

MASTER FILES

ROOM C-120

04

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 84/80

10:00 a.m., May 23, 1984

J. de Larosière, Chairman

W. B. Dale, Deputy Managing Director

Executive Directors

A. Alfidja
 J. de Groot
 A. Donoso
 R. D. Erb
 M. Finaish
 T. Hirao
 J. E. Ismael
 R. K. Joyce
 A. Kafka
 G. Lovato
 Y. A. Nimatallah
 J. J. Polak
 A. R. G. Prowse
 M. A. Senior
 J. Tvedt
 N. Wicks
 Zhang Z.

Alternate Executive Directors

H. G. Schneider
 X. Blandin
 T. Alhaimus
 T. Yamashita
 Jaafar A.
 L. Leonard
 C. Robalino
 G. Grosche
 N. Coumbis
 A. S. Jayawardena
 T. de Vries
 O. Kabbaj
 E. I. M. Mtei
 A. Lind
 T. A. Clark
 Wang E.

L. Van Houtven, Secretary

R. S. Franklin, Assistant

1.	Report by Managing Director and Staff	Page 3
2.	Performance Criteria in Fund Arrangements - Reporting and Other Problems - Legal and Policy Issues	Page 9
3.	Report on International Compilers' Working Group on External Debt Statistics - Release of Information	Page 34
4.	Approval of Minutes	Page 35
5.	Executive Board Travel	Page 35

Also Present

Asian Department: C. M. Browne, D. A. Scott. European Department: J. J. Houvonen. Exchange and Trade Relations Department: C. D. Finch, Director; W. A. Beveridge, Deputy Director; S. Mookerjee, Deputy Director; M. Guitian. External Relations Department: A. F. Mohammed, Director. Legal Department: G. P. Nicoletopoulos, Director; G. F. Rea, Deputy General Counsel; Ph. Lachman, J. M. Ogoola, S. A. Silard. Middle Eastern Department: A. S. Shaalan, Director. Research Department: W. C. Hood, Economic Counsellor and Director. Secretary's Department: A. P. Bhagwat. Treasurer's Department: W. O. Habermeier, Counsellor and Treasurer. Western Hemisphere Department: E. Wiesner, Director; S. T. Beza, Associate Director; R. A. Elson. Personal Assistant to the Managing Director: S. P. Collins. Advisors to Executive Directors: A. A. Agah, H. A. Arias, C. J. Batliwalla, S. E. Conrado, J. Delgadillo, L. K. Doe, S. M. Hassan, H.-S. Lee, W. Moerke, G. E. L. Nguyen, Y. Okubo, I. R. Panday, P. Péterfalvy, M. Z. M. Qureshi, D. C. Templeman. Assistants to Executive Directors: E. M. Ainley, J. R. N. Almeida, R. L. Bernardo, J. Bulloch, M. B. Chatah, Chen J., L. E. J. M. Coene, G. Ercel, C. Flamant, I. Fridriksson, G. Gomel, V. Govindarajan, D. Hammann, N. U. Haque, H. Kobayashi, A. Koné, M. J. Kooymans, G. W. K. Pickering, E. Portas, M. Rasyid, J. Reddy, A. A. Scholten, Shao Z., S. Sornyanontr, A. J. Tregilgas, Wang C. Y., M. A. Weitz, A. Yasserli.

1. REPORT BY MANAGING DIRECTOR AND STAFF

The Managing Director, reporting on the May 17-18 OECD Ministerial Meeting in Paris, observed that, since the previous meeting in the spring of 1983, he had observed a shift of minds on the best way to encourage or solidify the global recovery. In 1983, some countries with good inflation and price behavior records had been criticized for not taking advantage of their situation to expand their economies and stimulate the system. No mention of the need for additional stimulus had been made at the 1984 meetings; rather, the focus had been on structural adjustment as the key to a durable recovery. That idea had been mentioned in the communiqué of the Ministers, which had been circulated to Executive Directors (EBD/84/151, 5/23/84), but he had seen it as central to the discussion.

Among the policy implications stemming from the observation that *structural adjustment was the best way to attain a durable recovery* was the idea that countries should be cautious in implementing macroeconomic policies, the Managing Director continued. The sentiment seemed to be for using monetary and budget instruments in a way that would not rekindle inflation. In that regard, all speakers had expressed concern about surging interest rates, which were understood as a reflection of the fact that inflation had not yet been curbed. High interest rates were also worrying in the sense that they might hamper private investment and compound the debt problems of the developing countries. Hence, in the view of Ministers, it was important to ensure that budgetary policies were under control because those policies were a large part of the interest rate problem.

He had been particularly interested in that part of the discussion focusing on structural issues, the Managing Director added. European concerns were certainly strong in the OECD because of the number of delegations belonging to Europe; and he had been struck by the emphasis placed by many European delegations on the problems of structural unemployment. On the need to introduce more flexibility in the labor market, most speakers felt that it was important to make use of technological innovations and adapt to changes in comparative advantage in the world structure of production rather than to cling to existing systems and resist those changes. Of course, it was well understood that such a change in approach would take time and would, in some cases, require government intervention to make the transition smooth. When such intervention was needed, the population should be told about the type and cost of government aid that was being offered. Indeed, all parties involved--the public, the government, and the beneficiary industries--must be made aware of what it costs the taxpayer to protect a dwindling activity or a threatened industry.

On trade matters, the OECD Secretariat had provided some impetus toward trade liberalization, and especially liberalization in the industrial countries vis-à-vis the developing countries, the Managing Director remarked. More generally, the Secretary-General of the OECD had developed

a two-phase strategy under which, as a first step, the tariff cuts agreed at the recent multilateral round of discussions would be accelerated so that all tariff reductions would be advanced by one year. It had also been accepted that understandings on the elimination of trade barriers for the least developed countries should be implemented. In the second phase, the intention was to roll back the present multiplicity of restrictive measures that had been adopted, mostly on a bilateral basis. However, rather than accepting vague commitments of goodwill, the Secretary-General had proposed attacking the restrictive measures on a category-by-category or sector-by-sector basis and specifically analyzing the conditions necessary for a durable and practical rollback to occur.

Another idea that had been accepted at the meeting was to discuss trade restrictions as part of the normal country examinations carried out by the OECD, the Managing Director went on. That approach would be similar to what the Fund was currently doing with respect to Article IV consultations. The idea of country-by-country examination of trade restrictions or protection had not been as strongly stated in the communiqué as he would have liked; but the seed had certainly been planted. Another idea put forward was that, if any country were to resort to new restrictive measures, it would be expected to adopt an offsetting liberalization measure elsewhere, so that there would be no net advance toward protectionism.

A full discussion had taken place on the practice of mixed credit, the Managing Director recalled. While that discussion had not been fully reflected in the communiqué, it had at least been noted that Ministers "enjoined the competent bodies of the Organization to take prompt action to improve existing arrangements so as to strengthen transparency and discipline in this area [aid and trade-related concessional finance] by all appropriate means." Ministers had also considered that action should be taken to improve the OECD arrangements for dealing with purely domestic measures that might have trade-distorting effects; and they had decided to improve their information system on industry-related policies and to evaluate countries' industrial adjustment policies in an overall economic perspective.

In their desire to strengthen the multilateral trading system, Ministers had established the objective of holding a new round of multilateral trade negotiations with all GATT partners, the Managing Director noted. However, they had underlined the idea that the aim of a new round of discussions should not in any way impede those actions that were part of the work program of the GATT delineated at the 1982 GATT Ministerial Meeting.

Finally, the Managing Director considered that the quality of the work conducted by the Trade Committee in the OECD had been first rate. While the communiqué had somewhat diluted the ideas in the report of the Trade Committee, that report was a clear reflection of the fact that Ministers at present were clearly aware that the time had come to roll back trade protectionism.

The Economic Counsellor, reporting next on the May 16 meeting of the Deputies of the Group of Ten in Paris, observed that the Deputies had reviewed a draft of their report to the Ministers, which had been presented at the Rome meeting of Ministers later in the week. A summary of the items in that progress report should give Directors some idea of the issues to which the Deputies had been directing their attention.

On the first topic--namely, the functioning of floating exchange rates, the causes of their volatility, and the nature of their trend movements--the Deputies had reported that they were agreed that the present system had functioned reasonably well in a difficult environment, that the volatility of exchange rates warranted efforts to improve the functioning of the system, and that improvements could better be sought not through a return to a fixed-rate system or through capital controls or extensive market intervention but through a convergence of noninflationary performance fostered by compatible policies, the Economic Counsellor continued. The Deputies had indicated that they were not agreed on the usefulness of rules to achieve a desirable pattern of exchange rate relationships, although some of them had expressed the view that objective constraints--such as target zones for exchange rates--would be helpful in inducing more compatible policies.

The second topic for discussion concerned the search for ways of strengthening multilateral surveillance with a view to promoting greater policy coordination and exchange rate stability, the Economic Counsellor commented. The Deputies were agreed that surveillance was useful and could be improved, that the Fund should play a central role in surveillance, and that surveillance should cover more than exchange rate developments, prospects, and policies narrowly defined. The Deputies noted that they had examined the operational aspects of the implementation of surveillance and had considered, inter alia, the content and scope of Article IV consultation reports; the extent of the Managing Director's participation in bilateral surveillance; an appropriate follow-up to consultation discussions in the Board; the possibility of publicizing the summings up of Executive Board discussions; joint consultations with major countries; and the emphasis that might be given to policy issues in the world economic outlook exercise.

On the topic of the management of international liquidity, the Deputies reported that they had been considering several issues, the Economic Counsellor remarked. First, they had been attempting to define the process of liquidity creation and to determine whether the process was satisfactory. They had also been attempting to discover whether a global shortage of liquidity had developed, whether the adjustment process was responsive to international liquidity management measures, and whether conditional use of SDR allocations was practicable or desirable.

On the role of the Fund, the Deputies indicated their agreement on the importance of preserving and strengthening the monetary character of the Fund and of strengthening cooperation between the Fund and the World Bank, the Economic Counsellor recalled. The Deputies had considered the

question of policies governing access to the Fund's resources as well as the role of the World Bank in balance of payments financing, with particular emphasis on structural adjustment lending. It was the intention of the Deputies to produce a comprehensive report to Ministers and Governors no later than the first half of 1985; the report to Ministers for their May 19 Rome meeting was only preliminary and should be read as such.

The Chairman then commented briefly on the May 19 Group of Ten Ministerial meeting in Rome. Ministers had discussed the report of the Deputies and had emphasized the different elements contained in the report without giving precise guidance or modifying in any way the substance of the four topics mentioned by the Economic Counsellor. The discussion on surveillance had been an interesting one, however, and perhaps the most important aspect of the meeting. There had been varying degrees of dissatisfaction expressed with certain elements of the present exchange rate system; however, Ministers were agreed that the system had worked reasonably well in a difficult environment and that a return to a fixed system would be unrealistic under present circumstances. They were also agreed that Article IV consultations should include all aspects of national economic policies that had a bearing on the functioning of the exchange system and not only those more limited measures that pertained directly to it. Also, the comprehensive examination conducted under Article IV consultations should be set in a medium-term context. Ministers apparently felt that the external impact of domestic policies or measures should be a central part of Article IV consultations which, as presently conducted, were perhaps a bit too inward looking.

On other matters, Ministers had discussed ways in which to improve Article IV consultation procedures and had strongly endorsed the present policies pursued by the Fund with regard to adjustment financing and relations with the financiers of the system. Finally, as in the OECD meeting, Ministers had spoken highly of the Fund and of its central role in the system.

Mr. Prowse inquired whether the Group of Ten Deputies had considered the Board's request that papers prepared for their consideration on Fund-related matters might be made available to Executive Directors. Also, he found it intriguing to hear a report on the deliberations of another body concerning Fund business; he wondered how the conclusions of the Group, when they were reached, would be conveyed to the Fund and what implications they might have for Fund policy.

The Chairman replied that it was normal for any regional group, such as the Group of Ten, to look at matters pertaining to the participation of its members in an institution like the Fund; his report to the Executive Board on the deliberations of the Group was a manifestation of good cooperation between that regional group and the Fund. According to the Economic Counsellor, the comprehensive report of the Group would not be completed until at least early 1985; and without knowing what might be in that report, he could not answer Mr. Prowse's question about what effect it might have.

The Secretary observed that, a few weeks previously, Mr. Prowse's request that papers prepared for the consideration of the Deputies of the Group of Ten on Fund-related matters should be made available to Executive Directors had been conveyed to Mr. Dini in his capacity as Chairman of the Deputies. Recently, he had received a cabled reply indicating that the Chairman had put the request to the Deputies who, following an exchange of views, had concluded that papers prepared for the Group by any of its members should remain confidential to the Group and, hence, should not be communicated to the Executive Board. Of course, that conclusion left any individual Deputy free, if he so wished, to make such papers available to members of the Executive Board--a course of action that had been followed by Mr. de Groote, for example, with respect to his proposal for a conditional allocation of SDRs.

Mr. Kafka recalled an indication by the press that the Ministers of the Group of Ten had also discussed ways of making surveillance more effective, which he had understood as meaning the creation of some sort of incentive to go along with a consensus that might appear in a surveillance exercise. He would appreciate further elaboration on that aspect of the discussion. He also wondered whether or not there had been any discussion of the debt problem.

The Chairman responded, first, that Ministers had offered a number of suggestions for making surveillance more effective. For example, it had been proposed that the Managing Director should, in some cases, intervene in the discussions with the monetary authorities of member countries with which the Fund was holding Article IV consultation discussions; it had also been suggested that other member countries should have a greater input in those discussions by contributing to the formulation of questions posed to the national authorities by the staff in the course of the consultation. Another suggestion had been to give some publicity to the staff appraisal in consultation reports or to the Chairman's summing up of the consultation discussion. The idea for a more systematic follow-up of the results--or nonresults--of a surveillance exercise had also been put forward. All those proposals were interesting; however, none had received the sort of support that warranted a reference to them in the conclusions of the Ministers.

On the debt question, the Chairman continued, no extensive discussion had taken place in the meetings of Deputies and Ministers; nor had there been any elaboration on any innovations or specific proposals. Of course, some general concern for the debt problem had been expressed, and some comments had been made on the role of the Fund in helping to coordinate financing packages, the importance of adjustment, and the importance of coordination among the various creditors. Again, however, while the matter had been alluded to by a number of speakers, it had not been central to the discussions.

Mr. Erb, commenting on a point raised by Mr. Kafka, said that the incentive for making surveillance more effective was the better economic performance that would result from improved surveillance.

Mr. Wicks recalled that, prior to the 1983 Article IV consultation with the United States, the U.S. chair had explicitly offered other Directors an opportunity to furnish the staff with their ideas about what questions might be addressed in the course of the consultation. He had long intended to suggest that such an approach should be adopted for all Article IV consultations; and perhaps the time was ripe for generalizing the practice. In making his suggestion, however, he regarded it as absolutely essential that the staff should retain the responsibility for deciding whether or not to take up any particular question.

Mr. Polak, commenting on the extent to which the Executive Board was able to keep informed on deliberations of the Group of Ten Deputies, suggested that future reports by the staff should be as detailed and extensive as possible without violating the principle that no individual country's position should be revealed. He was somewhat troubled because the Economic Counsellor's report, for example, had only mentioned the subject of conditional SDR allocations but had given no indication of whether or not there had been any support for the idea among the Deputies.

The Economic Counsellor replied that it was not easy to strike the sort of balance that Mr. Polak had suggested. If his latest report seemed less than forthcoming, it was only because the Deputies themselves had not reached any conclusions on the matters they had been discussing; indeed, he had used the word "agreed" in certain passages of his report only when that word had been used in the Deputies' report to Ministers. As for the item on conditional SDR allocations, he noted that the concept had been received by the Deputies in much the same way that it had been received by representatives of the Group in the Executive Board.

Mr. Erb remarked that the interchange on how much should be reported by the Fund staff on meetings of the Group of Ten raised a more general issue. There were many meetings in which Fund management and staff participated; and he wondered whether there were any guidelines for reporting on the substance of the discussions in those meetings.

On a related matter, Mr. Erb recalled the indication by the Chairman that the Trade Policy Committee Report of the OECD had been well written. He wondered whether that report could be made available to Executive Directors.

The Chairman said that he would inquire about the possibility of circulating the report to which Mr. Erb had referred.

The Secretary, responding to Mr. Erb's question regarding guidelines for reporting on the substance of discussions in which Fund management and staff participated, observed that the practice of reporting on meetings of the Group of Ten was based on understandings reached in the mid-1960s when the Group had begun its work.

The Chairman added that the Group had a tripartite secretariat involving the Fund, the BIS, and the OECD; the institutional link to the Fund perhaps also helped to explain the reporting practices.

Mr. Polak recalled that there had been an extensive Board discussion in 1965 (IS/65/1 and IS/65/2, 11/3/65) on the nature of reports on activities of the Group of Ten because some Directors had been concerned about what had been going on in meetings of the Group and what Fund staff members had been doing there. The conclusion of the Executive Board had been that the staff should provide as detailed reports as possible without revealing national positions.

Mr. Kafka said that he had a vague recollection of a somewhat later debate on the question of reporting in a more general context. The conclusion of that discussion had been that any participation by the staff in meetings of any other organizations must be in the interest and for the benefit of the Fund and, therefore, that the discussions must be revealed to the Board upon its request, although still preserving the confidentiality referred to by Mr. Polak.

The Deputy Managing Director commented that, in addition, quite a number of written reports were provided to the Executive Board on staff attendance at meetings of regional development banks and other such groups or on the outcome, for example, of Paris Club discussions with respect to particular countries.

The Chairman remarked that if some of the Executive Directors so desired, a review of reporting practices and guidelines could be conducted.

2. PERFORMANCE CRITERIA IN FUND ARRANGEMENTS - REPORTING AND OTHER PROBLEMS - LEGAL AND POLICY ISSUES

The Executive Directors considered a staff paper on legal and policy issues relating to reporting and other problems with performance criteria in Fund arrangements (EBS/84/94, 4/26/84).

The Chairman observed that the paper before the Executive Board covered a delicate and complex subject, and it would be preferable if Directors focused on the topics outlined in the paper rather than on the illustrative examples mentioned in both the Appendix and the text itself. A number of questions had already been raised by Directors on the comprehensiveness of the examples; as stated by the staff, EBS/84/94 did not provide a comprehensive record of those cases involving difficulties in the reporting of data or involving only "nominal compliance" with performance criteria. The staff paper had been prompted by the recent increased incidence of such problems, but the cases recorded had been only those identified over the past 18 months that served to illustrate the specific problems described in the body of the paper.

Mr. Kafka made the following statement:

I apologize at once because I shall speak longer than usual. To find a pragmatic solution for the problem before us may not be easy. When we have found it, we should incorporate it in a formal decision. This is still the best way to minimize ambiguities.

One can distinguish three types of reporting difficulties: fraud, error, and so-called nominal compliance. To make a convincing showing of fraud may not always be possible even if there is fraud. None of the three types of difficulties appears to be frequent and we must beware of overreaction, as much as of negligence.

The staff discuss in the first place the prevention of reporting difficulties. They do so under five headings.

The first heading concerns improvements in data reporting. They can be effective against both fraud and error. Most of the staff suggestions are unexceptionable, but I have great doubts about the proposal of more frequent posting of staff members as resident representatives. This technique must be used with great discretion, as it has been for the past 10 or 12 years. Before that, resident representatives were at times distributed around the less developed part of the globe more lavishly than necessary. Apart from involving the Fund in often unnecessary costs, this technique was sometimes used to circumvent the old established rule that no communication between the Fund and a member country (other than specified exemptions) could be withheld from the Executive Directors.

The second preventive technique is a recommendation for clarity, simplicity, and precise drafting of performance criteria, which will be helpful to prevent all three types of reporting problems. It is curious that the staff do not mention as a preventive technique the need to choose those forms of performance criteria which are effectively capable of monitoring the desired objectives. Are we always applying the appropriate theory?

The third technique concerns the standard consultation clause (paragraph 11 of the standard form), in stand-by and extended arrangements. It should be noted that this clause has rarely been invoked. The staff's suggestion is, therefore, a very radical one. But even if it were accepted, there is another, much more serious problem. The staff suggestion is that if consultation reveals nonobservance of performance criteria (including so-called nominal compliance), purchases would be interrupted until the program was back on track or new understandings were reached and approved by the Executive Board. I doubt whether accomplished and expected noncompliance are distinguished with sufficient precision in this context. Interruption as the result of past noncompliance is not a preventive measure; on the other hand, preventive interruption because of expected noncompliance revealed in a consultation requires, it would seem to me, in all cases, and not only in that of expected nominal compliance, more than a consultation. If there is to be interruption because of likely noncompliance it is necessary to invoke, in addition to paragraph 11, also paragraph 5 of the standard form. Again,

this clause has hardly, if ever, been invoked. The suggestion to invoke it is, therefore, another very radical departure. Quite apart from that, this suggestion raises a particularly difficult problem in the case of expected nominal compliance. The danger is the subversion of the concept of stand-by or extended arrangements. The concept has already been somewhat eroded by the widespread use of review clauses; but that is no reason to weaken it further. The adoption of the staff's suggestion in connection, particularly, with nominal compliance would mean the replacement of the arrangements as we now know them by a mere declaration of intent by the Fund to consider financial assistance under certain circumstances (namely compliance with performance criteria). But there would not be any more assurance that if these circumstances--namely compliance with performance criteria--did occur, financial assistance would be made available. To invoke paragraphs 11 and 5 in respect of nominal compliance would, therefore, be a particularly radical change in the Fund's policies. A decision to do so should, consequently, not be adopted without ample deliberation and, possibly, even prior consultation with the Interim Committee.

It is desirable to be very clear about what is at stake here. Nominal compliance means (second full paragraph, page 3 of EBS/84/94) compliance in a strict technical sense but where the targets were not being--or, in this case, as we are dealing with prevention, were not expected to be--attained. But even if we are facing accomplished nonattainment of a target, while there is compliance with the performance criterion, the staff proposal amounts to equating the latter with the former. This is unacceptable. If the target is not the performance criterion, there must be a reason for it. A frequent--perhaps the most frequent--reason is that the target, as distinct from the performance criterion, is not firmly controllable by the authorities. Hence, a firmly controllable variable is chosen as the performance criterion, in the expectation that it is more or less clearly, but by no means perfectly, correlated with the target. Unavoidably, therefore, the staff's proposal to invoke sanctions because of nonattainment of a target rather than of a performance criterion implies invoking sanctions on a highly questionable basis. The performance criterion has been complied with, but the target has not (or is not expected to be complied with); but the target was never expected to be exactly complied with, for if exact compliance could be assured by the authorities, the target would itself be the performance criterion. When is the deviation from target sufficiently serious to invoke sanctions, although the performance criterion has been met? How do we know that the deviation is not temporary? Undoubtedly, there are cases where everybody will agree that the performance criterion has failed. But for that purpose we have review clauses. It is interesting to note that for a very similar case (the proposal to establish a review provision for performance criteria) the staff themselves mention

(on page 12) that a measure that detracts from the firm character of the performance criteria and thereby limits the assurances given for the period covered by the criteria may prove to be contentious in its application.

A further staff suggestion would introduce a new performance criterion. This would interrupt drawings whenever it was determined that any purchases (within a given period) had been made despite lack of observance of performance criteria. Insofar as this applies to fraud, it is a rather weak sanction and a weak deterrent. Insofar as it applies to error, there is no reason not to allow automatic resumption of drawings, once the program is back on track. Insofar as nominal compliance is concerned, the proposal is unacceptable either as a sanction or as a deterrent, for analogous reasons to those given earlier: it destroys the concept of a stand-by or extended arrangement, which requires assurance that an agreed set of conditions will allow a drawing to proceed. The remedy for ineffective performance clauses lies in the use of persuasion, possible traditional review clauses, but not in this type of sledgehammer.

The fifth suggestion for prevention is to add a new provision to the standard performance clause of stand-by and extended arrangements. This would enable the Managing Director to demand satisfactory completion of a review of performance criteria at any time he thought it necessary. This provision is distinct from the present review clauses which are directed, in practice, not toward modifying the performance criteria but toward the adoption of additional measures. I have already made reference to the staff's own doubts on this score, which I fully share. The suggestion is not acceptable.

Of possible remedies, one idea is to apply Article V, Section 5 (limitation of use of Fund's general resources), to all cases of reporting problems. It is arguable whether the provisions of Article V, Section 5 are really addressed to cases where there is not infraction of a member's statutory obligations. Even if it were granted that such an application was appropriate, the question would arise whether one could ever apply it to nominal compliance. Such an application would mean characterizing as improper a member's use of Fund resources after having complied with all performance criteria because the Fund had at some time come to feel that those criteria were not, in the circumstances of the member, appropriately monitoring the attainment of the targets of the program. Much is said in the staff paper about the need to preserve the Fund's credibility; I think the Fund's--or any institution's--credibility would be damaged if it invoked sanctions against a party that was complying with conditions that the institution itself had agreed to.

However, the staff, apparently, do not wish to go that far under all circumstances. Where an early return to the right track is possible after a reporting problem has surfaced, they want to pursue that solution by the same means by which, traditionally, deviations from performance criteria are corrected (page 15, first para., (i) and (ii)). There can be no objection to that proposal in the case of honest error; it is, by contrast, questionable in the case of fraud as too mild; and in the case of nominal compliance, for reasons analogous to those already explained above, the proper procedure is the use of persuasion, and possibly, the use of traditional review clauses.

The suggestion for correcting more serious "deviations," by contrast, is questionable. It refers to the termination of the outstanding use of the Fund's resources made despite lack of compliance, whatever the nature of the noncompliance. Surely, the nature of the noncompliance is an essential consideration.

If the lack of compliance refers to fraud or error, the staff proposal might be acceptable. But--as the staff notes--the Articles do not specifically provide for the automatic reversal of purchase transactions in the sense of restoring the parties involved to the position before the purchase. In the case of error, the best way would be to negotiate a repurchase. In the case of fraud, one could immediately proceed to a declaration of ineligibility, and use the threat of such a step to obtain a repurchase. From another point of view, in the case of fraud, one would wish to have a relatively long period for making the determination that fraud had occurred; repurchase would be expected immediately. In the case of error, one would wish to have the period for determination of error extremely short and the period for repurchase relatively long.

If the problem refers to nominal compliance, then, for reasons already indicated, the staff proposal would be unacceptable. It would be unacceptable because a member that complied with the performance criteria as formulated would be subjected not only to an interruption of purchase, which we have already considered to be inappropriate, but to a repurchase which therefore must be considered even more inappropriate.

To summarize, to prevent reporting problems:

(a) Improvement in data reporting should be attempted but more frequent posting of resident representatives should be considered an extreme measure for this purpose, to be avoided if at all possible.

(b) Improvement in formulation of performance criteria--both in substance and in form--should be the main technique used.

(c) Use of the standard consultation clause would be a radical departure--for the most part--from the past practice; in any case, the clause alone cannot be an effective tool of prevention.

(d) Use of the standard consultation clause (paragraph 11) combined with the standard interruption clause (paragraph 5) would be an even more radical departure than use of the consultation clause alone. It is therefore undesirable, except to prevent fraud, if there are overwhelming reasons to suspect an intention to commit it--surely a fanciful case. Use of the two clauses in combination to deal with nominal compliance must be rejected for purpose of prevention, as subversive of the concept of a stand-by or extended arrangement.

(e) The introduction of a new performance criterion which would interrupt drawings if any purchase had been made despite noncompliance with performance criteria is too weak a deterrent for fraud, too harsh in the case of error--unless automatic resumption of drawings is allowed when the program is back on track--and unacceptable in the case of nominal compliance.

(f) An additional provision as part of the standard performance clause to enable the Managing Director to demand satisfactory completion of a review of performance criteria when he thought it necessary is put forward by the staff with great doubts. The suggestion--if it is one--should be rejected.

To remedy reporting problems:

(a) Article V, Section 5 (limitation of use of Fund's general resources) is a weak sanction (if it does not reach ineligibility) in the case of fraud; it is far too harsh in the case of error. In no case could the provision be properly applied to nominal compliance.

(b) To interrupt purchases until (i) observance of subsequent performance criteria is resumed, or (ii) new understandings are reached, is another remedy proposed. In the case of nominal compliance, this procedure is unacceptable. It is proper in the case of error. In the case of fraud, it is too mild.

(c) Enforced repurchase of drawings made in case of nominal compliance is unacceptable. In other cases--fraud, error--it is conceivable, but either too mild or preferably replaced by a negotiated repurchase.

Mr. Polak remarked that the Board's discussion of the matter at hand had been prompted by the realization that there would be instances in which members had drawn, or could have drawn, under stand-by or extended arrangements on the basis of statistics that had indicated fulfillment of a quantitative performance criterion even though that criterion had not, in reality, been met. As noted by the staff, such instances cast doubt on the seriousness of the relevant member in meeting its obligations to the Fund and in pursuing the agreed adjustment program, which the performance criteria had been designed to monitor. They also undermined the Fund's credibility, especially in the eyes of those who relied on a release of the Fund's resources as an indication that a particular member was a member "in good standing." Moreover, such cases affected the revolving character of the Fund's resources and, perhaps more important, the ability of the Fund to attract resources. It was for those reasons that he had urged Board consideration of ways of preventing or correcting instances in which members were able to draw on a stand-by or extended arrangement on the basis of what was being called only nominal compliance with performance criteria.

He was worried that EBS/84/94, by enlarging the scope of the issue, might hamper the effort to remedy the very particular problems that had troubled a number of Executive Directors at the time, Mr. Polak continued. The staff paper dealt with a wide range of problems, which could be split into four categories. First, there were those cases in which the member appeared to meet a criterion on the basis of provisional data but not on the basis of final data. The second category included those cases in which all the data provided by the member showed that a criterion had been met, but the data themselves were not bona fide data. As noted by Mr. Kafka, those two categories represented error and fraud, respectively. A third category included those cases in which the data showed that the criterion had been met, but alternative data--i.e., data based on somewhat broader criteria--showed that it had not been met. For example, government borrowing might be within the limits set under a stand-by arrangement, but domestic arrears existed that had not been included among the government borrowing. Another case was one in which an understanding on credits with a one-year limit was observed but the country absorbed a great many credits on a 15-month basis. The fourth category was even wider and included those cases in which all performance criteria had been met but in which "there is evidence that their observance does not indicate that the program is proceeding as intended." There might be some overlap between the second and third categories; otherwise the cases were distinct and required very different remedies or different forms of preventive action.

Where the final data indicated that the drawing should not have been made, the simple remedy was to require prompt repurchase, Mr. Polak remarked. Such a course of action was comparable to that adopted for compensatory financing facility drawings that were based on estimated data that turned out later to be wide of the mark. Prompt repurchase of drawings under stand-by and extended arrangements could be required without any implication that the preliminary data had not been the best that

the member could have made available. Moreover, if the requirement could be set down in a decision, it would have a preventive effect in the sense that countries would be less likely to draw unless they were fairly certain that the preliminary data and the final data would be comparable. Of course, in cases where the excesses were minor, the usual practice of agreeing to a waiver could be followed. In passing, he wondered why the staff had introduced--in connection with the need to repurchase improper drawings--the idea of reversal through the sale of the member's currency, an approach that had received a quite negative comment from one of his authorities. He understood that the technique was permissible under the Articles, but he failed to understand why the staff had spent so much time discussing the possibility of a technique that was totally at variance with anything the institution had done for so long.

Those cases in which the data were not bona fide data were more serious because, almost by definition, the member was not acting in good faith, Mr. Polak commented. If, before a drawing was made, the Fund became aware that fraudulent data were being provided, the management should be able to postpone the drawing for a short period--say, one month--and submit the case to the Executive Board for consideration. If it was discovered after a drawing that fraudulent data had been provided, the Fund should be able not only to demand immediate repurchase of the unjustified drawing but also to cancel the arrangement or declare the member ineligible to use resources. There was of course some question about how long a time the Fund should have to make such a case; the suggestions of the staff on that point seemed reasonable.

Where data based on broader criteria than those established suggested nonperformance, the Fund could do very little beyond the exercise of moral suasion, Mr. Polak considered. It would undermine the nature of the stand-by arrangement as a precise negotiated contract between the Fund and the member if one party reserved the right to change the rules after they had been agreed. The best way of dealing with such cases was to draft better performance criteria in the first place. In that regard, the staff should be very cautious about introducing pejorative new terms like "nominal performance" or "short-lived observance." Performance criteria should be very carefully drafted understandings between the Fund and its members, and the Fund should not dismiss those understandings by stating that compliance with performance had been only nominal or that it had been based on only short-term observance. He was very much in favor of broadening certain performance criteria and including more time periods or longer time periods for testing them; however, once the criteria had been established, the meeting of those criteria on the required observation date should be accepted.

The final category concerned those cases in which there was some incongruity between the observance of the performance criteria and the overall performance of the economy, Mr. Polak noted. Of course, the Fund was continuing to learn how to draft performance criteria that were relevant to the desired performance of the economy. To ensure that the criteria were meeting the needs of the member and of the institution, the

Fund had established the midterm review, in which changes could be made. He would be against the idea of a review at any time that the Fund felt that developments in a member's economy were not progressing as had been hoped.

A basic principle that should be followed, Mr. Polak considered, was that a stand-by or extended arrangement was a contract between the Fund and the member; and each party was required to observe the terms of that contract in good faith. If, for example, the member failed to report bona fide data, the Fund should not be held to its part of the bargain and should not have to provide the resources it had promised, and a master decision should be adopted that would take care of such "breaches of contract." However, the Fund should not, in his view, go any further and adopt an imprecisely defined power to stop drawings when management and staff felt that the performance of a member's economy was not on track. Such an approach would detract from the objective character of the performance criteria and thus limit the assurances given to the member for the period covered by those criteria. A better approach was to stress the mutual obligations of the Fund and the member. Of course, in reality, the Fund had a great deal more power than the member; it made the money available and, in cases of doubt, was the judge of when conflicts between the member and the institution arose. It was appropriate that the Fund should take on such a role, although it was then all the more important that the obligations and rights of both partners be specified very clearly and that the accepted powers of the Fund not be enlarged by any effort to invest the institution with some special power to supervise the morality of the member. In that respect, he hoped that the staff would not again produce a sentence like that on page 18 of the paper, where it was stated that "the Fund needs to ensure that, in discharging their commitments, members uphold the moral responsibility that membership in the Fund entails." In conclusion, he hoped that the preliminary Board discussion on the matter of reporting and other problems relating to performance criteria would be followed up by practical decisions on those ideas that found general support in the Executive Board.

Mr. Lovato considered that the staff had clearly described the dual role of performance criteria in Fund-supported arrangements. They served as indicators of the speed of adjustment being undertaken by the country and as safeguards ensuring that drawings on the Fund's resources that were released on the basis of compliance with such criteria were likely to be repurchased on schedule as the member's economy progressed toward a more balanced external position. He could fully subscribe to the staff's contention that the Fund's credibility and the continuation of its cooperative nature were contingent on the accuracy of statistical reporting by the countries receiving Fund support.

In drawing the Board's attention to some underlying and, in his view, inadequately discussed problems relating to performance criteria, Mr. Lovato recalled that performance criteria were intermediate targets whose relationship to final program targets was often unclear, unstable, and imperfectly predictable. That fact was a source of uncertainty in

policy formulation and implementation that should not be overlooked; excessive reliance on performance criteria as indicators of adjustment could be misleading. During the most recent review of upper credit tranche arrangements, he had agreed with a number of other Directors that short-term targets--and, hence, performance criteria--should be de-emphasized in assessing achievements under Fund programs and that greater stress should be placed on two elements: the amount of adjustment already undertaken during the program; and the amount of adjustment that still needed to be taken to move the economy toward a balanced external position. He also agreed that performance criteria themselves should be specified and set at levels that were feasible. It made no sense to establish performance criteria that, for social or institutional reasons, were unlikely to be met. Moreover, he agreed with the staff that it might be exceedingly difficult to identify with precision episodes of deliberate misreporting and distortions of relevant data. It was perhaps better to stress the need for continued technical assistance to member countries with a view to improving the quality of statistical information. Mistakes or inaccuracies in reporting often arose from situations in which countries were simply ill-equipped to handle the complex and costly technical apparatus needed to report data to the Fund.

Commenting on the main elements of the staff's proposals, Mr. Lovato remarked that the Fund should be flexible in accommodating instances of erroneous reporting and required revisions of data but should be rigid and severe in attempting to deter, or respond to, deliberate misinformation. On preventive measures, the staff's proposal to interrupt subsequent purchases whenever an improper purchase had been made was reasonable and should be included specifically as a possibility in Fund programs. Under such a provision, purchases would be released only once understandings had been reached on the desired corrective policies. On the other hand, he was somewhat skeptical about the proposal to include a clause for the review of performance criteria when doubts arose about their effectiveness. Such an approach was tantamount to changing the "rules of the game" while the game was still being played, and it could impose undue penalties on a member's drawing rights during the program period. The problem was a difficult one that underscored the need for a very careful analysis of members' economies before any recipes for adjustment were recommended.

Referring to Section V on remedial procedures, Mr. Lovato agreed with the general course of action envisaged by the staff in paragraphs 2-4 of that section regarding departures from performance criteria revealed by subsequent revisions in data reported to the Fund. In extreme and rigorously documented cases, he would not exclude a declaration of ineligibility. With regard to the instances of improper purchases that had been made so far, he did not envisage any retroactive application of the procedures under discussion; as for future purchases, he agreed with the arguments of the staff against an open-ended time period and could support the proposal for a two-year limit.

Mr. Ismael stated that he shared the concerns expressed by his colleagues and by the staff about the problems under discussion. There was certainly a need to improve reporting techniques, especially with

respect to data reported to the Fund; indeed, because of the poor quality of some information provided by members, it had become difficult in a few instances for Executive Directors to evaluate members' performance in the context of Fund programs. Such situations would be considered particularly serious if the poor quality information had resulted from deliberate efforts to mislead; and he was certain that no one would oppose sanctions by the Fund against the members responsible. On the other hand, he was mindful of other cases in which the poor quality of information had been due more to genuine technical difficulties, and care should be taken in handling such cases. When members would benefit from technical assistance, an effort should be made to provide such assistance. A careful definition and clear interpretation of what was required under Fund programs should be provided by the staff, and the benefit of any doubt should be given to the member. He could not support suspension of a program in midstream when a dispute arose over technical matters. The proper place for dealing with such disputes was during the review, unless of course the member was found to be deliberately attempting to defraud the Fund and undermine the credibility of the program.

Commenting specifically on the staff paper, Mr. Ismael agreed that appropriate actions were required to prevent lapses in reporting from proliferating and to remedy any deviations that had taken place. He had no difficulty supporting the first two preventive measures suggested by the staff, namely, to improve the performance criteria themselves and to improve the system of reporting and data collection. However, he was unclear about the practical implications of the third proposal, which was to modify performance criteria to take advantage of data that were available on a continuous basis. Such an approach could lead unnecessarily to a narrowing of conditionality; his preference was to continue the present practice of monitoring performance.

He agreed with Mr. Kafka that it was important to guard against overreaction in dealing with reporting and other problems relating to performance criteria, especially at the present stage when the Fund had been confronted only with isolated cases, Mr. Ismael remarked. The Fund should be cautious in considering new procedures that would be applied uniformly to all member countries. As it was impossible to be certain of the extent to which any new or improved procedures could be a sufficient deterrent to misreporting, there was always a danger that the cost and inconvenience to be borne by the majority as a result of heavy regulation would outweigh the benefits gained from reducing the incidence of misreporting.

Caution should be exercised in considering the staff's fourth proposal, which was to apply the consultation clause existing under stand-by or extended arrangements to cases of misreporting, Mr. Ismael continued. Such an application, as proposed by the staff, would provide Fund management with the power to interrupt purchases under a stand-by or extended arrangement before nonobservance of performance criteria had been clearly established. He was not convinced that the standard consultation clause could be legally interpreted or modified toward that end without prejudice

to the legitimate rights of member countries. The proposal to make purchases after a specified date contingent upon satisfactory completion of a review of the adequacy of performance criteria, in addition to the observance of the quantitative performance criteria, should also be subjected to careful consideration. Such a provision would not only complicate and tighten conditions for purchases by all members; it would also impose a greater burden on Fund members and on the Fund staff.

With regard to the procedures proposed for dealing with cases of misreporting that had already occurred or that might occur despite preventive measures, Mr. Ismael said that he could go along with the view that the remedial steps needed to be related to the characteristics of the deviation from the program that the nonobservance of the performance criteria indicated. Any remedial step should be judged in terms of the nature, magnitude, and time dimension of the deviation and the extent to which the deviation was a reflection of the trustworthiness and reliability of the member concerned. He agreed with the staff that, if departures from performance criteria were minor and temporary, a waiver or modification--ex post--could be proposed to the Executive Board for adoption, whether or not misreporting was involved. On the other hand, all cases of deliberate misreporting that revealed a substantial deviation from the performance criteria should be referred to the Executive Board for remedial action. The remedial action to be taken by the Board could range from a temporary interruption of purchases--until the observance was resumed or a new understanding was reached--to a termination of the member's eligibility to use Fund resources. He was not inclined to accept the view that the provisions of Article V, Section 5 of the Articles of Agreement could be automatically extended to instances of so-called nominal compliance in which the program was not on track even though the performance criteria had been observed. In those cases, careful account should be taken of the possible weaknesses in the performance criteria, which could not be blamed on the member involved. In any case, the effort to bring the program back on track should remain the primary objective of the Executive Board in all its deliberations.

Mr. Erb remarked that it was clearly a long-established practice for the Fund to safeguard its resources by ensuring that the economic policies contemplated or in place in Fund-supported programs were consistent with restoration of a sustainable balance of payments position that would enable the country to repay the Fund. In fact, that was his understanding of Fund conditionality, which could not be defined in terms of a set of rules or performance criteria or merely a "checklist" of policy changes. Formal performance criteria were not ends in themselves; rather, as suggested by the staff on pages 5 and 6 of EBS/84/94, they were the elements of a monitoring or warning system that provided an indication of deviations in economic policy performance from the policy path that was deemed necessary to restore external balance. Hence, in evaluating a program, Directors should pay attention mainly to the underlying policy objectives of the program.

He agreed with those who felt that, just as the Fund had an obligation continually to evaluate a country's economic policy when resources were being provided to help that country restore balance, the staff must continually evaluate whether the formal performance criteria served the purpose of signaling deviations from planned or expected performance, Mr. Erb remarked. The Fund needed to make clear to member countries that it was not the performance criteria per se that were important but rather the underlying policy objectives. In that context, the staff must be explicit regarding the policy behavior conducive to growth and external balance. Too many member governments perhaps viewed the strict policy performance criteria as the heart of a Fund program and failed to emphasize the underlying policy objectives. In that respect, the staff should perhaps stress that performance criteria would be treated more as ceilings rather than as targets. On a related matter, he attached much more importance to midterm reviews of progress under Fund programs than to performance criteria themselves. It was in the context of such reviews that judgments could be made about whether the underlying policy objectives were being met. He agreed with Mr. Kafka that the broader policy objectives could not be reduced to a set of explicit indicators but must be evaluated by the staff and the Executive Board.

Commenting on the staff paper, Mr. Erb said he could support the thrust of the first two conclusions on page 18; and he agreed that it was important to stress that a solution to the problems addressed in the paper did not lie in devising progressively intricate and complex performance criteria. The third set of conclusions was also acceptable, although he had some reservations about point 3(d), which referred to the possible inclusion in arrangements of a special review clause. As he had earlier indicated, the midterm review should be sufficient to deal with such cases. Where no full-scale midterm review was called for, the Fund should perhaps consider including a clause that would make it explicit that, if there were indications that the program was not on track, the staff could bring the program to the attention of the Executive Board.

The proposals included in paragraph 4, Section VI, on Conclusions seemed to provide the staff and the Executive Board with a basis for making judgments about how to handle individual problems, Mr. Erb continued. They did not tie either the staff or the Executive Board to an excessively rigid approach. There were many reasons why performance under a program might deviate from original expectations, and attempting to distinguish among those reasons was difficult. The conclusions in paragraph 4 recognized that difficulty and allowed room for judgment.

With regard to paragraphs 5 and 6 dealing with cases of misreporting that had already occurred, Mr. Erb said that, as a practical matter, where performance had deviated from the expected path under a Fund program, the relevant countries had probably not been adjusting and, hence, were likely to be candidates again for use of Fund resources. When such countries approached the Fund with a new request for use of Fund resources and experience showed that performance criteria in the past had not been met, it was possible to argue that the success of any follow-on program would be uncertain. In such cases, consideration should be given to reducing the amount of Fund resources available to the member.

Especially in those cases in which it was clear that the government had acted fraudulently or had done everything possible to find "loopholes" in the performance criteria, the staff should conduct an investigation of performance and submit a special report to the Executive Board for discussion, Mr. Erb considered. Such a report could conceivably become part of the record of the member's relationship with the Fund and could be taken into account in any future requests for use of Fund resources. Of course, where there had been a misrepresentation of data, there should be a review by the Board and the requirement of an immediate repurchase.

Mr. Alfidja considered that the requirement in the Articles that members should provide economic and financial data to the institution should be fully respected. The importance of that obligation could not be overstressed, especially in cases where the Fund was called upon to provide financial assistance in support of member countries' adjustment efforts. He agreed with the staff that the provision of inaccurate information not only subverted efforts to monitor performance; it also raised doubts about the appropriateness of the use of Fund resources and gave wrong signals regarding the impact of macroeconomic policies and the eventual need to adapt them.

Commenting more specifically on the dimension and nature of the problems outlined in the staff paper, Mr. Alfidja said that, as he understood it, the individual cases described in the staff paper might not represent all the instances in which purchases had been made on uncertain grounds; rather, they represented the most important cases that had occurred in the past 18 months. The dimension of the problem was difficult to assess in the absence of information regarding the number of programs prior to 1981 and the total number of programs approved in 1981 and after. He wondered whether the problem was of such a magnitude that it warranted major concern at present. Of course, he could accept the principle that all Fund members--especially those using the resources of the Fund--must provide accurate and reliable statistical data; however, he was not certain that the problem of noncompliance with the data reporting requirements in Fund programs had reached the dimension that called for new rules or a reinforcement of existing ones.

According to the staff, the reporting of improper data could be traced essentially to loopholes in the definition of performance criteria or to the controversial classification or reclassification of financial aggregates, Mr. Alfidja continued. The staff had appropriately suggested that those performance criteria that appeared to have been imprecise should be redefined; he was less comfortable with certain other proposals, such as the suggestion that Fund assistance might be interrupted in cases of suspected nominal compliance. And, he was completely opposed to any interpretation of nominal compliance that would cover instances in which performance criteria were met but the progress toward the objective of a sustainable growth path and external position was not occurring as anticipated. As observed on a number of occasions by various Executive Directors, the failure of assumptions to materialize was closely linked with the intractable nature of the structural difficulties confronting most users

of Fund conditional resources and the impact of unforeseen external factors. In sum, while he could support whenever feasible a better definition of performance criteria, he hoped that account would be taken of the cost to national authorities of gathering the necessary information for the monitoring of such criteria. He was not in favor of initiating measures that could lead to the interruption of purchases on the grounds that the observance of performance criteria was not directly related to progress toward economic and financial sustainability.

With regard to the problem of compliance with performance criteria as a result of a reclassification of items in the financial accounts undertaken with the intention of subverting the monitoring process and defrauding the Fund, Mr. Alfidja wondered how the intent to circumvent the performance criteria in a deliberate fashion could be established. Of the six cases described by the staff in the Appendix of EBS/84/94, there were only two instances in which misreporting due to reclassification had been recurrent. In any event, even in the instances where clear-cut evidence of misreporting with intent to defraud existed, current procedures and courses of action available to the Fund were adequate. As for ways of handling presumed cases of improper use of Fund resources, the staff had an opportunity to discuss the financial and economic developments--as well as prospects--of member countries in the course of Article IV consultation discussions and review missions. In his view, the staff should examine each situation on a case-by-case basis and make appropriate recommendations to the management and, if necessary, to the Executive Board.

Finally, with respect to the specific suggestions put forward by the staff in the concluding section of the paper, Mr. Alfidja said, first, that he was in favor of a simple and clear formulation of performance criteria, which should perhaps be attached to the letter of intent. Second, he did not feel that it was necessary to include in the arrangement a clause calling explicitly for a review of performance criteria. Third, more frequent reporting should be considered only if it did not create a serious strain on those responsible for monitoring data in a member country. In that context, while the stationing of a resident representative in the country might be helpful, the presence of such a person could not be considered a lasting solution to the misreporting problem. Fourth, he was in favor of bringing to the attention of the Executive Board, perhaps on an annual basis, well-documented cases of misreporting together with appropriate recommendations for dealing with them. Fifth, he was not in favor of the establishment, or retroactive application, of any new rules, although he was prepared to reconsider the issue if the inadequacy of existing rules and procedures could be demonstrated.

Mr. Senior considered the issues before the Board to be complex, not only because of the theoretical and policy aspects involved but also because the issues touched on a wide-ranging set of operational and legal problems. More important, modifications to current procedures would seem to involve basic changes in conditionality and could be the focus of

contention within the membership of the Fund. In the circumstances, decisions should not be taken on the issues under discussion without much further study of the specific recommendations in EBS/84/94.

While the issues covered in the paper were admittedly complex, that was no excuse for the staff document to be lacking in clarity or even, at times, rather confusing, Mr. Senior continued. According to the staff, the purpose of the paper "is to provide a basis for a discussion by the Executive Board of the legal and policy implications of purchases of Fund resources effected on the basis of inaccurate reporting of performance under stand-by or extended arrangements." However, in other parts of the document, it was not clear whether the staff was arguing within its terms of reference or whether it was attempting to deal with much more general problems. A case in point, for example, was the description of the objectives of performance criteria and the consequences of departures from compliance with those criteria or from progress toward program objectives. As he understood it, the conclusions that could be drawn from a situation in which, because of misreporting, the program's objectives were not being attained even though performance criteria were being met would be substantially different from the conclusions that could be drawn from the same situation when there were no reporting problems. The first situation might represent a case of deception or only apparent compliance with performance criteria, while the second might involve inadequate construction of the financial program, either because of a lack of understanding of how the particular economy worked or because of simple human error. A reading of EBS/84/94 left him with the feeling that some of the staff suggestions had been based on more general, although inconclusive, considerations rather than on the narrower problem of reporting.

Commenting on the specifics of the subject under discussion, Mr. Senior agreed with the staff that the problem of reporting difficulties was one of legitimate concern for the Fund and one that should be dealt with appropriately. The cooperative character of the Fund, its credibility, and its effectiveness were clearly impaired by reporting problems of the sort described in the staff paper; fortunately, however, there were few cases involving such problems, and even those were mostly limited to error. In general, therefore, it would perhaps be better to maintain current procedures, focusing only on sensible improvements. More fundamental or radical changes did not seem warranted and, indeed, might even be counterproductive.

Like others, he could agree that some improvement should be made in the formulation and definition of performance criteria, Mr. Senior said. It was logical that the clearer the formulation and definition of such criteria, the less margin there would be for differing interpretations between the Fund and the member. In that regard, it would be helpful to have more frequent use of supporting memoranda of understanding. Besides minimizing the risk of differing interpretations, improvements in the performance criteria might help members to better monitor their programs and might clarify those cases in which reporting was intentionally

modified. In passing, he agreed with Mr. Kafka about the excessive use of resident representatives; beyond the significant costs that such increased use would imply, it would be harmful to the image of the institution if resident representatives were to be perceived as agents that were in a country basically to check on the reliability and credibility of the member's information rather than as a resource that could provide technical support.

With regard to the suggested application of paragraph 11 of the standard format of both stand-by and extended arrangements, Mr. Senior felt that such an approach would not be an appropriate way of dealing with problems of reporting. If substantial evidence existed to justify serious doubts about the credibility of the reporting of a member, a consultation might be warranted; but there were not many such cases, and the use of consultations for more general instances of nonobservance of performance criteria would be a radical and inappropriate departure from current practice. If nonobservance of performance criteria was already present, there would be no need for such consultations in order to stop purchases; and an effective interruption of drawings would in any case exist until the program was back on track. If, however, the nonobservance was only expected, the consultation might be necessary even in cases without reporting problems, so that paragraph 11 would have to be applied, if at all, uniformly in such cases.

The suggested additional use of paragraph 5 of stand-by and extended arrangements gave him even greater cause for concern, Mr. Senior remarked. Making the review a performance criterion that would make further drawings contingent upon its satisfactory completion--even if quantitative performance criteria were being observed--would be a radical change based on very fragile legal arguments. As had been clearly stated in the staff paper, which made reference to Article XXX, paragraph (b) of the Articles of Agreement, "a stand-by or extended arrangement was a decision of the Fund by which a member is assured that it will be able to make purchases from the General Resources Account in accordance with the terms of the decision during a specified period and up to a specified amount." To introduce the notion of a review when the Fund was in doubt that performance criteria were serving as effective monitors of performance under the arrangement would, in his view, render the agreement itself indeterminate. In such cases, the member would have no assurance that it could make purchases even if it was complying with the agreement, as the Fund would in fact retain the right to annul such assurance by calling for a review and interrupting drawings until understandings were reached. Of course, the understandings in such cases would mean acceptance of what the Fund wanted, which was probably why the Fund staff had suggested that such a procedure might be contentious.

Commenting on the procedure to be followed when purchases had already been made on the basis of misreported data, Mr. Senior said that he would differentiate between those cases due to error and those in which there was intentional deceit or fraud. In the case of fraud, there were arguments for strong action, although he would caution that such fraud or intentional

deceit must be proved beyond any doubt. In cases of error, the Fund should take a much more lenient approach and should even perhaps differentiate between revisions of data that covered long periods and the program as a whole and revisions that were much more narrowly focused on performance criteria. If a comprehensive revision of data entailed a change in the basis on which the program had been formulated, there should be no a priori conclusion that the nonobservance of performance criteria had allowed for a purchase that would otherwise have not have been allowed. In such cases, the revision of data might have meant a wholly different program and a completely different set of performance criteria and, in such cases, he saw no basis for remedial action with regard to repurchases, although it might be useful if technical assistance in the areas of data collection and elaboration were provided. In the case of error that showed that a purchase had been made when, in effect, there had been non-compliance with performance criteria, the correction in respect of the purchase could be made in a new program or over a sufficiently long period of time. Finally, if any modifications were to be made to current procedures, there should be a limitation period after which remedial procedures could no longer be initiated, say, two years from the date of the purchase.

Mr. Finaish agreed with those who felt that, in a cooperative institution like the Fund, solutions to problems like those under discussion depended ultimately on the good faith of the membership and on its interest in upholding the credibility of the institution rather than, for example, on devising progressively intricate and complex performance criteria. He also agreed with previous speakers and the staff that performance criteria played an important role in the implementation of Fund programs; it was both useful and necessary for the Fund to seek to improve the yardstick by which members' performance was measured, particularly for those members engaged in adjustment programs. At the same time, the staff should continue to make an effort to strengthen the link between performance criteria and program objectives; it was in that context that the discussion of reporting and other problems related to performance criteria could be useful, both to the process of adjustment and to the Fund's contribution to that process. A discussion of such problems would be useful in spite of the fact that those problems did not appear to be widespread or on the rise. In that regard, the paper had perhaps placed too much emphasis on suggesting new procedures to deal with problems for which existing procedures, together with their more active application where warranted, might suffice. While it was important to clarify any ambiguity regarding members' rights and obligations vis-à-vis the Fund, it was equally important not to overreact to a rather isolated, albeit sensitive, problem. Before turning to specific issues in the staff paper, he remarked that the staff had been a bit vague in attempting to separate problems associated with legitimate reporting difficulties from those that called into question a member's good faith. That distinction could have been made clearer in the cases involving both nominal compliance and the misreporting of data, although he recognized that it was difficult to make judgments on a member's motivation.

In discussing the problem of nominal compliance with performance criteria, the staff had referred to a variety of instances in which the member might be adhering to the letter but not to the spirit of the performance criteria, Mr. Finaish continued. It was not appropriate to exclude from such cases the possibility of an attempt by the member to avoid adjustment while maintaining the right to use the Fund's resources; but other cases would probably reflect a genuine difference of view on the nature and effect of certain transactions. The practical approach to dealing with the issue involved an effort to improve the coverage, clarity, and quality of performance criteria, which would serve to reduce the scope for divergence between the letter and the spirit of performance criteria. Such improvements in the specification of performance criteria, as a preventive measure, would clearly be preferable to reliance on the punitive provisions of the Articles, including the declaration of ineligibility. In that regard, the staff's view that Article V, Section 5 could be invoked even in cases of nominal compliance deserved some further elaboration. On a related matter, it was important to distinguish between those cases involving only technical compliance with performance criteria and those in which, despite full compliance with the criteria, the expected progress toward program objectives was not being made. The latter situation was clearly not a case of nominal compliance with performance criteria but could be a reflection of deficiencies in program design or unforeseen developments; such cases should not be grouped with those involving so-called nominal compliance with performance criteria.

Section IV of the staff paper discussed ways of reducing the incidence of reporting problems, Mr. Finaish noted. He was in broad agreement with the proposals in paragraphs 1 and 2 regarding improvements in data collection, the specification of quantitative criteria, the definition of variables, and so on. Such improvements could go a long way toward averting reporting problems and raising the quality of adjustment programs in general. He agreed with the staff that, in certain circumstances, the use of continuous rather than "point in time" ceilings might be useful, although in other cases it might not be feasible. He could also see the potential usefulness of more frequent posting of resident representatives in member countries as a way of averting reporting problems. However, the idea of increasing the number of resident representatives was a sensitive issue and, in any event, might not be justifiable solely on the grounds that it would help to resolve problems of reporting. Besides, according to the staff paper, the specific problems mentioned by the staff had occurred despite the presence of resident representatives in some of the countries concerned.

He had no difficulty with the more active use of the standard consultation provision in paragraph 11 of stand-by and extended arrangements as a way of dealing with reporting problems at an early stage where legitimate doubts arose about the accuracy of the reported data and compliance with performance criteria, Mr. Finaish continued. When the consultations showed substantial reporting inaccuracies or where the good faith of the member was in question, purchases could be interrupted; however, it was not clear whether the additional performance criterion was necessary,

given the existing provisions in the standard format of Fund programs for consultation with the member concerned as well as for possible interruption of purchases.

In Section IV of the paper the staff had put forward the idea that a review of performance criteria could itself be established as a performance criterion, Mr. Finaish noted. While such a procedure might provide the Fund with additional flexibility in dealing with a variety of reporting problems, it was liable to prove contentious in its application. Since the question of whether the performance criteria were functioning adequately and whether compliance with them was consistent with their purpose would involve some judgment--or even a great deal of judgment in difficult cases--the suggested procedure would detract from the objective of the performance criteria. Besides, it was not clear whether the suggested additional procedure was really necessary, given the existing provisions of the Articles, the standard format of Fund arrangements, and the periodic reviews under those arrangements. At any rate, if such a review procedure were to be adopted, it would need to be supplemented by a clear and specific statement of the circumstances under which the already agreed upon performance criteria could be revised. Such an approach would be necessary to protect members from arbitrary interruptions of their drawing rights under an arrangement.

Commenting on the remedial steps proposed for dealing with problems of misreporting, Mr. Finaish recalled that one type of remedial procedure involved minor postpurchase deviations from the performance criteria in which the good faith of the member was not in question. As the staff had suggested, such cases were in a sense equivalent to prepurchase deviations and should not be treated any differently. A postpurchase retroactive waiver or modification seemed to be a reasonable remedy in such circumstances. The second type of case involved either substantial deviations from performance criteria or situations in which the good faith of the member was in question. The staff had proposed that the remedy in such cases should be to put the program back on track or to seek the termination of outstanding purchases in question. It was not clear, however, why cases involving statistical revisions that happened to be large--especially when they might be legitimate--should be grouped together with cases in which the good faith of the member was in question.

Aside from the desirability or feasibility of seeking to terminate the outstanding use of Fund resources when reporting problems were involved, the validity of the legal basis for justifying such termination raised questions meriting clarification, Mr. Finaish considered. For example, Article V, Section 7(a), which was cited on page 15 of the staff paper, entitled a member to repurchase its currency from the Fund but did not oblige it to do so. Moreover, the inference drawn by the staff, on the basis of the Commentary on the Second Amendment, regarding the sale of a member's currency was not entirely clear. Although the criteria for the selection of currencies as outlined in Article V, Section 3(d) were not exhaustive, it did not necessarily follow that they could be disregarded and replaced by alternative criteria or be overridden by additional

criteria in cases of conflict. Second, while the application of the similarity principle provided in the same Commentary might allow currency sales to be used to reverse purchases that did not satisfy the requirement of balance of payments need, it was not clear how the similarity principle could be invoked to cover drawings connected with reporting problems.

As for the application of provisions under the Articles whereby a member could be declared ineligible to use the Fund's resources, he agreed with the staff that such a remedy would be in response to an extreme situation and would be a rare occurrence, since in most cases the Fund would have no reason formally to challenge the good faith of the member in reporting data, Mr. Finaish said. He had no strong feelings about the period of limitation over which remedial procedures would be effective, particularly since it did not seem likely that reporting problems would be discovered after a prolonged period. At any rate, the appropriate period would depend upon the type of procedures that might be decided by the Board as a result of the current discussion. Finally, on a point of clarification, he noted the statement in paragraph (b) on page 11 of the paper that "once purchases were interrupted...the right to make further purchases under the arrangement could be resumed only if understandings were reached between the Fund and the member on appropriate corrective action, as set out in Section V, which could include termination of the outstanding use of the Fund's resources that resulted from the improper purchase. Until such understandings were reached and observed, the procedures on dealing with overdue payments to the Fund would apply." According to that statement, purchases made in spite of a lack of compliance with performance criteria would be treated as overdue payments to the Fund even during the period following an interruption of purchases when possible remedial measures were being considered. As noted in Section V of the paper, those remedial measures could include postpurchase waivers and modifications or efforts to put the program back on track by reaching understandings with the member on appropriate corrective action, or the termination of the outstanding use of Fund resources resulting from the improper purchase. Under that third procedure, purchases in question would be treated as overdue payments during the period of discussion with the member, regardless of which of the remedial actions was ultimately agreed upon, which seemed to him to be anomalous. Should not such purchases be treated as overdue payments to the Fund only after a decision had been taken to ask the member to make a prompt repurchase? Staff comment on that point would be helpful.

Mr. Joyce remarked that the paper under discussion (EBS/84/94) touched on some very sensitive yet fundamental policy issues. The points of principle in dealing with reporting and other problems relating to performance criteria were not difficult to identify; rather, it was in the application of those principles that significant procedural difficulties arose. In reviewing the existing procedures for the use of Fund resources in cases where there were reporting or other problems relating to the observance of performance criteria, his authorities attached fundamental importance to two points. First, they saw no reason for any major departures from current policies with regard to performance criteria.

Existing Fund policies on conditionality and the role of performance criteria were generally working well; indeed, performance criteria were useful benchmarks for indicating whether adjustment was taking place in a manner that would help the member to achieve a sustainable balance of payments position and that would protect the temporary character of the Fund's resources. Second, they felt that the success of any Fund-supported adjustment program was importantly linked to mutual trust and good faith on both sides. A stand-by or extended arrangement was a cooperative effort, and members had a responsibility to respect the intent of the program. Still, it would not be productive to increase the complexity and intricacy of performance criteria, since means to circumvent rules or criteria could always be found if the desire to do so existed.

In its paper, the staff had distinguished between two main groups of problems, Mr. Joyce noted. The first arose from the misreporting of statistics and concerned cases in which members had made or could have made purchases under arrangements on the basis of statistical information that had subsequently been revised to show noncompliance with performance criteria. It was in that area where existing procedures needed to be tightened. The second group of problems was related to what the staff had described as nominal compliance, and to cases where observance of performance criteria had been achieved only in a strict technical sense. He did not see that category of problems as necessarily encompassing programs where performance criteria were being met but where the sought-after targets were not being achieved; rather, the category was a subset, consisting of cases where the scope or definition of performance criteria had not adequately or fully reflected the intention of the Fund or the understandings reached between the Fund and the member. Because there were important differences between the two groups or categories of problems, they should be dealt with separately.

Commenting on problems of misreporting, Mr. Joyce considered that it was important to come to some agreement on how to minimize instances of misreporting and how to deal with them when they occurred. In his view, the misreporting of data was more a question of fact than intent; while it was essential to investigate the extent to which inaccuracies in reporting had occurred and to ensure that they did not recur, his authorities did not feel that it would be productive to attempt to determine whether the misreporting had been deliberate or had been carried out with the intention to mislead or deceive, except of course where circumstances showed the misreporting to be flagrant and overt. If revisions to the data had to be made for whatever reason, and if it was deemed that purchases had been incorrectly made, it was then clearly important that the member and the Fund should consult immediately. In his view, the standard consultation provision in stand-by and extended arrangements (paragraph 11) already provided the Managing Director with the authority to initiate such a consultation.

If consultations were undertaken, Mr. Joyce continued, they should be governed by the following broad guidelines. First, if examination showed that departures from the performance criteria had been minor and temporary,

such that a waiver and modification would have been justified, a draft decision providing a waiver ex post could be submitted to the Board for approval, perhaps on a lapse-of-time basis. In those cases where the consultation confirmed that substantial departures had already occurred, the situation was far more complicated. He agreed that it was important to examine why the situation had occurred and to ensure that it would not recur. In that respect, the procedures discussed in Section V, paragraphs 3-6 of EBS/84/94 might provide an appropriate starting point for discussions on what should be done in such circumstances. For example, if the substantial departure had occurred under an existing program, it would be possible to envisage a situation in which the program might be brought back on track through policy modifications or new understandings between the member and the Fund. However, if the consultation did not lead to any understandings about how the program could be brought back on track fairly quickly, it would be important to ensure that purchases under the existing program would remain interrupted and that any purchases already made on the basis of misreported data should be repurchased. And, if understandings could not be reached between the member and the Fund, the Board might wish to examine carefully the question of whether drawing rights under the existing arrangements should be interrupted. It might even prove necessary to include a new provision in future arrangements whereby purchases could be interrupted whenever it was determined that a purchase had been made incorrectly under a previous arrangement for which the period of limitation had not yet ended.

Finally, Mr. Joyce considered that existing procedures could be improved to prevent the emergence or proliferation of cases of misreporting. In his view, there were three areas in particular where improvements could be made. First, the staff should seek to improve the formulation and definition of performance criteria and the use of supporting memoranda of understanding; second, the Fund should look more to the use of performance criteria that could be measured on a continuous basis rather than on those that related only to a point in time; and, third, the Fund should insist on increased frequency in the reporting of data, which would permit earlier detection of irregularities. Moreover, through the more active use of Article IV consultations and staff review missions under Fund arrangements, it should be possible to identify potential reporting difficulties and to ensure that misunderstandings did not develop regarding the definition of criteria and their relevance to the design of the adjustment program.

Commenting on the second group of problems--namely, those where there had been so-called nominal compliance with performance criteria--his position was rather different from that taken in the staff paper, Mr. Joyce said. While for descriptive purposes the staff had drawn a distinction between nominal compliance and misreporting, there appeared to be a tendency to lump the two categories together in dealing with the problems. Of course, it could be argued that the achievement of the objectives of the program was likely to be impaired if either misreporting or nominal compliance had occurred, and he had no difficulty with the idea that consultation and corrective action might be required in either

case. Still, the two types of cases were basically different: one arose because of difficulties in the provision of data; the other occurred because of a misunderstanding of the nature and intent of the performance criteria. The latter situation was a case that called for consultations between the parties concerned, not on the legal interpretation to be given to the words as set down in the original letter of intent but on the overall aims and objectives of the program. In that regard, the customary review procedures under Fund arrangements should provide an adequate framework for dealing with most of the problems that could arise.

Despite the reassurances of the Chairman in his opening remarks, he took exception to the staff's somewhat pejorative use of the term "loopholes" to describe certain examples of actions taken by particular members, Mr. Joyce said. Even though Fund arrangements were usually the product of lengthy and detailed negotiations, legitimate differences could and did emerge with respect to the interpretation of definitions; and it did not help for one party to accuse another of only nominal compliance if, in fact, what was at stake was that the agreement was not achieving the purposes originally intended by both parties. He saw no advantage in including in future arrangements a new clause calling for review and revision of the criteria when there was evidence that their observance did not indicate that the program was proceeding as intended. If there were questions about the adequacy of the criteria, the policy measures being undertaken in a Fund program, or the changed circumstances that a country might be facing, those questions could be taken up in the context of normal program reviews. He presumed that the resulting discussions would influence the setting of future targets and criteria, especially in multiyear programs. He saw no need for further consultation provisions which, at best, could only add to uncertainties concerning the status of Fund programs and undermine the trust between the Fund and the member. Finally, any new procedure that might be agreed should not be applied retroactively. Generally speaking, he agreed with Mr. Senior that it would be a mistake to attempt to agree at the present stage on fundamental changes that could deeply affect the traditional relationship between the Fund and member countries. Also, he had been particularly impressed by Mr. Kafka's analysis of the staff paper.

Mr. Wicks considered it unfortunate but necessary that the issues in the staff paper demanded discussion in the Executive Board. Occurrences of misreporting of data were fairly uncommon; nevertheless, the time was right to look at such cases and to take preventive action to ensure that misreporting did not become a widespread practice.

Misreporting was unhelpful to all parties concerned--the member, the Fund, and the international banking community--Mr. Wicks continued. It could harm the member's prospects for recovery by postponing real adjustment; it could affect the commercial banks' judgments of members' creditworthiness; and, if the instances of misreporting were to grow, doubts could be cast on the status of Fund programs generally, thus making it more difficult than at present to raise additional resources for the Fund. Even more serious, misreporting could undermine the spirit of cooperation and trust that was the foundation upon which the Fund rested.

Turning to the specific proposals in EBS/84/94, Mr. Wicks endorsed paragraphs 1 and 2 of the Conclusions in Section VI. Also, he agreed with the staff that the elaboration of more complex performance criteria would not, by itself, help to resolve the problem at hand. Life should not be made more difficult for those members undertaking difficult adjustment programs that might be experiencing statistical reporting difficulties; also, it was important to protect Fund members from unwarranted interruptions of drawing rights. Nonetheless, the staff had put forward some good proposals for improving the chances that performance criteria would serve their purpose. In that regard, he could endorse all the points in paragraphs 3(a), (b), (c), and (e), in Section VI. Paragraph 3(d) would require more thought, although he had not been entirely convinced by the arguments against it put forward earlier by both Mr. Kafka and Mr. Polak. Those speakers had appropriately drawn a distinction between policy targets and performance criteria, but their eloquence had not altogether persuaded him against the suggestion in paragraph 3(d) because he believed that it was the responsibility of the Fund to review and, if necessary, to take action if a member was apparently satisfactorily meeting the performance criteria but the economic policy targets of the program were not being met. As noted by Mr. Joyce, the regular midterm review of Fund programs provided an opportunity for the Fund to give careful thought to such situations; still, the further procedure suggested in paragraph 3(d) of the Conclusions might be necessary in special circumstances. He presumed that that procedure would result in a revision of performance criteria only in the most exceptional circumstances.

Commenting on the remedial procedures to be adopted in cases where misreporting had already occurred, Mr. Wicks said that he could endorse the two steps set out in paragraph 4 of the Conclusions. In passing, he noted that the Fund was not being required to make judgments about whether or not a member had acted in good faith. He did not believe that the Executive Board should ever be put in a position in which it had to decide, for example, whether a member's action had been the result of fraud or deceit or error. It was much better to focus--as suggested in Paragraph 4--on the size and duration of a breach of performance criteria, on the basis of which action could be taken. Like Mr. Lovato, he would not exclude the possibility that, as a last resort, the Board might have to consider whether a member's access to Fund resources should not be limited or whether the member should be ineligible to draw under Article V, Section 5 of the Articles of Agreement. However, it was likely that such action would be taken only in those instances in which there had been a flagrant violation of the fundamental principles on which the institution rested.

The matter of retroactive action was dealt with in paragraph 5 of the Conclusions, Mr. Wicks recalled. His authorities were concerned that any retroactive action in policy decisions should not be arbitrary, or even be perceived as arbitrary by the members concerned. At the same time, it was essential that the credibility of Fund programs be maintained, which seemed to indicate a case-by-case approach rather than a standard or rule that would be mechanically or rigidly applied. Any action taken by the Board should be based on a full accounting of the merits of each

individual case and of developments that had occurred since the incident in question. In judging such matters, the Board would no doubt have to rely heavily on the Managing Director's assessment of the situation and general guidance, and his authorities were prepared to consider any proposals that might be put forward by management with regard to the particular cases that had been identified in the Appendix to the staff paper or any other cases that might have come to light more recently. He could accept a judgment that corrective action should not be applied to past cases, but he would not hesitate to go along with a recommendation for dealing with any future cases where firm and early action appeared warranted.

With regard to the final paragraph of the Conclusions, Mr. Wicks said that he was uncertain why the proposed limitation had been put at two years. He was not entirely convinced by the staff's view that there should be a period of limitation in order to remove the uncertainty that a member might undergo if no such limitation existed. However, if there were to be a period of limitation, it should in his view run somewhat longer than two years. Finally, he noted that, while the staff had made reference on page 1 to reporting difficulties in connection with the performance clause relating to exchange and trade practices, that matter had not been dealt with in the paper's conclusions. He noted the view of the staff that "incomplete and inaccurate information on measures adopted in areas of exchange and trade practices presents similar difficulties for the Fund as those regarding quantitative criteria." He would be interested in hearing any comments the staff might have on how to deal with that aspect of the reporting problem.

The Executive Directors agreed to continue their discussion at 3:00 p.m.

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/84/79 (5/21/84) and EBM/84/80 (5/23/84).

3. REPORT ON INTERNATIONAL COMPILERS' WORKING GROUP ON EXTERNAL DEBT STATISTICS - RELEASE OF INFORMATION

The Executive Board approves the proposal set forth in SM/84/110 (5/16/84) to transmit the report on the meeting of the International Compilers' Working Group on External Debt Statistics held on March 20-23, 1984 to the other organizations that participated in the Working Group.

Adopted May 21, 1984

4. APPROVAL OF MINUTES

The minutes of Executive Board Meetings 84/3 and 84/4 are approved. (EBD/84/141, 5/16/84)

Adopted May 22, 1984

5. EXECUTIVE BOARD TRAVEL

Travel by Executive Directors as set forth in EBAP/84/105 (5/18/84) and by an Advisor to Executive Director as set forth in EBAP/84/105 (5/18/84) is approved.

APPROVED: November 23, 1984

JOSEPH W. LANG, JR.
Acting Secretary

