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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 84/28

3:00 p.m., February 22, 1984

J. de Larosière, Chairman
W. B. Dale, Deputy Managing Director

Executive Directors	Alternate Executive Directors
	J. K. Orleans-Lindsay, Temporary
	G. Ercel, Temporary
	X. Blandin
A. Donoso	
R. D. Erb	M. K. Bush
M. Finaish	T. Alhaimus
	T. Yamashita
J. E. Ismael	Jaafar A.
	G. W. K. Pickering, Temporary
	H. A. Arias, Temporary
G. Laske	
	C. P. Caranicas
R. N. Malhotra	
	J. E. Suraisry
J. J. Polak	
A. R. G. Prowse	
G. Salehkhou	
	E. I. M. Mtei
	E. Portas, Temporary
	I. Fridriksson, Temporary
	T. A. Clark
Zhang Z.	Wang E.

L. Van Houtven, Secretary
B. J. Owen, Assistant

Also Present

Administration Department: T. Hill, H. Wiesner. Asian Department: H. O. Roden, J. Schulz, D. A. Scott. Exchange and Trade Relations Department: S. Mookerjee, Deputy Director; E. H. Brau, D. J. Donovan, M. Guitian, R. Pownall. External Relations Department: D. M. Cheney. Fiscal Affairs Department: R. D. Kibuka. Legal Department: G. P. Nicoletopoulos, Director; W. E. Holder, J. M Ogoola, S. A. Silard. Middle Eastern Department: P. Chabrier, Deputy Director; A. K. El Selehdar, Deputy Director; P. L. Clawson, S. Kawar, E. M. Taha, L. A. Wolfe, M. Yaqub. Secretary's Department: J. W. Lang, Jr., Deputy Secretary; A. P. Bhagwat, P. D. Péroz. Treasurer's Department: D. Gupta, T. B. C. Leddy, A. J. Mathuran, J. V. Soromenho-Ramos. Bureau of Computing Services: J. R. McKee. Bureau of Statistics: W. Dannemann, Director; A. Aviles Gomez, A. C. Bouter, M. J. Brimble, R. V. Kennedy, J. B. McLenaghan, J. C. O'Connor, C. A. Patel. Personal Assistant to the Managing Director: S. P. Collins. Advisors to Executive Directors: S. R. Abiad, A. A. Agah, C. J. Batliwalla, S. El-Khouri, S. M. Hassan, L. Ionescu, G. E. L. Nguyen, Y. Okubo, I. R. Panday, D. C. Templeman. Assistants to Executive Directors: R. L. Bernardo, J. Bulloch, M. B. Chatah, M. Eran, C. Flamant, V. Govindarajan, H. Kobayashi, E. Landis, M. Rasyid, J. Reddy, C. A. Salinas, S. Sornyanyontr, Wang C. Y., J. C. Williams, A. Yasseri.

1. INTERNATIONAL FINANCIAL STATISTICS - COVERAGE AND CURRENTNESS OF DATA

The Executive Directors considered a staff paper on the coverage and currentness of data published in International Financial Statistics (IFS) (EBS/84/16, 1/20/84; and Sup. 1, 2/15/84).

Mr. Erb observed that IFS had become a primary source of information not only for the Fund and member governments but also for the entire financial community. The comprehensiveness and timeliness of the data were impressive both for individual countries and for the growing coverage in the world tables. The latter were providing an increasingly important amount of aggregated data and individual country data on a comparable base, thus justifying the analysis of developments across countries. The recent addition of international bank lending statistics in that connection was especially welcome.

He did not underestimate the difficulties that some countries might face in complying with their statistical reporting obligations under Article VIII, Section 5(a), Mr. Erb continued. However, members should assign a high priority to the task because such information was needed for three good reasons: first, to permit the country itself to formulate its economic policy with some degree of confidence; second, to permit the Fund's analyses and recommendations to members to be made in a professionally respectable and uniform manner; and third, to provide the domestic and the international financial communities with the necessary data to shape their lending decisions with some degree of certainty.

The Fund staff could be helpful in several ways, Mr. Erb noted, namely, by means of a technical assistance program, missions for Article IV consultations and for programs to be financed by the Fund, IMF Institute courses, and cooperation with other international organizations. Within the Fund, it was particularly important that country desks work closely with the authors of IFS and vice versa. However, the staff also needed the support of Executive Directors to cement the close cooperation with member countries needed to ensure that statistical data of the quality, quantity, and timeliness required were submitted.

He had been surprised to find from Appendix II to EBS/84/16 that a considerable number of countries currently benefiting from Fund financial assistance had rather poor records of compliance with the Fund's requests for data, Mr. Erb remarked. For example, among the countries shown as having responded to the monthly request less than 25 percent, less than 50 percent, or less than 70 percent of the time, 1 out of 11, 12 out of 29, and 10 out of 43 respectively were countries making use of Fund resources. Yet it would seem that those countries would try especially hard to comply with statistical reporting requirements and that the close relationship between such member countries and the staff would greatly facilitate compliance.

The issue of confidentiality had been raised in the staff paper, Mr. Erb noted. He did not question the sensitivity of some data in certain instances. However, he was skeptical that it would ever be in the national interest of a member country for its authorities to seek to hide economic problems by delaying or suspending the publication of data. Such an attempt would likely become known and feed the suspicion that the situation might be worse than it actually was. In contrast, there would probably be greater sympathy for a country if it presented its case honestly to the public and to the international financial community. More generally, he believed that foreign creditors should be particularly reluctant to provide financing to countries that did not report comprehensive and timely economic data.

Given the difficulties that some countries had in collecting and reporting statistics, the staff suggestion of providing long-term technical assistance in selected cases was worth serious consideration, Mr. Erb said. Many member countries were no doubt beginning to computerize the collection of data. They should be urged from the beginning to factor into their plans the need to integrate domestic data programs with their obligations as members to provide statistics to the Fund.

He had a number of specific questions in mind directed toward broadening and deepening the coverage of the data published in IFS, Mr. Erb continued. First, for countries operating an official multiple exchange rate system, could data on all principal rates be provided and shown in the country pages? Second, why had countries had so much difficulty in submitting interest rate data, especially as it would be helpful to show deposit interest rates in the country tables? Third, what could be done to fill the significant deficiencies in the submission of data on country finances? Fourth, for whatever reason, the record of responses on data for other financial institutions had been poor, but were such data of much practical utility? Fifth, would it be possible to include a figure for the accumulation of arrears in the country tables? Sixth, as the more complex problems appeared to involve mainly the balance of payments and national income and product accounts, was there a need to concentrate the Fund's technical assistance program in those areas? Another question was whether it would be possible in the national accounts data to begin to show information on the sectoral sources of growth, and on the income side rather than just on the expenditure side of the accounts. Finally, he wondered how the striking deficiencies in data on prices could be improved over time.

In concluding, Mr. Erb strongly supported the staff's proposal to prepare and submit to the Board an annual report on the status of the coverage and timeliness of IFS data that would also cover recent developments in statistical reporting in member countries as well as provide an indication of the record of member countries in complying with their reporting obligations. In addition, he proposed that each staff report for an Article IV consultation with a member should include a brief section or appendix in which mention would be made of any problems or gaps relating to the scope, quality, and timeliness of the country's reported and published statistical data.

Mr. Ismael stated that members of his constituency had benefited greatly from the technical assistance of Fund experts on the compilation of statistics. However, most of them felt that a mission of two weeks' duration was too short, unless the organization and competent staff were already in place in the member country, to permit the implementation of significant changes. For example, the compilation of statistics on debt was a new operation for most Fund members. While it might be a simple matter to compile figures on official debt, his experience had been that the compilation and monitoring of private debt statistics were more difficult. He would therefore urge a more flexible approach and longer-term assignments under the Fund's technical assistance program in statistics.

He welcomed the use of the latest technology, Mr. Ismael continued, and suggested that the Fund adopt and communicate to members a standard for the data layout of information communicated via computer tape. The collection of data on a routine basis would thereby be facilitated, as would the transmittal of Fund data to members. Nonetheless, because not all members had computers, the emphasis would still have to be on the quality of manually compiled data.

On previous occasions, his chair had commented on the asymmetry in balance of payments data, Mr. Ismael recalled. Countries should continue to be urged to improve the quality of their balance of payments statistics, especially member countries whose economies had a significant impact on the world economy.

Finally, Mr. Ismael mentioned that the usefulness of the staff report under discussion led him to agree that a similar status report should be made on a regular basis. He suggested that the staff might also try to highlight areas where the quality of the data was wanting, classifying the gaps according to the urgency with which they should be filled, either for operational reasons or for the sake of completeness. In that connection, the classifications contained in Supplement 1 to EBS/84/16 were most useful.

Mr. Suraisry said that he could endorse the main conclusions of the staff paper. As pointed out by the staff, one of the Fund's most important functions was to act as a center for the collection and exchange of information on monetary and financial issues. The information that members provided was essential for the Fund to carry out its other responsibilities effectively. Without that information, the Fund would not be able to play an effective role in surveillance, nor would it be in a position to help members design appropriate adjustment programs. Just as important, the information collected and published by the Fund was invaluable for the international financial community. In some cases, the Fund was the only reliable source of economic and financial data that banks and official creditors needed to come to a realistic assessment of a country's problems and prospects.

The provision of current and comprehensive data was in the best interests not only of the Fund and of the international financial community, but also of the reporting members themselves, Mr. Suraisry stated.

The debt crisis had taken nearly everyone by surprise, in part because of inadequate or delayed reporting of the relevant statistics. The consequences had included a sharp cutback in bank lending to many Fund members. It had become abundantly clear that, among other things, accurate and timely statistics were needed to avoid a repetition of those events. Welcome progress had been made in recent years toward expanding the coverage and improving the frequency of data published by the Fund. It was particularly encouraging to note the present "high degree of currentness" for data in three areas of central concern to the Fund, namely, exchange rates, international liquidity, and the balance of payments.

It was however evident that problems remained in certain other areas and with respect to certain countries, Mr. Suraisry added. Not surprisingly, those problems were more marked in small, developing countries that did not have the manpower or resources that industrial countries had at their disposal. The Fund had always shown understanding of the difficulties of its member countries, and he hoped that the staff would continue to explore constructive ways of assisting them.

More specifically, there was scope to improve the coverage and currentness of the Fund's data base in three main ways, Mr. Suraisry considered. First, he agreed that the staff should press ahead with the development of an integrated data base, which should make the Fund's information more useful to a wider range of users. Second, like Mr. Ismael, he believed that if its resources permitted, the Fund should consider providing technical assistance to members in the statistical field on a continuous basis, as needed. Developing countries that were having to start up their own domestic reporting systems would benefit particularly and be helped to provide training for more than one or two individuals so that the in-depth strength on which the Fund's reporting system depended could be developed. He also emphasized the vital role of the IMF Institute in training participants from developing countries in government finance and balance of payments statistics. The third main improvement would consist of taking full advantage of technological changes that offered ways of improving the currentness of country data published in IFS.

Finally, Mr. Suraisry encouraged the staff to continue its efforts to explain the importance of the statistics to members. Given the varying ability of members to collect and report data, improvements might take time, and it would be useful to have an annual report on recent statistical developments so that the Board was kept fully up to date in an important area of the Fund's activities.

Mr. Pickering stated that it was the view of his authorities that the data in IFS comprised the most comprehensive set of statistics currently being published. As an invaluable source of material for assessing current economic developments, IFS accordingly deserved high priority in the Fund's operations. His main comment was to support the staff's intention to make an annual report to the Executive Board. His other comments related to suggested changes to which the staff might give consideration.

The effort to ensure comparability of data among members was made difficult by problems of definition, Mr. Pickering noted. His authorities had sometimes found themselves in the position of being unable to use IFS data because it was not clear how they had been manipulated by the staff and how they corresponded to data that might be available from other sources. Greater attention should thus be paid to defining the data series more clearly and, where possible, to providing some indication of their relative importance and interrelationships. The current introductory section in IFS and the country notes were somewhat inadequate in that respect. Fuller, more adequate definitions and sources were likely to be more substantive and not have to be changed frequently, so that such explanations could perhaps be published only occasionally, say, annually. Only explanations of current changes in definitions, breaks in series, or other similar changes would have to be included in the monthly editions of IFS.

His authorities were of the view that the aim of compiling comprehensive data was not always entirely compatible with the aim of international comparability, Mr. Pickering continued. Problems could arise because differing institutional arrangements and/or a different policy focus in individual countries made certain series more or less useful depending on the country. The series reported in IFS were often not the ones used by national authorities in managing their economies and were not the ones providing the most useful information about economic developments. To cite an example, the series in IFS on money and quasi-money for most countries--including Germany and the United Kingdom--were definitionally comparable but did not correspond to the aggregates watched closely by the monetary authorities in those countries. While he recognized that inclusion in the country pages of IFS of data series regarded as significant by the authorities of the country concerned could result in an expanded publication, there were a number of ways in which the expansion could be accommodated. One way would be to place less emphasis on providing comparable series in the country tables, particularly where the data were not of great significance. For instance, the data on Canadian financial institutions included four lines on the Federal Business Development Bank, which was of minor importance, although development banks might be of great importance in other countries. Additional summary tables at the front of IFS on a comparable basis would also reduce the need for comparability in country tables. If the explanatory footnotes were published annually, as he had already suggested, space might be freed up.

One troublesome aspect of IFS data was the difficulty of reconciling them with data presented in the staff reports for Article IV consultations, Mr. Pickering commented. He fully appreciated the comments in the staff paper about the need for confidentiality, which however appeared to be primarily a question of timing rather than of substance. Greater priority could perhaps be given to resolving the differences between departments in the presentation of statistics.

Other items on which it might be useful to disseminate supplementary data included interest rates, Mr. Pickering remarked, where it would be very helpful to find a way to provide appropriate indicators on a more current and comparable basis. It was also difficult to obtain current information on interest rates that was consistent with historical series. More information on the key indicators of current account balances and government deficits could be added to IFS; the former had already been included in the annual supplement but not in the monthly editions. Finally, additional summaries of stand-by and extended arrangements and of the Fund's own liquidity position would constitute handy reference material.

In conclusion, Mr. Pickering mentioned the importance that his authorities attached to stressing that the Fund itself could do little more to make further improvements in the data published in IFS. Better cooperation on the part of all members was needed, particularly those that were not currently cooperating fully with the Fund on the matter. Further technical assistance might be of help in some cases.

Mr. Polak asked for a fuller explanation of the purpose of the new computer system (Facility for the Retrieval and Analysis of Country Series, or FRANCS), which was described on pages 5 and 14 of the staff paper as providing management with immediate access to an integrated data base.

The currentness of members' data contributions to IFS was tabulated in the summary listing of the frequency of responses in Appendix II and of the latest period for which data were available in Appendix III, Mr. Polak noted. The fact that three of the five members of his constituency were shown in Appendix II as having a low response record of 25 percent to 50 percent was apparently of no relevance to their record with respect to the currentness of the data, because those same three countries, according to Appendix III, provided quite current data.

It was suggested in the staff paper that the most obvious way of improving the currentness and perhaps the coverage of data was through technological advances, including the direct transmittal of data from one computer to another over telephone lines via satellites, Mr. Polak remarked. Presumably, such sophisticated systems would become available to only a few countries in the coming years. Therefore, other, less technological ways should be sought to deal with the slippages in the performance of individual countries in promptly meeting their obligation to respond to requests from the Bureau of Statistics. A yearly report on the performance of member countries would be useful, but he would also make the same suggestion as Mr. Erb that a standard indication should be given in staff reports for Article IV consultations, and on the use of Fund resources, of how adequate the currentness of the member's data reporting was. One possible format would be to include among the standard items covered in the basic data sheet one line stating that the IFS data on the country concerned were reasonably current, except for the statistics on items that would be enumerated and that, as would be noted, it should be possible for the member to provide data that was three months more current. If the staff were forearmed when it went on an Article IV mission with a draft notice along those lines for possible inclusion in the staff report, the improvements might be noticeable.

Mr. Clark stated that he supported the suggestion for an annual report. Although he was not sure about the division of responsibility between the Fund and the United Nations in producing monthly statistical bulletins, it was no doubt a relevant consideration in any discussion of expanding the coverage of IFS. He asked whether the physical separation of the Bureau of Statistics from the area departments in the Fund had led to any difficulties in liaison, in particular in ensuring the need for close cooperation of both the staff and Executive Directors, to which Mr. Erb had made reference.

Mr. Prowse commented that what was otherwise an excellent publication might be improved marginally by the addition of a fuller guide or table of contents. The less well-informed reader could then more easily find the somewhat scattered data on some countries. As far as the collection of data was concerned, it was difficult to suggest improvements to the procedures devised and continuously updated by the staff. Most of the remaining difficulties, certainly in the small island countries, were largely to be explained by the lack of resources, including staffing and technical deficiencies in members' own statistical departments. He supported the suggestion of other Directors that more attention be given to precisely how technical assistance missions could be helpful; for his own part, he suggested that it might be fruitful to consider developing more formal ways of providing such assistance in the framework of Article IV consultations. Nevertheless, the inadequacy of technical resources did not fully explain why some countries had a poorer response rate than others. He had drawn the attention of his own authorities to the need for prompt reporting, although of course distance was a factor for them.

It was evident from the background section in EBS/84/16 that the coverage of IFS had been steadily enlarged since 1946, when it had been designed to provide statistical material bearing directly on the problems of the Fund, Mr. Prowse commented. The appropriateness or adequacy of the present extensive coverage seemed however to depend on who the end users of IFS were, or should be, a question that had not been addressed in the staff paper; until it was, it would not be possible to know definitively whether or not the data provided were as comprehensive as they should be. For example, were the uses to which the data were put in research departments in universities as distinct from those in government statistical offices and planning departments taken into consideration? In that connection, he asked the staff whether it saw the important work of integrating and reconciling debt statistics as being assisted by the development of the data base of the Institute of International Finance. Could those data be used in IFS, or would there be a risk of overlap?

Referring to some of the more specific matters raised by the staff paper, Mr. Prowse mentioned that one suggestion from his authorities was that from time to time a table should be included showing the rates of exchange between the European Currency Unit (ECU) and the U.S. dollar. The Australian authorities had found the 1981 IFS Supplement 1 on exchange rates extremely useful and saw value in its regular updating. Explicit treatment of trade, current, and capital accounts of the balance of payments would also be helpful, in the view of some members of his constituency, even though those figures were provided in the Balance of Payments Statistics Yearbook.

On the national accounting data, Mr. Prowse continued, it was not apparent that there was an explicit item on savings, although it could presumably be derived from the figures provided on income and investment. Nevertheless, it would be interesting to know how difficult it would be to pinpoint savings in the national accounts framework. On government finances as such, would it be possible to have series on local government and public enterprise finances, despite the considerable conceptual and comparability problems that would be involved? Both those aspects of financing were coming increasingly under attention in the Fund's consideration of its members' economic policies.

He had read with interest the reference to the new database system (FRANCS), Mr. Prowse added. His expectation was that it would be possible for Executive Directors' offices to have access to it at the appropriate time.

To conclude, Mr. Prowse expressed support for the staff's suggestions, both that Executive Directors themselves should do what they could to persuade countries to make greater efforts to contribute to the Fund's reporting of statistics, and also that the staff should make regular reviews of the currentness and coverage of the data provided. He had noted the support of other Directors for the staff's proposal for an annual report; a review every second year might be frequent enough, unless the staff members in the Bureau of Statistics, who were no doubt after all extremely busy, felt strongly that an annual review would help to put pressure on members to report.

Mr. Yamashita stated that he agreed fully with the staff on the need to maintain and further improve the coverage and currentness of the data in IFS, which was important in providing a basis for formulating Fund policies. One of the most effective means for improving the quality and availability of data was by strengthening the Fund's technical assistance program. He supported the staff's suggestion to provide more long-term assistance and to promote its coordination with similar programs of other institutions. He also agreed with the staff that technological advances would greatly contribute to that objective.

The statistical data collected for IFS and for other statistical publications of the Fund, Mr. Yamashita observed, were required to conform with the standards established by the institution so that the data could be presented in an internationally comparable form. There might be cases where the data collected by member countries were not precisely in keeping with those standards. Members should make the utmost efforts to provide data that were more in conformity with the Fund's standards. However, minor deviations resulting from the continuation of earlier procedures for collecting data should not detract from the usefulness of the statistics for the purposes of the Fund, which might need to exercise a degree of flexibility in applying its standards. In that connection, Mr. Pickering's suggestion for a clearer definition of the data series might be helpful in broadening the coverage of data.

Mr. Donoso considered that the analysis in the staff paper was concentrated more on the coverage and currentness of information reported; not much was said about its quality in terms of accuracy. It would have been interesting to be able to discuss that aspect.

As for the request to Executive Directors to support the staff's work in seeking greater cooperation on the part of member countries, Mr. Donoso continued, he missed in the staff paper a more detailed definition of the Fund's policies relating to the explicit type of information that was deemed to be the minimum required in order to analyze the basic aspects of an economy and to be the type of additional information that would be considered optimal. The staff had stressed the constraints imposed by the scarcity of resources that member countries could allocate to the production of statistics, the importance of organizing more efficient statistical systems, and the problem posed by the need to consider the confidentiality attached to certain information by member countries, at least in certain circumstances. All those considerations were major complications with which it would be difficult to deal, and which should be kept in mind; at the same time, the analysis of the quality, currentness, and coverage of information should be put in more operative terms. If the staff could define the relative importance of different types of information and the costs associated with providing it, in terms of concrete objectives at the country level, he would be glad to participate in its efforts to ensure further cooperation with member countries.

In that respect, it would be useful to have a specific definition of the Fund's policies, to analyze the economic situation of individual countries in light of those definitions, and to specify measures, incentives, or programs devised to improve members' reporting, Mr. Donoso added. A report on those matters could be included in the staff report for the Article IV consultations, thereby providing Executive Directors with a good basis for joining the staff's effort to ensure the cooperation of member countries. Specific projects to improve the quality and availability of information, including the improvement of systems in use in member countries, could be better developed through formal technical assistance programs. He therefore supported the staff's suggestion to consider longer-term assistance programs, coordinated with the programs of other international organizations.

Mr. Laske said that he could endorse the conclusions drawn by the staff in its paper. The effective and efficient work of the Fund depended very much on the speedy collection and redistribution worldwide of reliable economic data. The information contained in IFS was particularly valuable when it was of unquestionable accuracy and early availability. He was confident that the accuracy of IFS was beyond doubt, and he was pleased with the progress achieved over the years relating to the currentness of data. All efforts at further improvement had his full support, and he took the opportunity to appeal to those member countries that were still deficient in reporting to the Fund to devote more attention to the speedy discharge of their obligations.

Some countries obviously had severe difficulties in providing the data with which the Fund was most concerned, namely, those on their payments balances, Mr. Laske continued. Like other Directors, he had noted from Appendix II that a number of members that either had current arrangements with the Fund or were net debtors to it supplied data for the basic time series with considerable delays. Many, if not most, of those countries fell into the category of a less than 50 percent response; that unsatisfactory situation should be improved because timely and reliable data were an important prerequisite for rational and effective policies.

Technical assistance was provided by the Bureau of Statistics, Mr. Laske noted. The Institute also offered a balance of payments course and covered statistical subjects in its curriculum. He wondered whether thought might not be given to a training program for statisticians from those countries that seemed to be most in need of improving their statistical systems.

Over the years, the Bureau of Statistics had developed various sophisticated methods for improving the currentness of data, Mr. Laske recalled. However, it appeared that only one reminder was sent to members failing to report or reporting in an untimely fashion. It might perhaps be useful to repeat the notification of failure to meet an obligation to the Fund.

The introduction in the January 1984 issue of IFS of three new series on international banking statistics filled a gap that had been increasingly felt by many who were interested in that highly important subject, Mr. Laske observed. He was grateful to the staff, which had expended considerable efforts on the project, and encouraged it to broaden the coverage of those statistics.

Finally, Mr. Laske underlined his support for the suggestion that the staff should report annually to the Executive Board on the currentness and the coverage of data published in IFS.

Mr. Blandin recalled that his chair had always stressed the importance of sound and realistic data as a better basis for the formulation of stabilization programs. He had noted with great interest, but also with some concern, that there was obviously room for improving the currentness and coverage of data. It was clear from Appendix II that only about one third of the Fund's member countries were at present responding satisfactorily to the IFS monthly letters from the Bureau of Statistics. Therefore, he could not but endorse the staff's proposals for making the necessary improvements.

In particular, Mr. Blandin added, the Fund should continue and, if possible, increase its technical assistance to the developing countries in the statistical field. In that connection, he stressed the importance of the coordination of technical assistance programs by the main international organizations concerned. There was no need for him to stress how counterproductive multiple and uncoordinated interventions could be. He also joined others in emphasizing the important role played by the IMF Institute. While he could agree with the staff that the currentness and perhaps the coverage of data could be improved by means of technological advancement, the quality of the people in charge of statistics in member countries would be crucial. Therefore, training assistance, as provided by the IMF Institute, would seem to be very helpful. Finally, he could accept the proposal for an annual report on developments in statistical reporting by member countries.

Mr. Malhotra said that his chair also supported the staff view that technical assistance, especially to countries that were not providing timely statistics or that were experiencing special problems, was one of the best ways of improving the coverage as well as the currentness of the data in IFS. He had been a little surprised to note that some of those special problems were in areas where there did not appear to be any inherent reason for them. For instance, why were so many countries unable to provide information on interest rates, especially if they were developing countries where interest rates were managed either by the central bank or other monetary authorities? Similarly, he failed to understand why it should be so difficult to report on government finances, because figures on expenditure, revenue, loans, and other such items were set out in national budgets. Another area where a special difficulty seemed to arise concerned the item on "other financial institutions." Perhaps the staff was trying to cover too many of those institutions, which might include countrywide cooperative societies and other financial agencies of that nature, so that the collection of data became difficult. If most of those institutions were organized at the state level, or came under the control of the central bank, it might be possible to make use of whatever national statistics were available, thereby limiting somewhat the scope of coverage. On the other hand, there might be some centralized institutions that were mistakenly defined as nonbanking institutions, and it should be possible to obtain data easily for speedy publication in IFS.

He would join with those Executive Directors who had drawn attention to the possible need for greater give-and-take between the area departments and the Bureau of Statistics, Mr. Malhotra continued. The statistics in staff reports for Article IV consultations, or on the use of Fund resources, were often much more current than the statistics in IFS, where there were instances of data not having been made available for several years. He wondered why no interest rate data were available from Singapore and Bahrain, which were international financial centers, where such information was published daily. Similarly, there were members, even countries like Denmark and Luxembourg, where government finance statistics were apparently not provided. International trade data, which were compiled by necessity under customs regulations, and central banking statistics also seemed to cause an inexplicable problem in some countries. He agreed with Mr. Laske that a program should be drawn up to concentrate on the problems of countries experiencing difficulty in collecting and supplying data if there were to be any improvement in the coverage and currentness of IFS data in the short term.

Mr. Caranicas remarked that it was axiomatic that neither the Fund nor any other institution could make recommendations or reach decisions without having statistical data that were as accurate and detailed as possible. Obviously, as noted in the staff paper, it was becoming possible for members to meet their obligation to respond to the IFS monthly letters more promptly, given the availability of technologically advanced mechanisms for the instant transmission of information.

He would be interested to learn from the staff whether it would be possible to cooperate more closely with the United Nations and with other international or regional agencies, either to avoid duplication or to obtain more up-to-date statistics, Mr. Caranicas added. The cooperation of members was indispensable, and they should be provided with technical assistance, where necessary. Besides, as had been noted in the introduction to EBS/84/16, the provision of certain statistics was a requirement of the Articles of Agreement, and the functions of collecting and providing them to the Bureau of Statistics were important. As time went on, he hoped that the Fund would be able to obtain more accurate and more timely statistics. He agreed with the staff's recommendations.

The Director of the Bureau of Statistics said that some of the more specific questions could be taken up bilaterally by the staff and Executive Directors. He would respond to the major issues raised, many of which were important ones that had been discussed in the past both within the Fund and at various international meetings.

Among the countries for which a record of responses to IFS monthly letters had been compiled, some were making use of the Fund's resources, the Director noted. Any effort, either through Article IV consultations or in other ways, to improve the statistical record would be welcome. The confidential nature of some statistics had become an issue for the work of the Bureau of Statistics only in recent years, whereas for other aspects of the Fund's operations, the problem was no doubt a long-standing one. More and more, the Bureau had been asked to collect information of a sensitive nature, for instance, on international banking statistics; the confidentiality of such information had been respected. It would be useful, as had been recommended, if the statistics contained in IFS and in staff reports on member countries prepared by area departments were equally current. The implementation of that recommendation would of course be a matter for management to consider. The Fund's day-to-day activities were dependent on the provision of statistical information, and on its proper handling. The recent appointment of a security officer in the Secretary's Department might be helpful in resolving some of the problems encountered.

A number of Executive Directors had felt the need for a better presentation of the information provided in the Fund's statistical publications, and for a more precise definition of the type of information that the Fund itself needed, the Director recalled, with a view to adding to the coverage or reducing it. The work of the Bureau of Statistics was related to the procedures followed within the international statistical community. The coverage of statistics by an institution stemmed largely from the functions of the institution. A primary interest of the Fund was in the overall economic performance of its member countries, and it should therefore focus on the national accounts and related measures as a guide to the analysis of that performance. The UN national accounts system provided the guidelines for the compilation of national income statistics. The Fund was interested in those transactors--the term used in the system of national accounts for sectors of the economy--that had a policy impact on the performance of countries' economies, or, in other words, of member governments. That was the reason for the concern with government statistics in various contexts, as Executive Directors had recognized, including those relating to central banks or monetary authorities, in order to determine whether or not members had an external problem. In those three fields, the Fund had developed its own methodologies, which could be viewed as a disaggregation of sector statistics of the national accounts type. In addition to the Fund's manuals on government finance and the balance of payments, the Bureau of Statistics had recently prepared a guide to money and banking statistics in IFS, which had already been circulated within the Fund and was being sent to others in the statistical community with an interest in the field.

The manuals were too complex and lengthy to be useful to users of the Fund's statistical publications, the Director remarked. However, as had been mentioned by some Executive Directors, the way in which the contents of IFS were summarized in the introduction and in the footnotes on country pages might provide too little information. The Bureau of Statistics had been giving thought to various ways of bridging the gap. Experience suggested that such explanatory material should be contained in the monthly publication itself, and not in a separate one, or in only one issue, as had been suggested, in order to avoid the need for readers to refer to several different publications at the same time.

Requests to extend technical assistance beyond the short time frame of the Bureau of Statistics' technical assistance program had frequently been received, the Director observed. Usually, such assistance lasted for two weeks, a short period, although the Bureau had not so far made any attempts to involve itself in compiling statistics but had focused on recommendations for setting up systems. Any changes in the rules that guided the Bureau of Statistics in its technical assistance at present would be a decision for management.

One way of improving members' statistical performance might be to consider enlarging the courses of the IMF Institute to include courses in financial institutions or money and banking statistics, in addition to the existing courses on government finance statistics and on the balance of payments, the Director suggested.

Technical assistance on national accounts was mostly provided by the UN Statistical Office, the Director explained, in accordance with early agreements on the division of labor among the various institutions in the international statistical community. Thus, he would be somewhat reluctant to recommend increased activity by the Fund in that field.

The computerization of statistical records, and possible improvements in the communication of information, had been mentioned by several Executive Directors, the Director observed. Optimistic views were held in some quarters, whereas in others the expectation was that the results would make themselves felt in the longer term rather than in the near future. It was a fact that the large-scale use of modern devices would depend upon the introduction by member countries of advanced technologies. The number of countries able at present to participate in the communication of data by computer was relatively small, although some member countries had asked the Bureau to read records from one computer to another.

As Mr. Polak had observed, there was not necessarily a correlation between the lack of response by a country to the IFS monthly letter and the currentness of the information provided, the Director said. A country might respond 6 out of a possible 12 times a year to a response but give more current information than another country that responded 9 times a year. In future reports to the Executive Board, the staff would attempt to adjust the presentation of Appendices II and III to convey a better idea of the quality as well as the timeliness of the response. An additional problem with the presentation was that the information collected by the Bureau of Statistics was not based entirely on written communications between the Fund and member countries, in response to monthly letters or cables, but was also drawn from other sources, such as national bulletins. The statistics on the currentness of data would also have to be adjusted to reflect the use of those other sources.

It should not be assumed that the Bureau of Statistics sent only one reminder to national correspondents who failed to respond to the monthly letter, the Director noted. The monthly letter itself was a reminder that certain information was needed, and should the appropriate response not be forthcoming, the subsequent monthly letter or questionnaire provided a further reminder. The process of communication was thus an ongoing one, in which an attempt was also made to take up problems encountered with certain statistics.

There was some division of labor among the international organizations responsible for a wide range of publications in economics and related statistical information, the Director stated. Related issues were discussed permanently in international statistical committees, as they had been since the beginning of the UN system. The Fund had observer status in the Statistical Commission of the United Nations, which also had a working group attached to it. The Administrative Committee on Coordination of the United Nations, of which the Managing Director was a member, also had a Sub-Committee on Statistical Activities. The Bureau of Statistics participated actively in the work of the Sub-Committee. In addition, there were regional bodies and committees, within the OECD, for instance, which dealt in particular with the overlapping efforts to obtain statistics. The emphasis was not necessarily on avoiding duplication in published international material, but on the desire not to overburden countries by duplicating the need for them to provide statistics to the international statistical system. Of course, the international compilers of those statistics inevitably competed for the available information, and such competition had a bearing on the ability of countries to satisfy the statistical needs of one international organization, such as the Fund, as distinct from those of other international agencies.

Comments had been directed to the exercise known as FRANCS (Facility for the Retrieval and Analysis of Country Series), the Director recalled. The exercise was designed to bring together, perhaps more closely than in the past, the data needed and processed by area departments with the data collected by the Bureau of Statistics. At present, the system covered a limited amount of such information and for a limited number of countries. The expectation was that the exercise could be broadened over the years ahead; at the same time, because the FRANCS database was part of the larger Fund data system, more information should in principle become accessible through computer terminals.

A breakdown of subscriptions to IFS by categories of users could be circulated to Executive Directors, the Director said. Universities and research institutions did subscribe, in addition to governments, banks, and private businesses (see EBS/84/16, Sup. 2, 3/5/84).

The question of whether or not it was appropriate to show in the presentation of national accounts in IFS only the expenditure composition of GDP, and not the composition by income or by industrial origin, had been discussed at various international meetings in the past, the Director explained. So far, as a financial institution, the Fund had been primarily interested in the expenditure composition of GDP, but it would be useful to consider adding the other items, as suggested by Mr. Prowse.

On the frequency with which supplements to IFS could be updated, the Director mentioned that the supplement on exchange rates and conversion factors had in fact been more of a reference book than a statistical publication. However, it would be the first supplement to be updated, if the Publications Committee agreed to a proposal to issue three supplements a year instead of two, with one of them being an update of a previously issued supplement.

The physical separation of the Bureau of Statistics from other departments in the Fund, as a result of the move to the International Square building, had led to some loss of currentness in the production of data for IFS, the Director commented. Every effort was being made to minimize present difficulties arising from delays in communicating with other offices in the Fund, including the Bureau of Computing Services, upon which the Bureau of Statistics was heavily dependent in the processing of data, and also the area departments, with which the Bureau had increasing contacts, as described in the staff paper.

To his knowledge, the Director continued, neither the Bureau of Statistics nor other departments in the Fund had made use of the database developed by the Institute of International Finance. Most of the information in the database, when it had been introduced at the time of the 1983 Annual Meeting, had been taken from published international sources, principally from information produced by the Fund's Bureau of Statistics.

He welcomed the expression of the need for an annual report on the status of data published in IFS and on recent developments in statistical reporting by member countries, the Director of the Bureau of Statistics concluded. To the extent feasible, the Bureau would consider including, as suggested during the discussion, comments of more substance on the quality and the accuracy of statistics.

The staff representative from the Bureau of Statistics added that the multiple exchange rates of two member countries--Hungary and Romania--were already published in IFS. The Bureau of Statistics was discussing the matter with the Exchange and Trade Relations Department, and it was expected that rates could be published for certain other countries within a few months.

World interest rates were published in the tables following the introduction to IFS, the staff representative noted, including those in the main international financial centers. However, there was room for improvement, and the staff would be taking up the matter with other countries in order to provide comprehensive coverage of international interest rates.

Greater attention had been paid to compiling and publishing data on other financial institutions in recent years, the staff representative said, because much wider use had been made of them, various deposits close to money now forming part of their liabilities. Many countries needed to develop the collection of data on other financial institutions, and technical assistance missions from the Bureau of Statistics tried to encourage such efforts. The subject was under continuous review in the Bureau; as soon there were enough data, they would be published in IFS, in the hope of developing a financial survey.

Data on the current account of the balance of payments were published in the IFS Yearbook for all country pages, the staff representative commented. The next supplement to IFS would be on the balance of payments, and it would contain many of the data in which Mr. Prowse was interested, and over a fairly long period.

Mention had also been made by Mr. Prowse of the desirability of including data on local government and public enterprise finances in IFS, the staff representative noted. There was not a great deal of information available on financing in those two areas through the monetary system, but for several countries a much broader coverage of revenue and expenditure was published in the Government Finance Statistics Yearbook. Consideration could be given to bringing that information into IFS. As for public enterprises, the staff was not at present collecting data on a regular basis, although the Fiscal Affairs Department had been undertaking work in that field.

The Chairman considered that the discussion had been most interesting and helpful because it had shown the value placed by the Executive Board and the membership at large on the collection of statistics that were eventually published in IFS, an indispensable tool for all who had any responsibility in financial matters.

Careful note had been taken of the suggestions made by Executive Directors, the Chairman continued. He agreed that it would be useful to have an annual report. Mr. Prowse had wondered whether a report every two years would be sufficient. If the staff could prepare a yearly report, and he believed that it could, it would deal with the currentness and coverage of data, note any progress or setbacks since the previous year, and indicate the type of action that was being taken or that the Executive Board would be asked to envisage taking to deal with any problems.

It would also be a good idea to include, as a matter of routine, a short passage in staff reports for Article IV consultations, indicating any problems relating to the timeliness or coverage of statistical data in the country in question, the Chairman stated. Light might be shed on the quality of the statistical apparatus of the country, on any problems that it had in complying with its statistical obligations to the Fund, or even perhaps in satisfying requirements under programs financed by the Fund.

With the benefit of an annual report, the Chairman observed, it should become easier to detect the difficulties encountered by different countries. Within the limits of the Fund's budget and its capacity to provide technical assistance, an operation could perhaps be directed toward improving the statistical mechanisms of those members experiencing problems. The annual report would be a useful planning tool for those who had to allocate the Fund's resources for the provision of technical assistance, and would also be of assistance in deciding what type of mission would be most helpful. It was not simply a matter of a brief visit to set up a statistical system; it was necessary to follow up such assistance by ensuring that local statisticians were trained to run the system.

FRANCS had been conceived in order to meet management's need to follow the development of the economic variables of vital concern to the Fund, the Chairman explained. Making use of the more sophisticated technology at hand would improve the monitoring of programs and would reduce the need to ask departments to prepare written memoranda. As the system had begun to take shape, the staff's interest in it had grown because it facilitated the transmission of the latest information on a particular country from one department to another. Not many countries were covered under FRANCS, which was still in an embryonic stage, and was in fact oriented more toward the monitoring of programs under arrangements with the Fund. The information was generally available more rapidly, was more up to date, and gave a better preliminary indication of the relationship between different variables than the data published in IFS. The system was being expanded, but with difficulty, because the project drew on the basic statistics of area departments before they could be placed in the context of a program or explained more fully in a carefully drafted memorandum. In addition, some of the figures were not publishable, and their confidentiality had to be carefully protected. He would thus have some difficulty in encouraging Mr. Prowse in his expectation that the system would be opened up to Executive Directors; the system had not reached a level of perfection that would permit its wider use.

The Deputy Managing Director remarked that FRANCS was having the interesting and important side benefit of providing a framework within which to carry on the process of reconciling the data published in IFS and the data collected and used by area departments. One of the Fund's oldest and most time-consuming problems had been to reconcile the data in IFS, which had historically been concerned with the uniformity of data across countries, and the figures actually used by member countries and provided to area departments. FRANCS was slowly making available, country by country, a limited time series of general data to permit the Fund for the first time to envisage the eventual possibility of successfully reconciling those two sets of figures.

The Executive Directors concluded their discussion of the staff paper on the coverage and currentness of data published in IFS.

The Deputy Managing Director then assumed the chair.

2. SUDAN - EXTENSION OF STAND-BY ARRANGEMENT

The Executive Directors resumed from the previous meeting (EBM/84/27, 2/22/84) their consideration of a statement by the Chairman on Sudan's request for the extension and modification of its stand-by arrangement (see Chairman's statement in EBM/84/27).

The staff representative from the Middle Eastern Department noted that on January 11, 1984, information had been received from the Sudanese authorities indicating that as of the end of November 1983, Sudan had been well within the prescribed credit ceilings--the ceiling on net domestic assets as well as the subceiling on government credit--that were applicable to the final purchase under the program. However, the staff had been concerned on two accounts: first, some items relating to the Government might have been covered by "other items net," and it had been felt necessary to verify the data in order to determine whether or not the government credit ceilings had in fact been observed; second, there had been concern about a possible underreporting of foreign liabilities of the Bank of Sudan and of the banking system as a whole. On the basis of adjustments made to detailed information received from the authorities on February 15, 1984, the staff had determined that Sudan had indeed met the ceilings set for

November under the program. If an Executive Director wished, the staff could provide the statistics and details on the adjustments made to the data in verifying the November ceilings.

The Deputy Director of the Exchange and Trade Relations Department said that it was his understanding that the Paris Club had an open membership and that it welcomed the participation in its meetings of all governments having claims on the debtor country requesting the rescheduling. The agreed minute signed by the debtor and creditor governments in concluding the rescheduling contained two standard provisions: one was the requirement that the debtor country would not agree to a renegotiation that would result in more favorable treatment of any other creditor than the participating creditors; the other was the requirement that the debtor country would seek renegotiation of private debts on terms comparable to those of the agreed minute.

In the agreed minute on Sudan, the Deputy Director continued, the bilateral agreements were to be concluded by September 1, 1983. Not all the agreements had in fact been concluded by that time, as had happened in other cases. However, it was the policy of the Paris Club not to consider further rescheduling until bilateral agreements under a previous rescheduling had been completed and the debtor country was current in meeting all its scheduled obligations. That was the lever used by the Paris Club to ensure that bilateral agreements were concluded within a reasonable time.

In connection with the use of its resources, the Fund's policy on arrears had been to consider arrears to have been eliminated at the point when a general agreement establishing new contractual obligations regarding the settlement of arrears had been reached, either in the Paris Club or in other multilateral forums, the Deputy Director explained. From then on, arrears would emerge only if the debtor country failed to make payments in the amounts scheduled under the bilateral agreements. It was expected that the debtor country would conclude agreements on similar lines with other creditors that did not participate in the Paris Club. If a bilateral agreement with a creditor were not concluded, it would be a matter for consideration on a case-by-case basis.

When Sudan's request for a stand-by arrangement had been submitted to the Executive Board, the Deputy Director recalled, Sudan had been in arrears to official creditors, to commercial banks, and to suppliers. An external finance coordinator was appointed to facilitate the settlement of the debt problem. The agreement with the Paris Club had been reached in February 1983, and there had subsequently been an agreement with the commercial banks. It had been expected that Sudan would deal with its remaining official debts in a similar manner.

Because Sudan's arrears were to be eliminated principally through debt rescheduling, the Deputy Director remarked, the performance criterion on arrears did not take the form of a global ceiling, but rather required Sudan to make all scheduled payments under the bilateral agreements and to meet all other current obligations without undue delay. The performance criterion related to all creditors, not just to Paris Club creditors. As he had already noted, all bilateral creditors were free to participate in the Paris Club meetings.

The amount owed to the Paris Club creditors was in the neighborhood of $25 million, the Deputy Director of the Exchange and Trade Relations Department said. However, the staff did not have copies of the bilateral agreements that had been concluded, and it did not know where disputes had arisen or what their nature was. Where there were no disputes, it was expected that Sudan would make payments directly to the creditors; where there were disputes, the staff hoped that Peat, Marwick, Mitchell and Company would be able to make an acceptable preliminary tally on the basis of which an appropriate amount would be paid into the escrow account.

The Acting Chairman commented that there would thus appear to be three possible categories of countries that participated in the Paris Club meeting on Sudan. The first would consist of creditor countries with which Sudan had reached agreement and with which it had no dispute over the amounts in question. The second would be where an agreement in principle had been reached but where a dispute might still exist with respect to the amounts due. Third, where no agreement had been reached, there might or might not be a dispute on amounts. In addition, some countries, including Iran, had not participated in the Paris Club discussions and did not have a bilateral rescheduling agreement with Sudan.

The staff representative from the Middle Eastern Department, in response to a question by the Acting Chairman, said that the external finance coordinator had accompanied the Director of the Middle Eastern Department on visits to some bilateral creditors and regional institutions. To the best of his recollection, he did not believe that the external finance coordinator had approached the Islamic Republic of Iran.

The staff representative from the Legal Department explained that there were various stages in the Paris Club's rescheduling procedures. For jurisdictional purposes, as well as for the exercise of the Fund's financial powers, the legal view was that when the agreed minutes were initialed, the debtor country was still in arrears; the arrears would be eliminated only when the implementing bilateral agreements were concluded. The performance criterion in the stand-by arrangement for Sudan was based on that view; the same basis would underlie the approach proposed in the draft decision, namely, the arrears would be considered to exist either until Sudan's payments were current under the implemented bilateral agreements or until an escrow account had been established to provide an alternative means of settlement in situations involving disputed amounts. In order to ensure that the Fund's jurisdiction was properly safeguarded in such situations, it was not enough to reach agreements in principle; the agreements should be fully implemented. It followed that if no agreements were reached, the Fund would continue to have jurisdiction and would be concerned about the eventual liquidation of the payments arrears, which might need to be dealt with under different procedures from those of the Paris Club.

Mr. Clark said that as he understood it, the proposal to substitute an escrow arrangement for making payments to individual creditors had been made without the Paris Club creditors' being informed. As he had stated at the previous meeting, he had no difficulty with extending the stand-by arrangement, and did not want to disrupt the financing arrangements for Sudan for no good cause, but he had difficulty with that part of the proposed decision concerned with the establishment of an escrow account.

Mr. Blandin noted that he shared Mr. Clark's concern. The proposal to establish an escrow account seemed to involve a new procedure, which should be studied carefully. Since it was expected that the international accounting firm would complete its work by March 5, 1984, so that payments could be made to the satisfaction of individual creditors, he suggested that the stand-by arrangement be extended up to March 9. If on that date Peat, Marwick, Mitchell and Company had not been able to help the Sudanese authorities verify the amount of their obligations, and if the creditors had not received satisfaction, the Executive Board could discuss the particular issue of whether or not an escrow account along the lines described in the Chairman's statement constituted observance of the performance criteria. In sum, he could agree with the first three paragraphs of the proposed decision, relating to the extension of the stand-by arrangement, but had difficulties with paragraph 4 on the escrow account.

Mr. Erb remarked that in the first of the three categories of agreements mentioned by the Acting Chairman--between Sudan and a creditor where there was no dispute--payments might or might not already have been made by Sudan. Clearly, in the second and third categories, no payments would have been made at all. He asked whether the staff had enough information to classify Sudan's creditors into subcategories.

The staff representative from the Middle Eastern Department responded that, to the best of the staff's information, the Sudanese authorities, as of the previous day when the staff had been in touch with them, had not paid any of the Paris Club members, even if they had no dispute with them and an agreement had been signed. It should be noted that two types of disputes had emerged. The first was a dispute in interpreting the overall Paris Club agreement, under which the Sudanese authorities had negotiatated individual agreements. Some creditor countries had made what the staff considered to be the correct interpretation, namely, that they were supposed to capitalize what was called the "delay interest" and pay half of the interest due in 1983 on the total capitalized amount. Disputes with such creditors would probably be resolved more quickly than the second type of dispute, where the "delay interest" had not been consolidated and capitalized but included in the payments due in 1983. It would not be possible for Sudan to make payments to those creditors by March 5, as it would take much longer to resolve the fundamental issue of equal treatment by Sudan of all its creditors.

In response to a question by Mr. Erb, the staff representative confirmed that the amounts put into the escrow account would be those due to countries with which agreements had been signed, but to which payments had not been made, possibly because of a dispute between the creditor and the Sudanese authorities over the amount of the obligation. The staff had intended to take, from Peat, Marwick, Mitchell and Company the amount due to each creditor country, based on information on debt outstanding at the end of December 1982 under the formula adopted by the Paris Club. Leaving aside the question of why there had been a delay in signing the agreement, countries with which no agreement had been signed would not receive payments from the escrow account. The staff had earlier approached the Paris Club creditors in an attempt to supply the actual amounts due, and only two countries had so far responded to the staff's inquiries. That was the only way to find out whether or not there was a dispute between a creditor and the Sudanese authorities over the amount due.

Mr. Erb remarked that the escrow account would thus not be set up to benefit the first or third category of creditor countries mentioned by the Acting Chairman. Creditor members of the Paris Club, as well as nonmembers, would be excluded from receiving payments from the escrow account if they had not reached an agreement with Sudan, whereas they would not be excluded, if a so-called agreement in principle had been reached but if there was a dispute over the amounts or over the technicalities of calculating them. It was not clear to him which situations were meant to be covered in that second category.

The staff representative from the Middle Eastern Department replied that as far as he knew, Sudan had not concluded agreements with countries other than the Paris Club members. There were even three members of the Paris Club with which Sudan had not as yet signed agreements; until it did so, Sudan would not be considered in arrears under the performance clause, and in those cases the question of using the escrow account would not arise.

The staff representative from the Legal Department, replying to a question by the Acting Chairman, said that technically, amounts due to a participant in the Paris Club meeting were arrears, subject to the Fund's jurisdiction, even though a bilateral implementing agreement was not in place. But insofar as there was no agreement, priority was given, under the stand-by arrangement, to the settlement of arrears for which agreements did exist. However, even arrears to a creditor country with which no agreement had been implemented were of concern to the Fund, especially if it were to grant future financial arrangements for Sudan, and an appropriate method would presumably have to be found to deal with them.

The Acting Chairman observed that in practice the Fund's jurisdiction thus applied also to arrears that were not the subject of signed agreements, either with countries attending the Paris Club meeting or with other countries, such as Iran. However, in the case of Sudan, those arrears would not be subject to the related performance criterion under the stand-by arrangement, and the member's drawing rights under the arrangement would not be interrupted.

Mr. Erb said that what he had trouble understanding was the practical significance of the escrow account, unless it was simply a matter of buying a few days' time to permit transactions to take place following a signed agreement. There would simply be a delay in transferring the money from the escrow account to the creditor. He also failed to see why there was no need for an escrow account if no agreement existed.

The staff representative from the Middle Eastern Department remarked that unfortunately the staff had not been provided with the actual bilateral agreements that Sudan had negotiated with the creditors, nor had the staff been able to obtain information from the Paris Club creditors about the actual payments due to them. The staff was also not fully informed about the countries with which Sudan had a dispute. The Sudanese authorities had not yet paid any of their creditors, and in order to reduce incentives to prolong the negotiations, the staff had tried to find a substitute mechanism of an escrow account for payments by Sudan. There were only three Paris Club creditors with which Sudan had not reached agreement. If the verified amounts due to the creditors with which agreements had been reached could be blocked in the escrow account, the subsequent disbursements would be facilitated. Otherwise, the staff could not be sure that even those creditor countries with which Sudan had no dispute would get paid.

The Acting Chairman observed that it was not the first time that the Fund had found itself in the position of having less than full information on arrangements with creditors, so that it became difficult to do justice to all parties. The purpose of the escrow account was to deal with unforeseen problems.

There remained the question of the Paris Club's attitude to future reschedulings when certain claims on the debtor remained unsettled, the Acting Chairman continued. As Executive Directors would recall, in the staff report for the 1983 Article IV consultation and the review under Uganda's stand-by arrangement (EBS/84/7, 1/16/84), which had been discussed at the previous meeting (EBM/84/27), it was stated on page 5 that "however, at the time of the midterm review, it became clear that pending the legal settlement of certain claims on Uganda, the Paris Club would not consider Uganda's request for debt relief." It appeared that Israel had been present at the Paris Club meeting on Uganda's rescheduling, whereas Iran had not been present when the Paris Club had discussed Sudan's rescheduling agreements. The Deputy Director of the Exchange and Trade Relations Department had explained that the Paris Club was unlikely to consider further rescheduling if implementing agreements had not been signed with participants in the Paris Club discussions. Would its attitude be the same to a creditor that was not a participant in the Paris Club meetings?

The staff representative from the Exchange and Trade Relations Department observed that Uganda's case provided a precedent. When the Paris Club creditors had agreed on the first rescheduling for Uganda in 1981, Israel had had claims on Uganda subject to rescheduling in principle, but Israel had not been present at the Paris Club discussions. Uganda had asked for a further rescheduling in 1982, and the Paris Club creditors, in accordance with their normal procedure of welcoming all creditor governments, had accepted Israel's request to be present. Israel's claims, which could have been rescheduled if Israel had been present at the first rescheduling, had then been dealt with. As he understood the Paris Club procedures, if Iran were to request to be present at a subsequent rescheduling for Sudan, it would be welcomed.

Mr. Salehkhou noted that the staff representative from the Exchange and Trade Relations Department had previously provided him with an explanation of the procedures of the Paris Club, including the fact that it was open to all. Nonetheless, the settlement of Iran's claims on Sudan had been a problem for more than five years. The matter had been brought up in the Executive Board, but Sudan had refused to enter into negotiations; not only had Iran not been invited to participate in the Paris Club meeting, it had had no idea that Sudan's creditors were participating in negotiations. To his recollection, Iran had not even been included in the list of creditors. It was only after the Iranian authorities had insisted strongly that a settlement be reached that the Sudanese authorities had agreed to a meeting, arranged through the good offices of the Deputy Managing Director. Ever since, the matter had been left hanging. Reference had been made to other creditor countries that had not reached agreement. Those, however, might be based on certain political exigencies.

As he understood it, Mr. Salehkhou concluded, under Article III of the Paris Club agreed minutes, Sudan had to meet its obligations to creditors that were not present at the Paris Club meeting.

The Acting Chairman confirmed that the agreed minutes, in what was presumably a standard paragraph, stated that "the Government of the Democratic Republic of Sudan undertakes to negotiate promptly rescheduling or refinancing arrangements with all other creditor countries on debts of a comparable term."

Mr. Finaish asked whether the Paris Club had a set procedure for informing and inviting all creditors to its meetings. It was quite possible that creditors with long experience of the Paris Club would attend and be able to settle their problems, whereas less well-informed creditors would not even know about the rescheduling meetings.

Four of the countries in his constituency were also among Sudan's creditors, Mr. Finaish added. As far as he knew, those countries had not yet reached an understanding with the Sudanese authorities. To the best of his information, he had had no direct notification from the countries concerned that they had been contacted by either the Paris Club or the debt coordinator.

The staff representative from the Exchange and Trade Relations Department commented that, of course, the Paris Club had no fixed membership; in principle, only those creditor governments having outstanding claims on the debtor country would want to attend debt rescheduling meetings. In a few cases, the Paris Club Secretariat had full knowledge of claims falling due to a particular creditor government, but there were other cases where, due mainly to the lack of data, the Secretariat was not fully informed. In point of fact, owing to the nature of the debt service obligations being rescheduled in the Paris Club--debt service on loans extended by one government to another and on insured export credits--the OECD member countries were the principal participants. However, in the past six or seven years, a number of non-OECD countries had taken part in Paris Club reschedulings, including Argentina, Israel, Mexico, South Africa, and the United Arab Emirates.

Generally speaking, the staff representative added, a creditor government not frequently attending Paris Club meetings would become aware that a country had requested a Paris Club rescheduling from references in Fund staff papers on requests by members for stand-by or extended arrangements. The Paris Club agreed to reschedule the debt of a Fund member country only after the country had drawn up a program and received the approval of the Executive Board to use the Fund's resources under an arrangement.

Mr. Suraisry commented that the problem under discussion was important, and was one that was likely to be faced on future occasions as well. Yet the complicated relationship between the Paris Club and the Fund was probably not very well understood; it might be helpful to have a staff paper in which all the implications, legal as well as financial, were examined in depth.

The staff representative from the Exchange and Trade Relations Department recalled that in 1983, the Executive Board had considered a series of papers in which such issues had been covered. The main paper on Fund policies and external debt servicing problems (SM/83/45, 3/8/83; and Cor. 1, 4/15/83), discussed at EBM/83/57 and EBM/83/58 on April 6, 1983, had included an extensive section on official debt rescheduling procedures. In a lengthy background paper on external debt servicing problems (SM/83/46, 3/9/83; and Cor. 1, 4/15/83), the staff had described in detail its understanding of the Paris Club procedures and the link with Fund programs. In addition, in a seminar held on December 12, 1983, the Executive Board had discussed a staff paper entitled "Recent Experience with Multilateral Debt Restructurings with Official Creditors and with International Banks" (SM/83/227, 11/7/83), recently published as Occasional Paper No. 25. At the same time, the Board had had before it the study prepared by an external consultant on the Fund, commercial banks, and member countries (EBD/83/200, 8/4/83; and Sup. 1, 11/29/83).

The Acting Chairman remarked that Executive Directors should feel free to consult the staff members who were experts on the subject. There were many pitfalls that governments of debtor countries could avoid if they sought proper advice. For instance, if a debtor country asked for a Paris Club debt rescheduling, and did not specify that it was seeking relief on debt of over one year's maturity, the potential participants in the negotiations might assume that the country would seek relief on short-term debt as well. The result might well be the immediate loss of cover by official export credit agencies for short-term financing, because some countries automatically lifted such cover until a Paris Club rescheduling had been concluded, including in some cases the implementation of agreements.

Mr. Finaish made the general point that because the Fund was involved and usually had information on the creditors of its member countries that were seeking debt relief, it should be able to notify the Paris Club, which would then invite all creditors. It was a sensitive issue, because the Fund would want to give all creditors an equal opportunity to be represented. The question whether or not the Paris Club was in possession of the relevant information was therefore a valid one, which might be important in the future for many creditors and debtors.

The Acting Chairman remarked that the Paris Club had been more active in the past two years, and the Fund staff had been collaborating more intensively with the Secretariat of the Paris Club, inter alia, by providing information about the existence of creditor countries that might not otherwise have come to the Club's attention.

Mr. Polak inquired whether there would be any difficulty if the staff notified the Executive Board as soon as it knew of any approach by a member country to the Paris Club.

The staff representative from the Exchange and Trade Relations Department observed that once a rescheduling request had been received by the Paris Club, the Secretariat notified a number of governments, including those having large export credit guarantee programs, and also those extending official loans for a development assistance that were regular attendants, for the most part OECD member countries. Other countries with claims on the debtor would not be so informed but would become aware of the request either informally, through other export credit guarantee agencies, or because a request to the Fund for use of Fund resources had an element of debt relief built into it. As many as 35 countries, including developing countries, were members of the Berne Union, a union of export credit insurance agencies, and would also become immediately aware of a rescheduling request. In sum, the creditors that would not be routinely informed would be those that were neither members of the Berne Union nor regular attendants at Paris Club meetings. The fundamental issue was at what point in time a wider notification could be made, for instance, when the Paris Club received the formal rescheduling request, often at a late stage, or earlier. There might well be a period during which a general notice of a request would raise sensitive issues.

The Acting Chairman remarked that it might be worthwhile to follow up Mr. Polak's suggestion informally, in particular with the Paris Club, whose procedures and activities were involved.

Mr. Caranicas wondered whether it was fruitful to attempt to delve without advance notice into the complexities of the procedures and the various other principles on which the Paris Club operated. As he had noted at the previous meeting, he had been ready to accept the proposed decision, based on the advice of the staff and management. Apart from the reservations of two Executive Directors, and the request of another Director for additional information, there appeared to have been a consensus in favor of the proposed decision. However, he was willing to accept postponing consideration of the proposal in paragraph 4 of the proposed decision until a later time, if that were deemed advisable.

Mr. Erb said that it was of interest to learn more about the Paris Club, although the immediate issue was a wider one, involving non-Paris Club members and the multifarious categories of creditors with which a debtor had a dispute.

In order to resolve the issue proposed to Executive Directors in the Chairman's statement on Sudan's request for an extension and modification of its stand-by arrangement, Mr. Erb added, it seemed necessary to look at the original performance criterion in order in effect to limit the range of the proposed decision. According to the staff report for the 1983 Article IV consultation and review under the stand-by arrangement (EBS/83/174, 8/16/83), the performance criteria included "the standard injunctions on trade and payments restrictions with the exception of certain arrears; arrears would be allowed in the case of debt servicing obligations to those creditors with whom debt relief arrangements had already been made but where implementation agreements had yet to be finalized." Based on the explanations of the staff, it seemed to him that the escrow account would apply to just such a category; it would not apply if there were no agreement. His question therefore was why a waiver was necessary, given the original definition of the performance criterion, and why the escrow account was needed, since arrears would seem to be permitted under the terms of the stand-by arrangement.

The Acting Chairman explained that because it was not certain that the escrow account would be needed, as had already been explained, the proposed decision could be adopted without paragraph 4, and with the amendment proposed by the staff at the previous meeting to paragraph 2, which would read: "The stand-by arrangement for Sudan is extended until February 24, 1984, and will be extended to March 9, 1984 if by the close of business on February 24, 1984 Sudan has no overdue financial obligations to the Fund." It would be understood by the Executive Board that if at any time between February 24, 1984 through March 9, 1984, an escrow account was needed to deal with disputes that might emerge over amounts, notwithstanding that bilateral implementing agreements were in place, a proposal to that effect would be submitted to the Executive Board. Sudan had no financial obligations to the Fund that would fall due between February 24 and March 9, so that no new arrears could arise in that period.

Mr. Laske said that he could also support the proposal to omit paragraph 4 of the proposed decision, especially as it might not be needed. He wondered whether the Fund should not inform the Paris Club Secretariat about the discussion in the Executive Board on the matter of an escrow account; without knowing how it felt about such a solution, the Fund might find itself facing the same problem again.

The Acting Chairman observed that the suggestion by Mr. Laske would be pursued and that the question raised by Mr. Polak about whether or not the Fund should notify members of the Executive Board of requests for Paris Club reschedulings as a continuing part of its collaboration with the Club--and if so, at what stage in the proceedings--would be explored with the Paris Club.

Mr. Salehkhou remarked that, with or without paragraph 4, he still had a hard time understanding where Iran stood. He would appreciate being in a position to offer his authorities some guarantee of a mutually satisfactory conclusion to the matter before the stand-by arrangement was extended.

The Acting Chairman responded that he would maintain his personal undertaking to extend his good offices in an attempt to facilitate contact between the two members involved. While it would be difficult to offer any guarantees, it was helpful to know that the attitude of the Paris Club in general was to be reluctant to undertake another debt rescheduling unless a debtor honored its undertaking to reach prompt agreement with all other creditors.

Mr. Mtei stated that he had not received specific instructions from his Sudanese authorities, although he knew that they had passed on to the Iranian authorities detailed information on the agreement reached between Sudan and the Paris Club. In spite of the past delays, it was his hope that discussions between the Sudanese authorities and the Iranian authorities could take place in order to reach agreement on the sort of arrangement that would form a basis for rescheduling the debt to Iran as part of a future Paris Club agreement or other agreement to settle Sudan's obligation.

Mr. Malhotra commented that it seemed to him to follow from the understanding reached previously by the Paris Club that creditors not present at the last meeting would be approached in order to arrive at some kind of settlement.

The Acting Chairman remarked that it was necessary to interpret with care the Democratic Republic of Sudan's undertaking, as expressed in the agreed minute of the Paris Club, to negotiate promptly arrangements with all other creditor countries on debts of a comparable term. It was of course a significant undertaking, which it had to be expected would be implemented; the Fund should be in informal touch with the parties concerned.

Mr. Malhotra explained that he had been wondering whether it was necessary, as Mr. Mtei had mentioned, to wait for another Paris Club meeting. The process of discussion, which had been initiated some time earlier and which appeared to be proceeding rather slowly, could perhaps be expedited in the light of the undertaking to the Paris Club; even if it might not be a binding commitment, it was certainly more than an exhortation.

Mr. Erb asked what Sudan would have to do to satisfy the staff that it could draw the last tranche of SDR 25.5 million, and when the drawing could be made.

The staff representative from the Legal Department explained that Sudan would have to meet two conditions. First, the member would have to have met its financial obligations to the Fund by the close of business on February 24, 1984; if it had not, the arrangement would not be extended and would expire, but if it had, the arrangement would be extended until March 9, 1984. Second, Sudan would have to be in compliance with the performance criteria under the stand-by arrangement, which included being current on its obligations under the bilateral agreements that it had concluded with the Paris Club members.

In response to a question by the Acting Chairman, the staff representative from the Legal Department confirmed that although Sudan's purchase, which would involve borrowed funds, would not take place until March 15, it was necessary to extend the stand-by arrangement only to March 9, 1984. The need to draw on borrowed funds on the basis of adequate notice had led the staff to take the view that if a member country had met all the relevant performance criteria, and if a request for a drawing had been received in the Fund before the close of business on the day on which the stand-by arrangement expired, the request would be honored and the borrowed resources made available in accordance with the Fund's standard procedures.

Finally, the staff representative from the Legal Department recalled, it had been understood that if disputes continued to exist between the member and any of its creditors, the Executive Board might need to give consideration at a later stage to ways of dealing with the consequences.

Mr. Salehkhou noted that participation by the Islamic Republic of Iran in the Paris Club or in any other external financial arrangements with the Government of Sudan or of any other member country would be a matter for the Iranian Parliament to decide. Since parliamentary approval might entail delays, he asked whether it would be possible for the payment due to Iran--$3-4 million out of the $25 million due as a first installment to Sudan's creditors under the Paris Club agreement--could be placed into a separate account, which might perhaps take the form of an escrow account, so that the funds would be available immediately after an agreement was reached.

The Acting Chairman responded that the issue was not so much a matter of Iran's joining the Paris Club as of its absence from the Paris Club discussions that had resulted in the agreed minute to which reference had been made. However, Iran was covered by Sudan's undertaking in that agreed minute to negotiate promptly any scheduling arrangements with other creditors. It had not been contemplated, even under the proposal in paragraph 4 of the proposed decision, that any payment would be made either directly or into an escrow account to a country that had not already reached a bilateral agreement of the sort to which reference was made in the undertaking in the agreed minute.

Mr. Salehkhou reiterated that Iran had not been given an opportunity to reach such a bilateral agreement.

Mr. Mtei said that it was his understanding that the Sudanese authorities were prepared to continue discussions with the Iranian authorities on rescheduling the debt, even if Iran was not a member of the Paris Club. Therefore, it should be possible to reach some sort of agreement, if not before March 9, 1984, soon afterwards.

The Acting Chairman stated that he had that day sent a telex to the Minister of Finance of Sudan concerning Iran's claim. He hoped that it would be possible to pursue the matter effectively in the near future.

The Executive Board then approved the proposed decision, amended in the light of the discussion.

The decision was:

1. The Government of Sudan has requested that the period of the stand-by arrangement for Sudan, which expires at the close of business on February 22, 1984, be extended through March 9, 1984.

2. The stand-by arrangement for Sudan is extended until February 24, 1984, and will be extended through March 9, 1984 if by the close of business on February 24, 1984 Sudan has no overdue financial obligations to the Fund.

3. The Fund waives the limitation in Article V, Section 3(b)(iii).

Decision No. 7636-(84/28), adopted
February 22, 1984

APPROVED: August 9, 1984

LEO VAN HOUTVEN
Secretary