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To: Members of the Executive Board

From: The Secretary

Subject: Frequency of Article IV Consultations - Semiannual Report

There is attached for the information of the Executive Directors a semiannual report on the frequency of Article IV consultations.

If Executive Directors have technical or factual questions relating to this paper, they should contact Mr. G. G. Johnson (ext. (5)8671).

Att: (1)

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INTERNATIONAL MONETARY FUND

Frequency of Article IV Consultations:
Semiannual Report

Prepared by the Exchange and Trade Relations Department

(In consultation with the Secretary's and other departments)

Approved by C. David Finch

October 12, 1984

The Chairman's Summing Up at the conclusion of the last Surveillance Review (SUR/84/32, 3/23/84) called for semiannual reports on problems encountered in carrying out Article IV consultations on a timely basis. Besides reporting on such problems, the present paper notes recent experience with the specification of consultation cycles and provides a listing of forthcoming consultations for the information of Executive Directors.

1. Overdue consultations

The progress made in 1983 in increasing the frequency of Article IV consultations has been maintained in 1984. During the first nine months of the year consultations were concluded with 65 percent of members and coverage is projected to reach 79 percent by the end of the year, about the same as the 80 percent coverage recorded in 1983 when extraordinary efforts were made to eliminate the backlog of overdue consultations (Table 1).

As of end-September 1984, four members (listed in Table 2) have not had consultations for more than 24 months, 1/ down from six at the end of 1983, and from 19 at the end of 1982. For Cape Verde, 24 months have elapsed since the last consultation. Efforts were made earlier this year to schedule a consultation mission, but the proposed timing was not accepted by the authorities. It is expected that the consultation will be concluded in March 1985. The consultations with the Islamic Republic of Iran and Democratic Kampuchea have been delayed by security problems, 2/ acceptable grounds for postponement of consultations.

1/ In setting up the system of advance specification of cycles the Executive Board considered that even for countries on longer cycles the interval between consultations should not exceed 24 months.

2/ "Security problems" refers to cases where the member, in a situation of armed conflict, has declined to receive a consultation mission, or where the security of the mission cannot be assured. These grounds for delay in consultations have been considered acceptable by the Executive Board.

In the case of Iraq, a staff report for the 1983 Article IV consultation was circulated to members of the Executive Board (SM/83/177, 8/5/83) but not brought to the agenda immediately. It was indicated in the tentative schedule of Executive Board meetings that a proposed decision relating to an extension of the three-month period would be submitted to the Executive Board when it was feasible to schedule a date of Executive Board consideration of the report. Following discussions with the Iraqi authorities at the time of the 1983 Annual Meetings, it was expected that a staff mission would visit Iraq soon afterward for additional discussions, and the Executive Board would then consider the Article IV consultation report together with an updating supplement. However, that staff visit could not take place and eventually the staff report became so outdated that it was considered preferable to start a fresh Article IV consultation. As a consequence SM/83/177 was not brought to the Executive Board agenda for discussion (EBD/84/173, 6/20/84). The timing of the staff visit for the new consultation is still under discussion with the authorities.

In order to avoid such an occurrence in the future it is intended that the staff report for an Article IV consultation will always be brought to the agenda of the Executive Board within the three-month period specified in the procedures for surveillance, unless this period has been extended by the Executive Board. ^{1/} (Recent adaptations of practices with respect to implementation of the three-month rule are discussed below.)

In each of these cases the latest consultation was held prior to April 1983, the month in which the current system of advance specification of consultation cycles was initiated. For seven other countries the latest consultations were also concluded before that date. In the case of Yugoslavia, a program country, the consultation is clearly overdue. The last consultation with Yugoslavia was concluded March 11, 1983, more than 18 months ago, whereas consultations with program countries are normally expected to take place on an annual basis. The consultation has been delayed by discussions of use of Fund resources; a consultation mission has now been scheduled for November and conclusion of the consultation is expected by early 1985. Consultations with Comoros, Congo, Equatorial Guinea, Libya, Mauritania and Sao Tome and Principe are also expected to be concluded by early 1985; in the case of Congo, Libya, and Sao Tome and Principe, the time elapsed between consultations is expected to slightly exceed 24 months, while for the others it is expected to be less than 24 months. In some of these cases missions have been delayed at the request of the authorities.

The first consultations with members with specified cycles began to fall due in April 1984, and most have been concluded according to cycle.

^{1/} See Selected Decisions, 10th issue, pp. 13-44 and EBD/83/161. The deadlines under the three-month rule are usually indicated in the list of pending country items at the end of tentative schedules of Executive Board meetings.

For six members, however, consultation cycles have been exceeded or will be exceeded by the end of 1984, even allowing for the grace period provided. These members and the nature of the problems encountered are noted in Table 3. Consultation cycles may also be exceeded to a minor degree in a few other cases before the end of 1984 if the interval between the consultation mission and conclusion in the Executive Board turns out to be longer than is currently expected.

2. Adaptation of three-month rule procedures

Reflecting the desire of the Executive Board for a more strict implementation of the procedures for surveillance, adaptations are being made to the practices governing implementation of the three-month rule. It is intended that requests for extending the three-month period for consideration of Article IV consultation reports would be kept to a minimum and presented as early as possible, usually before the expiry of the three-month period. In view of the importance of observation of consultation cycles, particular efforts are being made to avoid extensions which would exceed specified cycles. To aid Executive Directors in their consideration of requests for extension, details regarding observation of cycle are now included in papers requesting extensions.

3. Specification of consultation cycles: recent experience

Of the 96 consultations concluded between January 1, 1984 and September 30, 1984 ^{1/} standard cycles were specified in 86 cases. Antigua and Barbuda, Austria, Djibouti, St. Lucia, St. Vincent, Solomon Islands, and Vanuatu were placed on longer cycles of up to 18 months. A new formulation was developed in the case of Luxembourg, and repeated in the case of Finland, where the next consultation was expected to be completed within an "outside limit" of 18 months, indicating that management would decide in due course whether the next consultation should in fact be concluded on the basis of the standard cycle. In the case of Chad a "flexible approach" was called for as a result of continuing security problems. In two cases consultation cycles were changed from those specified in the previous consultation. Afghanistan moved from a "flexible approach" to a standard cycle, and St. Lucia moved from the standard cycle to a longer cycle of 17 months.

4. Forthcoming consultations

Tables 4 and 5 list the dates for the conclusion of forthcoming consultations implied by the consultation cycles specified at the conclusion of the previous consultation. The grace period permits consultations to be concluded up to three months after these dates; in some cases, as noted above, delays beyond the grace period also occur. (The 11 countries for which consultation cycles have not yet been specified are not included in the tables.)

^{1/} Two consultations were concluded with Zimbabwe.

Table 1. Frequency of Regular Article IV Consultations:
Recent Experience

	1982	1983	<u>1984</u> Proj.	<u>1983</u> Jan.-Sept.	<u>1984</u> Jan.-Sept.
	<u>(During Period)</u>				
Number of consultations concluded	82	120 <u>1/</u>	116 <u>2/</u>	98	96 <u>2/</u>
(Percent of membership)	(57)	(80)	(79)	(67)	(65)
	<u>(End of Period)</u>				
Number of countries for which more than 24 months have elapsed since conclu- sion of last consultation	19	6	4	5	4

1/ The number of members covered was 117, as this figure includes the consultation with the Netherlands Antilles as well as two cases of members having two consultations within the calendar year.

2/ The number of members covered and projected to be covered is 95 and 115, respectively, as one member (Zimbabwe) had two consultations within the calendar year.

Table 2. Members for which More than 24 Months
have Elapsed Since Last Consultation
(as of September 30, 1984)

Member	Date Last Consulta- tion Con- cluded	Number of Months Since Last Consul- tation	Projected Date for Conclusion of Next Consultation	Explanation
Cape Verde	9/27/82	24+	3/85	Earlier timing for mission not accepted by authorities
Democratic Kampuchea	10/8/73	131	--	Security problems <u>1/</u>
Iran, Islamic	10/6/78	71	--	Security problems <u>1/</u>
Republic of Iraq	2/29/80	55	--	(See p.2 of text)

1/ "Security problems" refers to cases where the member, in a situation of armed conflict, has declined to receive a consultation mission, or where the security of the mission cannot be assured. These grounds for delay in consultations have been considered acceptable by the Executive Board.

Table 3. Members for which Specified Cycles will be Exceeded in 1984 1/

Member	Date Last Consultation Concluded	Cycle Specified	Date by which Consultation should be Concluded According to Cycle <u>2/</u>	Date scheduled for Conclusion	Number of Months Between Consultations	Explanation
Burkina Faso	6/10/83	Standard	6/10/84	10/19/84	16	Extension of three-month period to allow authorities more time to consider staff report
Mauritius	5/18/83	Standard	5/18/84	10/5/84	17	Mission delayed to allow more time for authorities to prepare for discussions on use of Fund resources
Rwanda	4/20/83	Standard	4/20/84	10/12/84	18	Consultation mission delayed by mission head's involvement in another mission
Tanzania	7/11/83	Standard	7/11/84	12/10/84 <u>3/</u>	17	Mission delayed at request of authorities

1/ In Colombia and Turkey the cycles have been exceeded by a few days, partly because the three-month grace period expired at the time of the annual meetings. Cycles may be exceeded in one two other cases before the end of 1984 if the interval between the consultation mission and conclusion of the Executive Board turns out to be longer than is currently expected.

2/ Excluding three-month grace period.

3/ Three months after termination of consultation discussions with authorities.

Table 4. Dates Implied by Cycle for Conclusion of
Next Consultations--
Countries Currently on Standard Cycles

Country	Date Implied for Conclusion of Next Consultation <u>1/</u>	Country	Date Implied for Conclusion of Next Consultation <u>1/</u>
Afghanistan	9/14/85	Greece	2/17/85
Algeria	4/18/85	Grenada	8/24/84
Argentina	9/4/85	Guatemala	6/29/85
Australia	11/23/84	Guinea	8/5/84
Bahamas	5/21/85	Guinea-Bissau	8/27/85
Bangladesh	7/20/85	Guyana	8/31/85
Barbados	8/10/85	Haiti	11/7/84
Belgium	1/18/85	Honduras	11/21/84
Belize	6/20/85	Hungary	1/13/85
Bolivia	7/18/85	Iceland	12/9/84
Botswana	2/10/85	India	1/27/85
Brazil	5/9/85	Indonesia	11/14/84
Burkina Faso	6/10/84	Ireland	9/14/85
Burma	2/10/85	Israel	6/1/85
Burundi	2/28/85	Italy	1/27/85
Cameroon	6/18/85	Ivory Coast	5/2/85
Canada	1/20/85	Jamaica	6/8/85
Central African Rep.	7/6/85	Japan	2/28/85
Chile	5/14/85	Kenya	5/16/85
China	11/21/84	Korea	6/8/85
Colombia	7/1/84	Laos	2/17/85
Costa Rica	8/1/85	Lesotho	8/29/85
Cyprus	9/2/84	Liberia	4/6/85
Denmark	2/8/85	Madagascar	12/21/84
Dominica	7/18/85	Malawi	8/6/85
Dominican Republic	8/8/85	Malaysia	7/13/85
Ecuador	6/20/85	Maldives	11/14/84
Egypt	7/6/85	Mali	12/9/84
El Salvador	10/5/84	Mauritius	5/18/84
Ethiopia	6/8/85	Mexico	7/30/85
Fiji	2/3/85	Morocco	4/9/85
France	6/13/85	Nepal	11/30/85 <u>2/</u>
Gabon	3/28/85	Netherlands	3/19/85
Gambia	8/26/84	New Zealand	3/9/85
Germany	7/20/85	Nicaragua	3/5/85

Table 4 (Concluded). Dates Implied by Cycle for Conclusion of
Next Consultations--
Countries Currently on Standard Cycles

Country	Date Implied for Conclusion of Next Consultation <u>1/</u>	Country	Date Implied for Conclusion of Next Consultation <u>1/</u>
Ghana	8/27/85	Suriname	1/27/85
Niger	4/23/85	Swaziland	5/14/85
Nigeria	2/13/85	Sweden	8/6/85
Pakistan	12/21/84	Syria	9/10/85
Panama	9/14/85	Tanzania	7/11/84
Papua New Guinea	8/8/85	Thailand	2/15/85
Paraguay	1/16/85	Togo	5/7/85
Peru	11/28/84	Trinidad & Tobago	11/30/84
Philippines	6/29/85	Tunisia	8/10/85
Portugal	7/30/85	Turkey	6/24/84
Romania	9/12/85	Uganda	2/22/85
Rwanda	4/20/84	Uruguay	2/5/85
Saudi Arabia	7/25/85	United Arab Emirates	6/20/85
Senegal	9/19/84	United Kingdom	2/27/85
Sierra Leone	10/5/84	United States	8/3/85
Somalia	4/30/85	Venezuela	8/31/85
South Africa	6/6/85	Vietnam	6/18/85
Spain	8/10/85	Western Samoa	1/18/85
Sri Lanka	8/8/85	Yemen, A.R.	8/24/84
Sudan	9/14/84	Yemen PDR	5/21/85
		Zaire	12/16/84
		Zambia	7/18/85
		Zimbabwe	9/12/85

1/ The three-month grace period provides for conclusion of the consultation up to three months after the specified date.

2/ Nepal is considered a standard cycle country. Because the last two consultations had been advanced from their normal timing an interval of 17 months was specified before the 1985 consultation in order to get back to the normal timing.

Table 5. Dates Implied by Cycle for Conclusion of Next Consultations:
Countries Currently on Longer or Other Non-Standard Cycles

Country	Date Implied for Conclusion of Next Consultation <u>1/</u>	Cycle <u>2/</u> (Months)
Antigua and Barbuda	5/31/85	(16)
Austria	(7/25/85)	18
Bahrain	(3/16/85)	18
Benin	12/31/85	(15)
Bhutan	(5/28/85)	18
Chad	"Flexible Approach"	...
Djibouti	(8/10/85)	18
Finland	(9/2/85)	18 <u>3/</u>
Jordan	(5/21/85)	18
Kuwait	1/31/85	(18)
Lebanon	"Flexible Approach"	...
Luxembourg	(7/20/85)	18 <u>3/</u>
Malta	(1/18/85)	18
Netherlands Antilles	(5/21/85)	18
Norway	1/31/85	(18)
Oman	(1/6/85)	18
Qatar	(6/14/85)	18
Seychelles	12/31/84	(14)
Singapore	3/31/85	(16)
Solomon Islands	(4/30/85)	15
St. Lucia	11/30/85	(17)
St. Vincent	1/31/86	(17)
Vanuatu	(12/27/85)	18

1/ Date specified in summing up, or, where in parentheses, the date derived implicitly from specification in the summing up in terms of number of months. "Flexible approach" reflects uncertainties as to when the next consultation mission can fruitfully be scheduled, in view of security problems.

2/ Parentheses indicate that the number of months listed is derived implicitly from the date specified in the summing up.

3/ Specified as an "outside limit," indicating that management is to consider in due course whether the consultation should in fact be concluded on the standard cycle.