financial sector, as well as possible asset price bubbles.

II. Financial markets

- Structure, efficiency and systemic liquidity issues in organized money, foreign exchange, debt and equity markets.
- Central bank lending policies, including lender-of-last resort and contingency liquidity arrangements.
- Review and assessment of payment systems, including risks and risk management procedures.

III. Legal framework, prudential regulations and supervision, including observance of standards and good practices

- Adequacy of policy, regulation and supervisory framework for financial institutions, capital and insurance markets.
- Adequacy of supervisory systems and procedures, including compliance with the *Basle Core Principles.*
- Adherence to international standards in monetary and financial policies, accounting, disclosure and reporting standards.

IV. Arrangements for crisis management, financial safety nets, and workout mechanisms

- Bank exit policies and developments in bank resolution and liquidation.
- Status and developments regarding guarantee schemes and deposit insurance.

V. Key reforms to reduce vulnerabilities in the financial system and to minimize systemic risks

- Appraisal of key structural vulnerabilities and deviations from best practices.
- Formulation of broad program of financial system reforms, including sequencing, and technical assistance needs.

Source: *Report of the Managing Director to the Interim Committee on Progress in Strengthening the Architecture of the International Financial System* September 24, 1999.

IV. CONCLUSION

Development and implementation of international standards and codes of good practice will play a vital role in strengthening decision making and promoting sound fiscal, monetary, and financial policies in the future. As outlined, the promotion and monitoring of relevant standards are becoming an integral part of the IMF's surveillance activities, and technical assistance will increasingly be deployed to ensure that these standards are being implemented in the less developed and more vulnerable countries. These changes will involve a much closer linkage between surveillance and technical assistance activities than has been the case in the past.

The point has been made that this will involve high short-term costs but should lead to fundamental improvements and major benefits in the long term. Neither the costs nor the length of time should be underestimated, but increasing the capacity of countries to avert or respond to crises and to reduce the possibility of transmission to others will be of immeasurable benefit, and considerably more effort in this direction is undoubtedly warranted.

It should be stressed that the IMF, while clearly central to efforts to strengthen the international financial system, is part of a much broader alliance of international and bilateral efforts in this direction. The many interlocking efforts to promote standards that have been described, if pursued with diligence and good will, could bring about a consensus on appropriate standards across a wide range of activities. Indeed, in the space of the past two years tangible progress has been made and agreement reached on a number of issues, although, one must note, agreement is not unanimous. Consolidation of this work will require, however, not only the enthusiastic support of the advocates, but also the participation of those who for whatever reason may have some reservation about the course of developments to date.

The promotion of transparency and the promulgation of standards in the fiscal, monetary, and financial activities of member governments will no doubt help enhance good governance and, as a consequence, reduce corruption. As many studies of corruption have shown, corrupt practices tend to thrive in an economy dominated by a heavily interventionist state where regulations are pervasive, vague, and are applied capriciously; where the demarcation lines between the public and private sectors are obscure; where government commitments are unannounced and open-ended; and where government actions are unexplained and unaccounted for. It is these conditions that the IMF's recently reinforced efforts in the area of transparency and standards have sought to address and reform in collaboration with other international financial and regulatory institutions.

The fight against corruption and the promotion of good governance are integral parts of a deliberate, slow, and complex process of economic, political, and above all, institutional reform. The ultimate aim of such a process is the development of a government sector where operations are transparent and officials are accountable, a private sector which operates in an open and competitive environment within the framework of a liberal economic and financial regime, and, finally, a relationship between the public and private sectors that is clearly defined and is governed by the rule of law. This is an ambitious goal which can be realized only in a medium- or long-term perspective, but it is a goal that, as clearly demonstrated in this conference, is worthy of our individual and collective support.