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June 29, 2007

**Statement by Mr. Ge and Mr. Zhong on Implementation of the Decision
on Bilateral Surveillance—Transitional Issues
(Preliminary)
Executive Board Meeting 07/56
June 29, 2007**

Effective surveillance—based on the key pillars of dialogue and persuasion—is the Fund’s key instrument in promoting global financial stability and economic prosperity. We appreciate the Managing Director’s great efforts to enhance the effectiveness of Fund surveillance along these lines.

We believe that **adequate preparatory work should be completed before applying the Bilateral Surveillance Decision** (New Decision) to Article IV consultations and reports for the following reasons:

1. As the Fund had already rushed the New Decision through—without presenting Executive Directors with a final text before its adoption—**it would be advisable not to rush into its implementation without following appropriate procedures.**
2. **More important** than applying the New Decision quickly **is to apply it productively** which calls for necessary clarification on some of its elements, enabling staff and member countries to become fully familiar with this complicated New Decision.
3. As long as the New Decision will apply to all member countries, the argument that a specific cut-off date will give rise to unevenhanded treatment would be hard to justify.

As to the precise timing of applying the New Decision, as this Chair made clear at yesterday’s meeting, the following preparatory work should be completed before its application:

- A. The **Surveillance Guidance Note** should be **aligned to the New Decision**.
- B. The text of the **New Decision** should be **circulated to member country authorities** together with a **user-friendly explanatory note**.

C. Both staff and member countries should be given adequate time, say **one month following receipt of above-mentioned documents**, to become familiar with the New Decision.

D. Most importantly, if most Executive Directors could agree, **the Board** should give the New Decision another look and **clarify a few key issues**, particularly **how to measure external stability/instability** and **how to differentiate between the obligations and recommendations in surveillance practices**.

E. In light of the above, the **New Decision should not be applied** to Article IV consultations and reports **when the missions were completed prior to June 15, 2007**.

As a pragmatic compromise, we could accept that the New Decision be applied to Article IV consultations starting after June 15, 2007.