4 The International Monetary Fund and debt surveillance in SADC countries

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4.1 The question and its importance

With the COVID-19 pandemic turning developing country finances upside down, the danger of a new debt crisis is a very real one. This moment is an essential one for us to evaluate the central role of the International Monetary Fund (IMF). In the pages below, I focus on the role of IMF surveillance over selected economies in the Southern African Development Community (SADC). Specifically, I evaluate the Fund's Article IV missions to these member countries to assess how the IMF evaluated debt levels in a key subset of SADC members. Did the Fund adequately warn countries about the fragility of their finances?

While there are concerns about the effectiveness of IMF surveillance, the evidence suggests that the Fund is making appropriate recommendations to member countries. In a subset of SADC member countries that have shown large increases in external debt, I find that IMF Article IV reports indicate a willingness to be critical about the current state of the economy, and they also discuss debt sustainability as a future risk. I find clear evidence of warnings in five of the six cases. However, discussions of foreign debt sustainability are not always topline results in the Fund's communications, as foreign debt was only mentioned by the executive board in its press release in two of six cases. These findings raise important questions about the robustness of country transparency about surveillance and raise larger questions about how the information from surveillance is used domestically.

Developing a better understanding of the IMF's role in the field of debt surveillance is important not only for academic practice, but for policy practice as well. Scholars have paid much more attention to IMF lending and conditionality than they have to the day-to-day surveillance work of the IMF. Even though surveillance is something that includes all IMF members, a check of Google Scholar reveals that there are almost three times as many citations on IMF conditionality than there are on surveillance.

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I start by discussing the importance of this research question for both theory and practice, and I recap what the academic research tells us about IMF surveillance. I then discuss the current challenge of debt in developing countries, and in the final parts of the chapter I turn to findings and conclusions.

Theoretically, understanding surveillance helps us better understand how well monitoring works for international organisations more generally. The advice in IMF Article IV missions is just that. While there is an obligation to submit to surveillance, the IMF does not penalise countries for failing to adopt its recommendations, and the advice often is not too precise as well.[1] With this backdrop, it could be difficult to see how surveillance can make a difference, especially if countries are not likely to borrow from the Fund in the coming years. More broadly, there are many examples of weak monitoring mechanisms still making a substantive difference.[2] Where, then, does surveillance fit in?

The case for surveillance pessimism (or, rather, monitoring pessimism) should be leavened. It understates the fact that the content of IMF surveillance is information, and it further limits the potential influence of surveillance by keeping the focus solely on the state itself and asking whether the government does what the IMF wants. This is not a fruitful way to think of this question, since it often reduces to a simple formulation of 'does surveillance work or not?' The informational content of surveillance can have important value for domestic political actors as well as third parties. We need to better understand the pathways by which IMF advice can lead to policy change.[3]

Understanding IMF surveillance helps address policy questions as well. At a most basic level, we cannot claim to fully understand the IMF's role in debt management if we neglect the interaction of countries with the Fund in pre-crisis periods. The pandemic most certainly is an exogenous shock without parallel. Without understanding the IMF's role in debt surveillance in pre-crisis periods, we lose the ability to properly assess its role in the politics of adjustment as countries switch to drawing on IMF financing.

1 B Momani 'Assessing the utility of, and measuring learning from, Canada's IMF Article IV consultations' (2006) 39 *Canadian Journal of Political Science* 916.

2 MS Edwards *The IMF, the WTO, and the politics of economic surveillance* (2018); X Dai *International institutions and national policies* (2007); CD Creamer & BA Simmons 'Do self-reporting regimes matter? Evidence from the Convention Against Torture' (2019) 63 *International Studies Quarterly; O* Hathaway 'Do human rights treaties make a difference?' (2002) 111 *Yale Law Journal* 1935.

3 Edwards (n 2).

At this moment, the influence of the IMF over states and over markets is increasingly being challenged. Outstripped by country lenders, and with its claim of unusual expertise increasingly under attack, it is easy to be critical of the Fund. However, understanding the Fund's role in debt surveillance speaks to the broader issue of the current and future influence of the IMF.

Lastly, surveillance is emerging from a pause at the IMF. With over a hundred countries making inquiries about financial assistance, the IMF paused Article IV consultations for six months in April 2020. The idea behind the pause was to focus staff and country energies where they were most needed. The only country with an Article IV released during this timeframe was the United States in July, and the only lower middle-income country to have an Article IV consultation in the latter part of 2020 was Morocco. The only other countries to have an Article IV in the latter half of 2020 were Spain, the United Kingdom, Mexico, Brazil and China.

Just as countries are emerging from lockdown, the IMF's Comprehensive Surveillance Review has just been released. Understanding the IMF's role in debt surveillance helps to inform this process, carrying implications for what surveillance should look like as the world emerges from the pandemic.

4.2 The state of surveillance: What do we know? What do we need to learn?

I start by explaining a bit more about what surveillance is, and then turn to findings of studies that evaluate it. Surveillance at the IMF takes the form of annual meetings with countries known as Article IV consultations, so named for the relevant portion of the Articles of Agreement. These meetings are at the heart of the Fund's mandate to ensure that countries are implementing economic and financial policies 'toward the objective of fostering orderly economic growth with reasonable price stability'. Surveillance takes place in a three-stage process that starts with a visit to the country by an IMF team. The Article IV team conducts a series of meetings with government officials. These discussions with local authorities involve obtaining and understanding the data that will be used to generate economic projections. These projections, in turn, allow the staff to make an assessment of whether national economic policy is optimally contributing to the larger goal of ensuring growth without endangering stability.[4] The analytic work of the Article IV mission is completed in

4 In some countries there may be a statement released at the end of the country mission.

Washington, as the mission members and other staffers members produce a staff report. The staff report is the mission's reporting document that will be discussed by the IMF executive board. Finally, the purpose of the executive board review is to allow the representatives of other countries to weigh in on the findings and recommendations of the mission. This is the peer-review portion of surveillance, and it is at this phase that other countries offer additional recommendations. Importantly, the norm that documents from surveillance missions should be made publicly available has over time been strengthened at the IMF, and the full staff report can be accessed from the IMF website.

One of the consequences of academic inattention to surveillance is that we do not know a great deal about how it works or how well it works.[5] Many of the studies that exist focus on developed countries, which presents a real problem in dealing with the emerging crisis. Below I focus on two studies on the Eurozone, two studies on Ireland, and one study on emerging markets. There are important unanswered questions on the extent to which these findings are portable. In addition, these studies give us some pause in assuming that the IMF's warnings are automatically heeded by countries and result in corrective policies.

One of the key findings across studies of surveillance in the Eurozone is that the IMF's warnings came either too little too late or were sent to the wrong places. Prior to the Eurozone crisis, a detailed evaluation of IMF surveillance found that the Fund failed to fully appreciate the challenges of governance in a common currency area, and that the IMF did not faithfully play its role as an independent watchdog.[6] In particular, the design of surveillance being bilateral produced a problem of cumulativity applied to the Eurozone as a whole, and a corresponding inability to see how problems within member countries became problems within the Eurozone more generally. The deeply-ingrained assumption that 'Europe was different' and somehow innately capable of overcoming these challenges muted the depth of the Fund's analysis. The good news is that after the crisis broke, the Fund's surveillance of the Eurozone improved considerably. Not only did the tone of surveillance change, as the Fund increasingly spoke out against austerity, but the content of surveillance

During the pandemic these visits have all been virtual.

5 For more on what the IMF itself 'sees' when it evaluates surveillance, see Edwards (n 2).

6 J Pisani-Ferry, A Sapir & G Wolff *An evaluation of IMF surveillance of the Euro area* (2011).

changed as well, focusing more on the banking sector.[7] In this manner, it became more focused and more valuable to member countries.

This having been said, a further finding is that not all Eurozone member countries were treated the same. The Fund's desire for uniform solutions to regions in crisis has gotten it into trouble in the past, most notably in framing the East Asian crisis as a general problem of fiscal profligacy.[8] In the Eurozone, undifferentiated advice after the crisis broke led to some challenges in some countries by making matters worse. This finding is supported by textual analysis of the tone of Article IV staff reports across the region before the crisis.[9] This work finds that the IMF provided the strongest warnings in the wrong places, focusing criticism on Luxembourg, Malta, Portugal and Slovenia. In this analysis Italy was viewed positively, and Greece, Ireland and Spain were indistinguishable from the rest of the European Union (EU) countries. It is no accident that governance of the IMF complicates its efforts at being a neutral arbiter of member country economies, and that the Fund's challenge of being a 'truth -teller' becomes complicated when the truth needs to be told to leading countries on the executive board. This makes discussions of reforming the IMF complicated.

With this backdrop, it would be useful to look at a different level of analysis by evaluating IMF surveillance with respect to specific countries. It is no accident that scholars have focused on the Fund's view of the Irish economy. O'Leary notes that the IMF failed to identify how Irish public finances were becoming increasingly fragile.[10] Even if the IMF had diagnosed these vulnerabilities correctly, framing Ireland as a poster child with lessons for other countries sent a mixed message which would have not resulted in appropriate reforms. Breen concurs, noting as well that the quality of surveillance reports deteriorated considerably in 2006 onwards as a result of budget cuts within the Fund, weakening its impact at the worst possible time.[11]

7 As above.

8 T Murase 'Economic surveillance in East Asia and prospective issues' (2007) 76 *Kyoto Economic Review* 67.

9 L Golubovskaja 'IMF fiscal surveillance during the Eurozone crisis' (2016) 5 *International Journal of Signs and Semiotic Systems* 1.

10 J O'Leary 'External surveillance of Irish fiscal policy during the boom' Economics, Finance and Accounting Department Working Paper Series n210-10.pdf 14 (2010), Department of Economics, Finance and Accounting, National University of Ireland.

11 M Breen 'IMF surveillance of Ireland during the Celtic Tiger' (2012) 27 *Irish Political Studies* 431.

In a sample of developing countries, Edwards evaluates whether the Fund gave 'early warning' to five emerging market economies (Brazil, India, Indonesia, South Africa and Turkey).[12] Here the focus is the 2010-2013 period. Across these countries, US monetary stimulus has induced some concerns over fragility. I sought to understand how the IMF discussed the risks of changes in US interest rates to cause these capital inflows to dry up. I found that the IMF gave clear signals about this potential vulnerability across all five countries.

Taken as a whole, these papers raise some questions. There certainly are governance challenges that complicate IMF surveillance, but the magnitude of these dangers is unclear. The Fund seems to face greater threats to speaking truth to power in developed countries as opposed to developing countries. Certainly, there are concerns over how effectively the IMF is able to diagnose and communicate dangers before economies move into crisis. With these concerns at the fore, I now turn to discuss selected facets of the SADC experience with debt and evaluate the role of IMF surveillance in dealing with this issue.

4.3 Toward a growing debt crisis

While debt is not a new problem, the pandemic has considerably aggravated it. Governments all over the world face a two-fold crisis: a higher demand for government spending to mitigate the crisis coupled with shrinking tax revenue stemming from lockdowns. Pre-pandemic debt levels had been on the rise as governments sought to take advantage of favourable economic conditions. Low-income countries have been particularly vulnerable, as about half of them were already in, or at high risk of, debt distress prior to the pandemic. It is not an accident that IMF first Deputy Managing Director Geoffrey Okamoto has termed debt a pre-existing condition for greater risk.[13]

For sub-Saharan African countries, the problems are worsened still further by a collapse of tourism, prices for commodity exports, and a fall-off in remittances. With lockdowns in place across the globe, sub-Saharan Africa was particularly vulnerable to a drying up of tourism revenue, as 95 per cent of tourists in Africa are from another continent.[14] At the same

12 Edwards (n 2).

13 G Okamoto 'Resolving global debt: An urgent collective action cause' Opening remarks at the Peterson Institute for International Economics Conference, 1 October 2020, https://www.imf.org/en/News/Articles/2020/10/01/sp100120-resolving-global-debt-an-urgent-collective-action-cause. Accessed November 1, 2020.

14 UN Economic Commission for Africa 'Economic report on Africa 2020' (December 2020).

time, by early 2020 prices for more than two-thirds of African exports had fallen, affecting key sectors such as petroleum, metals, cotton, tea and coffee.[15] After years of impressive growth, the remittances market in sub-Saharan Africa shrank by an estimated 8,8 per cent in 2020 and another estimated 5,8 per cent in 2021.[16] The sources that governments might count on for foreign exchange were drying up.

Despite these hardships, relief may not be on the horizon, as the conventional strategies that governments would use to address economic downturns are not available. International capital markets are less of a ready opportunity compared to previous years, as borrowing costs are higher now compared to the same time period during the global economic crisis.[17] Increases in official development assistance have been modest and not enough to close the gap, as bilateral official development assistance (ODA) increased by only 4,1 per cent between 2019 and 2020.[18] The effects of the pandemic on government fiscal balances is expected to be especially acute in the coming year, and it is no accident that predictive work suggests that the probability of short-term debt distress has doubled.[19]

It is no surprise that additional external financing will be needed, and the *United Nations Conference on Trade and Development* (UNCTAD) places the estimate of needed resources at $2,5 trillion.[20] Recent research evaluating the IMF's current programme portfolio suggests that its resources are not up to the task and are not being used enough.[21] The IMF's workload to date has been putting strains on the organisation to adapt. With almost a hundred countries making inquiries about financial assistance, the focus of the Fund has moved from surveillance to lending and Article IV consultations have slowed to a trickle as staff have been

15 As above. It is important to note that many of these commodity prices increased in 2021.

16 D Ratha et al 'Migration and development brief 33: Phase II: COVID-19 crisis through a migration lens' (2020).

17 International Monetary Fund 'Regional economic outlook. Sub-Saharan Africa: A difficult road to recovery' (October 2020).

18 OECD 'COVID-19 spending helped to lift foreign aid to an all-time high in 2020 but more effort needed' (13 April 2021).

19 J Zettelmeyer et al 'Pandemic sovereign debt risks' Presentation at Peterson Institute for International Economics (1 October 2020), https://www.piie.com/system/files/documents/zettelmeyer-2020-10-01ppt.pdf (accessed 1 November 2020).

20 UNCTAD 'From the great lockdown to the great meltdown: Developing country debt in the time of COVID-19' Trade and Development Report Update, Geneva (2020).

21 T Stubbs et al 'Whatever it takes? The global financial safety net, COVID-19, and developing countries' (2021) 137 *World Development* https://doi.org/10.1016/j.worlddev.2020.105171 (accessed 4 January 2021).

adjusted. Given what we know about surveillance, the looming crisis makes the question at the heart of this chapter compelling. How well did the IMF evaluate this 'pre-existing condition'?

To best answer this, we need data and we need to look in the right place. I gathered data from the most recent issue of *International debt statistics* to classify SADC countries.[22] I classified 14 SADC countries (Namibia and Seychelles are not reported in this system) in terms of external debt stocks as a percentage of exports for 2010-2018. I grouped countries by changes in these levels over time. While this is useful to help underscore the scope of the problem, the primary value of this exercise was to better limit the countries on which I focus in evaluating IMF surveillance.

Based on this data, I organised countries together in a three-fold set of country groups. The corresponding charts can be found in Figures 1 to 3. First, there are high-risk countries: those with significant increases in external debt service since 2010. These countries would correspond to those with Okamoto's 'pre-existing condition': Angola, Malawi, South Africa, Tanzania, Zambia and Zimbabwe. Second, there are moderate-risk countries that correspond with an increase in external debt service, but at less alarming levels since 2010: Lesotho, Mauritius and Mozambique.[23] Finally, there are lower-risk countries, corresponding to a debt service level that is either constant or decreasing since 2010: Botswana, Comoros, the Democratic Republic of the Congo (DRC), Eswatini and Madagascar.

Below, I look at the record of IMF surveillance in these six high-risk countries. These are a 'most likely' test for the claim that surveillance is not up to the task.[24] Some basic information on these six countries is detailed in Table 1 below. In the pages that follow, I reference the Article IV consultations of each of these six countries to ascertain what the IMF says about each country's *current economic situation* with respect to debt, as well as what the IMF says about *future risks* in each country with respect to debt.

22 World Bank *International debt statistics 2021*, World Bank. doi:10.1596/978-1-4648-1610-9.

23 As noted in Figure 2, the debt levels for Lesotho and Mauritius are largely flat or have a lower slope than the high-risk countries. Mozambique decreased its debt levels in recent years, though the shift here came about because of debt restructuring in the wake of a 2016 default rather than fiscal prudence; K Strohecker 'Mozambique debt crisis: What does the country owe and to whom?' *Reuters* (9 September 2019), https://www.reuters.com/article/us-mozambique-debt-creditors-factbox/factbox-mozambique-debt-crisis-what-does-the-country-owe-and-to-whom-idUSKCN1VU1WE (accessed 5 June 2021.

24 Admittedly, while there is value in a more longitudinal appraisal tracking surveillance both across countries as well as over time within countries, the 'most likely' nature of this test suggests that such an approach is not necessary.

The focus for the selection of most likely countries is on levels of foreign debt, since these have a direct link to economic stability, which is the focus of the IMF's mandate. It is also the focus of much of the policy debate about the need for debt relief. However, in reading the Article IV documents, I note discussions of both foreign and domestic debt where relevant.

It should be noted that my focus is on the presence of warnings rather than the appropriateness of those warnings. While concerns about the Fund's dangerous fixation with fiscal policy continue to abound, and these certainly are important concerns, I want to focus more on the presence of warnings and the framing of risk rather than the correctness or the potential downside costs of the advice itself.[25]

So, how do we know warnings when we see them? Here I evaluate the record of surveillance. I look at both the press release issued following the executive board discussion as well as the staff report to make this appraisal. The focus for this part is how the IMF views the state of the economy at the time that the consultation was conducted.

An example will suffice to make this clearer. The statement below is from the press release issued following Namibia's most recent Article IV consultation.[26] Namibia's data does not appear in *International debt statistics*, therefore it is not classified in terms of foreign debt risk levels in Figures 1 to 3.

The authorities have implemented significant fiscal adjustment. However, public debt remains on a rising path, and government's growth financing needs are elevated. International reserves improved, albeit remaining below adequate levels.

Further in the press release, the summary of the executive board discussion mentions the following:

25 N Daar & N Tamale 'A virus of austerity? The COVID-19 spending, accountability, and recovery measures agreed between the IMF and your government' (2020), https://www.oxfam.org/en/blogs/virus-austerity-covid-19-spending-accountability-and-recovery-measures-agreed-between-imf-and Accessed April 25, 2021; D Munevar 'Arrested development: International Monetary Fund lending and austerity post-COVID-19' (2020), https://www.eurodad.org/arrested_development (accessed 25 April 2021).

26 IMF 'IMF executive board concludes 2019 Article IV consultation with Namibia' Press Release 19/331 (13 September 2019).

> After a period of exceptional growth and rising macroeconomic imbalances, public debt remains on a rising path, international reserves below adequate levels, and growth has come to a halt … The authorities' fiscal consolidation objectives strike an appropriate balance between stabilising public debt and supporting the economy, but actions are needed to deliver this outcome.

While this example does not refer to foreign debt *per se*, it suffices to clarify what a warning would look like in practice.

A second example comes from Seychelles, which is also not mentioned in *International debt statistics*, and not classified in terms of foreign debt risk levels in Figures 1 to 3. The press release for the 2019 Article IV consultation noted the following: 'International reserves are expected to remain at an adequate level, anchored by prudent macro-economic policies. Downside risks to the outlook stem largely from the external sector.'

The rest of the discussion in the press release focuses more on public rather than foreign debt. This is not a concern in so far as whether it constitutes a warning because public debt is at the heart of Seychelles' challenges in the coming years.[27]

To preserve medium-term sustainability, the authorities should maintain their debt reduction goal and take a phased approach in executing their ambitious infrastructure and climate investment projects. Implementing permanent saving measures in the 2020 budget and stepping up efforts to reduce fiscal risks arising from Air Seychelles will be important. The large public investment projects planned in coming years should be implemented within the envelope of the programme's fiscal targets. The authorities would need to create further fiscal space over the medium term beyond that required to secure the debt reduction goal to accommodate these priority investments.

In a strict sense here, this is also a warning but clearly not on foreign debt. This makes sense because it is not the problem. Since we know that these six high-risk cases (Angola, Malawi, South Africa, Tanzania, Zambia and Zimbabwe) have demonstrated a growing level of foreign debt greater than exports, these constitute an ideal test case for evaluating how well the warning mechanism in IMF surveillance works.

27 IMF 'IMF executive board completes third review under the policy coordination instrument for Seychelles and concludes 2019 Article IV consultation' Press Release 19/225 (14 June 2019).

4.4 Findings

It is worth noting that the Article IV documents do not mention the pandemic. This reflects timing rather than omission. The press release on South Africa was prepared shortly after the World Health Organisation (WHO) declared COVID-19 a public health emergency, and the press release on Zimbabwe mentions that the policy discussions and the board meeting occurred before the coronavirus was classified as a pandemic. The March 2020 statement on Tanzania, which was circulated to the media the day after the Fund team left the country, does not mention COVID. While the nature of this statement (an end of mission press release rather than a press release summarising the executive board discussion) could account for this in part, the omission may also be attributed to the views of the former Tanzanian President, whom the Fund staff visited in person after the WHO declaration. As noted below, the press release and staff report for the 2019 consultation were not released by the Tanzanian government.

A brief summary of each of the high-risk countries appears in Table 2. Speaking across these individual country findings gives us three key lessons. First, information about foreign debt is not always clear in the press release. This is somewhat surprising given the growing importance of this issue in these six countries. We would glean evidence about the state of foreign debt in these countries only from the cases of the press releases for Zambia and Zimbabwe. These two cases, given their status as countries in default or near default, are absolutely most likely cases, and this is a reassuring finding.

In other cases the information from the press releases alone is not sufficient to help us answer the question of whether the Fund is sending clear warning signals. In Angola and South Africa the focus in the press release is more on public/domestic debt, and in the case of Malawi, the press release mentions that donor support has tailed off in recent years, but it is not explained why that is the case.

To infer from these three cases that the Fund's documents *on the whole* did not send warnings about foreign debt, however, would be a mistake. There is plenty 'under the hood' in the staff report on each of these countries. Significantly, Article IVs now include two common documents to sharpen the analytic insights of the country team. They now include debt sustainability analyses that evaluate the effects of different kinds of shocks to the country's debt profile, and risk assessment matrices that discuss prospective risks and offer potential strategies for addressing them should they emerge. There is ample discussion of warning about reserve levels and foreign debt in five of these high-risk countries. It is not always communicated as a top-line item.

A further finding is that these countries lack fiscal space to combat the pandemic, and they are doubtless now more fragile because of the economic downturn produced by it. The growing concern over the robustness of global financial safety net is very real.[28] In five of the six countries, there were already considerable concerns about the level of foreign debt. As noted in Table 1, three of these countries have moved into borrowing, and the other three still have work to do to convince the IMF of their credibility. The presence of warnings about debt, which predate the pandemic, coupled with the absence of debt relief solutions, raises important concerns about the robustness of the global financial safety net. They also advance an urgent need for jump-starting discussions of an African Monetary Fund to provide additional liquidity for countries in the region.[29]

To be fair, one can go too far here. It would be a mistake to think that any surveillance can prevent countries from accumulating excessive debt in the first place. However, if there are country warnings, and increasing awareness that this is a global problem, and the international community only provides piecemeal solutions, the case for more urgent action clearly is strengthened.

Third, there are concerns about transparency avoidance, but this does appear to be an isolated problem. The reason why there is no information about Tanzania is that no information from the 2019 consultation ever saw the light of day. The government departed strongly from precedent by refusing to release any information about the 2019 staff report, going so far as to deny that they blocked it in the first place.[30] It seems that this was a once-off occurrence not emulated by other countries. For the three previous years, 100 per cent of African staff reports were published. The fact that there was not a cascade of countries following in the steps of

28 K Gallagher et al 'Safety first: Expanding the global financial safety net in response to COVID-19' Boston University Global Development Policy Centre GEGI Working Paper 0037 (2020).

29 D Bradlow & W Kring 'Why the African Monetary Fund is a good idea and what can be done to get it going' *The Conversation* (5 July 2019), https://theconversation.com/why-the-african-monetary-fund-is-a-good-idea-and-what-can-be-done-to-get-it-going-119827 (accessed 4 January 2021).

30 F Ng'wanakilala 'Tanzania denies blocking release of scathing IMF report' *Reuters* (23 April 2019), https://www.reuters.com/article/us-tanzania-economy-imf-idUSKCN1RZ1CP (accessed 4 January 2021).

Tanzania is a good thing, as departing from IMF norms about transparency of surveillance would harm everyone.

4.5 Broader implications

There are many debates about the state of the global financial safety net, but in these cases, IMF surveillance looks to have its eyes on the proverbial ball. Based on this review of cases, it is diagnosing risks and making warnings appropriately, and this focus predates the pandemic, so the IMF is not new to this issue. As the crisis is sure to deepen, having high-quality information is essential, so the Fund is well prepared to transition these countries from surveillance to lending.

One implication for reforming surveillance comes forward in these findings. In the case of Ireland there were problems with the messages being mixed as the press release said one thing, and the staff report said quite another. In these cases, the problem is not one of mixed messages, but one of having the staff report distilled in a more concise form for the reader. Moving toward a more standard format for these press releases ensures equality of coverage.

All of this raises the question of whether surveillance can be made more influential. The comprehensive surveillance review is intended to focus on how to increase the 'traction' of surveillance. Article IVs have limited influence, though information from them is clearly used by market actors to price sovereign debt.[18] The growing attention paid to the pandemic may make the IMF's words more effective in the coming months, as the findings from surveillance missions carry greater weight domestically. However, more work is necessary not only to ensure that the Fund conveys a consistent message, but also to better assess the links between information and policy change.

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World Bank *International debt statistics 2021* Washington DC doi:10.1596/978-1-4648-1610-9

Zettelmeyer, J, Chamon, M, Diao, W, Huertas, G, Nakatani, K & Willems, T 'Pandemic sovereign debt risks' Presentation at Peterson Institute for International Economics (1 October 2020), https://www.piie.com/system/files/documents/zettelmeyer-2020-10-01ppt.pdf (accessed 1 November 2020)

Figure 1

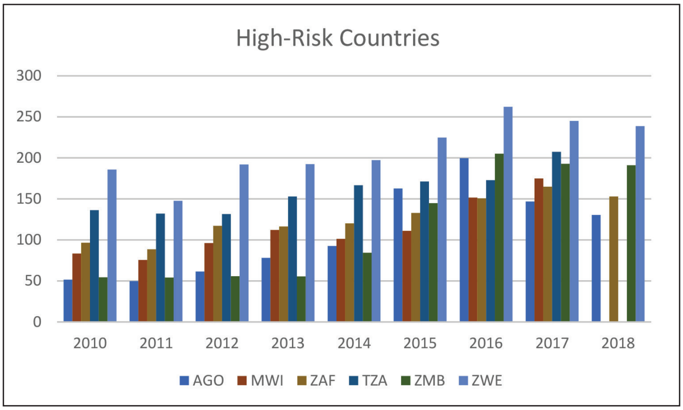

Figure 2

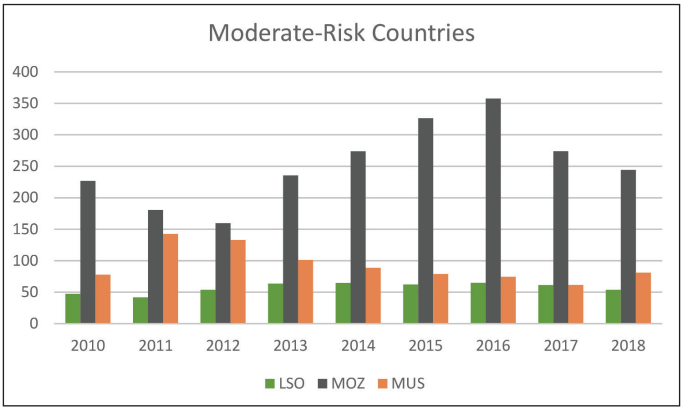

Figure 3

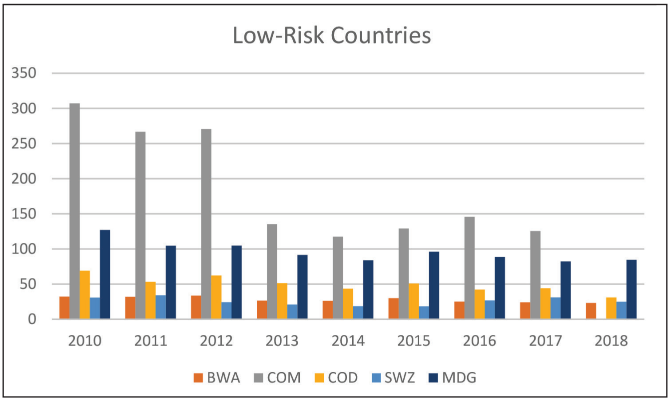

Table One:	*IMF Engagement with SADC High Debt Risk Countries*	
	Date of Last Article IV	**Lending**
Angola	5/18/2018	EFF approved 12/18
Malawi	4/30/2018	Three year ECF approved 4/2018; RCF 5/15/20
South Africa	1/24/2020	RFI approved 7/27/20
Tanzania	3/18/2019	PSI ended 1/2018; CCRT debt relief 6/10/2020
Zambia	7/24/2019	June and July 2020 discussions on RCF
Zimbabwe	2/24/2020	Staff monitored programme approved 5/20/2019
CCRT: Catastrophe Containment and Relief Trust ECF: Extended Credit Facility EFF: Extended Fund Facility RCF: Rapid Credit Facility RFI: Rapid Financing Instrument PSI: Policy Support Instrument		

Table Two:	***Summary of Article IV Documents***
Angola	Press release focuses on public debt and diversifying revenue sources. Debt Sustainability Analysis addresses vulnerability of foreign debt. Risk Assessment Matrix mentions debt profile vulnerable to tightening external conditions.
Malawi	Press release focuses on public debt, while mentioning that donor support has withdrawn in recent years. Recommend tax reforms and agriculture reforms to reduce budget burdens. Debt Sustainability Analysis frames risk of external debt distress as moderate. Excessive External Borrowing is a key element of the Risk Assessment Matrix.
South Africa	Press release mentions ballooning expenditure and slow growth in revenue leading to high budget deficits. Recommend expenditure based fiscal consolidation. Debt Sustainability Analysis finds external financing needs increasing, with depreciation risk the largest factor shaping vulnerability. Risk Assessment Matrix mentions debt profile vulnerable to rapid shift in global risk premia.
Tanzania	2019 Staff Report and Press Release not published as authorities deny consent. 2020 Article IV completion statement references adequate reserves and manageable foreign debt.
Zambia	Press release mentions international reserves less than three months cover, and government has a heavy reliance on non-concessional debt. Public debt on unsustainable path, but Executive Board welcomed decision to postpone new non-concessional loans. Debt Sustainability Analysis frames the risk of external debt distress as high. Risk Assessment Matrix mentions debt profile vulnerable to rapid shift in global risk premia.
Zimbabwe	Press release mentions international reserves very low. Govt has yet to clear arrears with World Bank and other multilaterals. Cautions against ‘continued recourse to collateralized external borrowing on commercial terms.’ Debt Sustainability Analysis classifies as ‘in debt distress.’ Risk Assessment Matrix mentions urgent need to reengage international community to clear arrears; debt profile vulnerable to rapid shift in global risk premia.
Sources: Country staff reports listed at www.imf.org.	