

Civil Society Policy Forum (CSPF) – IMF–World Bank Spring Meetings

Private-Sector Assets in the International Investment Position: A Blind Spot in IMF Surveillance and an Opportunity for Effective Cooperation

Session Type

Panel discussion (90 minutes)

Proposed Speakers

- Leonce Ndikumana – Professor of Economics, University of Massachusetts Amherst
- Andrés Knobel – Researcher on illicit financial flows and offshore wealth, Tax Justice Network (**confirmed**)
- Andrés Arauz – Economist and former central banker, CEPR
- Ivana Vasic Lalovic – Political economy researcher, capital flows and balance-of-payments analysis, CEPR
- Goetz von Peter, Locational Banking Statistics expert, BIS
- IMF staff member (External Sector Assessment expert)

Co-sponsors

- Tax Justice Network
- Latindadd

Session Rationale

IMF surveillance places significant emphasis on current accounts, net international investment positions, and reserve adequacy. Yet private-sector foreign asset accumulation—particularly capital flight—remains weakly theorized, poorly measured, and operationally marginalized within the IMF’s External Sector Assessment framework.

In practice, resident capital outflows often enter IMF models as residuals, rather than as objects of policy analysis. As Paul Krugman famously observed, and internal evaluations have highlighted, unexplained residuals in macroeconomic models are frequently attributed to a “confidence fairy” — masking structural, institutional, and distributive dynamics behind private sector capital flows. This has concrete implications: reserve adequacy, external vulnerability, and adjustment policy often hinge on these residuals.

This panel aims to shed light on the IMF’s blind spot on private-sector assets abroad, and seize this opportunity for multilateral cooperation, better data integration, and policy coherence.

Key Questions and Thematic Axes

1. Methodological Dimension: Capital Flight as a Residual

- Why does the IMF’s External Sector Assessment largely abstract from resident capital flight and private foreign asset accumulation?
- How do ESA models treat unexplained private outflows?

- What are the implications of treating capital flight as exogenous or behavioral “noise” for:
 - Reserve targeting
 - Balance-of-payments sustainability
 - Adjustment programs and conditionality
- Can IMF surveillance be meaningfully improved by explicitly modeling private asset accumulation abroad?

2. Quantitative Dimension: Who Owns the Assets?

- There is a persistent discrepancy between:
 - IMF-reported private external assets in the IIP, and
 - BIS Locational Banking Statistics, mirror data, and academic estimates (notably Ndikumana’s work on Africa).
- What explains these gaps?
 - Coverage limits of IIP statistics
 - Offshore financial centers and secrecy jurisdictions
 - Incomplete reporting by advanced economies
- How could IMF–BIS collaboration improve consistency, granularity, and usability of private external asset data?
- What are the implications for debtor countries whose net external position is systematically mismeasured?

3. Legal and Institutional Dimension: Revisiting IMF Article VIII.2(b)

- Article VIII.2(b) of the IMF Articles of Agreement has a rich but underutilized legal history, particularly regarding:
 - Capital flight
 - Exchange restrictions
 - Recognition and enforcement of financial claims
- Could Article VIII.2(b) serve as a framework for IMF-led multilateral cooperation on financial information exchange?
- Is there a parallel between:
 - Tax transparency initiatives (AEOI, CRS), and
 - Potential cooperation on financial flows, offshore assets, and asset repatriation?
- What role could (or should) the IMF play relative to:
 - Tax authorities
 - Financial regulators
 - Central banks
- What responsibility do financial-center countries, particularly the United States, bear in hosting and protecting:
 - “unenforceable” capital flight
 - Assets shielded by secrecy or weak disclosure rules
- Can multilateral cooperation on asset transparency and repatriation advance global financial stability rather than undermine it?

Expected Contributions

- Bridge academic research, official statistics, and IMF operational frameworks
- Open a structured dialogue between IMF staff, BIS statisticians, and civil society
- Identify concrete pathways to integrate private-sector foreign assets into:
 - External sector surveillance
 - Reserve adequacy analysis
 - Policy design
- Reframe capital flight not as a statistical nuisance, but as a core macro-financial variable