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SM/83/43

March 1, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Annual Review of the Implementation of Surveillance

There is attached for consideration by the Executive Directors a paper on the annual review of the implementation of surveillance. A draft decision appears on page 26.

This subject has been tentatively scheduled for discussion on Monday, March 28, 1983.

Att: (1)

Other Distribution:  
Department Heads

INTERNATIONAL MONETARY FUND

Annual Review of the Implementation of Surveillance

Prepared by the Research Department and the  
Exchange and Trade Relations Department

(In consultation with other Departments)

Approved by Wm. C. Hood and C. David Finch

March 1, 1983

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## I. Introduction

Under Article IV, Section 3, the Fund is to exercise firm surveillance over exchange rate policies of members. In order for the Fund to perform its functions in this regard, the Executive Board adopted the principles and procedures for surveillance set forth in the document entitled "Surveillance Over Exchange Rate Policies." 1/ Paragraph VI of the section on procedures states that the Executive Directors shall review annually the general implementation of surveillance. This paper is intended to serve as a basis for that annual review, which on the present occasion is to be completed not later than April 1, 1983. 2/ The principles of surveillance are to be reviewed biennially, and the next review is to take place no later than April 1, 1984.

Major economic, financial, and exchange rate developments were reviewed recently by Executive Directors in the context of discussions of the World Economic Outlook. In brief, while further favorable results were achieved in the difficult fight against inflation, the year 1982 was one of stagnant economic activity and rising unemployment in almost all parts of the world, along with declining world trade and a rising threat of protectionism. Acute payments difficulties were experienced by a few developing countries. While these were tackled in a cooperative manner, usually with the assistance of the Fund, the external situation of many developing countries and some industrial countries remained troublesome.

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1/ Executive Decision No. 5392-(77/63), adopted April 29, 1977, (Selected Decisions of the International Monetary Fund and Selected Documents, Ninth Issue, pp. 10-14.) The section on procedures for surveillance covers: (i) notification of exchange arrangements and subsequent changes; (ii) annual Article IV consultations that are to comprehend those conducted under Articles VIII and XIV; (iii) review of broad developments in exchange rates within the framework of the World Economic Outlook; (iv) maintenance of close contact by the Managing Director with members on exchange arrangements and exchange policies; (v) a procedure for a review between regular Article IV consultations when the Managing Director considers that a member's exchange rate policies may not be in accord with the exchange rate principles; and finally (vi) the requirement of an annual review of the implementation of the Fund's surveillance. The procedures of the document have been augmented by the adoption, on the occasion of the review in 1979, of a supplemental surveillance procedure that may be invoked when the Managing Director considers that a modification in a member's exchange arrangements or exchange rate policies, or the behavior of the exchange rate for its currency, may be important or have important effects on other members. (Executive Board Decision No. 6026-(79/13), adopted January 22, 1979, Selected Decisions, Ninth Issue, p. 15.)

2/ The last annual review of the general implementation of surveillance was completed in March 1982 (EBM/82/31, EBM/82/32 and EBM/82/44), in conjunction with the 1982 biennial review of the principles of surveillance.

Exchange rates for the major currencies continued to be characterized in 1982 by substantial short-term volatility. Continuing concern was also expressed about the persistent exchange market pressures that resulted until November in further strengthening of the U.S. dollar and weakening of the Japanese yen. Pressures within the European Monetary System (EMS), moreover, resulted in realignments of currency values within the EMS in February and June 1982.

Against this background, issues related to the implementation of surveillance gained increased attention and urgency in 1982. The difficult world economic environment and the strains within the international financial system made the implementation of Fund surveillance particularly important. At the same time, the economic and financial difficulties facing members raised questions concerning the effectiveness of surveillance. Under these circumstances, surveillance activities on the part of the Executive Board, management, and staff were intensified. Section II provides a review of the implementation of surveillance procedures in 1982 through Article IV consultations, the World Economic Outlook and special papers and seminars, and other activities of management and staff.

As in previous years, questions regarding the effects of the stance of financial policies on exchange rates and the role of exchange market intervention figured prominently in the implementation of surveillance in 1982. Three other aspects of surveillance received increased attention during 1982: the rise of protectionist policies, the possibility of competitive exchange rate manipulations, and the implications of high and rising levels of external indebtedness for the stability of the international financial system. Section III briefly reviews the treatment of these subjects in the context of the implementation of surveillance in 1982.

Frequent references were made in the Executive Board during 1982 to ways in which the procedures for surveillance could be made more effective. Suggestions were made on the frequency of consultations and on the methods for surveillance over changes in exchange rates and exchange rate policies. These topics are covered, respectively, in Sections IV and V of the paper. Section VI summarizes the proposals for changes in the implementation of procedures. An Annex to the paper provides a statistical review of Article IV consultations.

In addition to the problems of implementation considered in this paper, the Fund's surveillance over members' exchange rate policies continues to face the difficult problem of how to identify cases where the exchange rate is viewed with concern from a national or an international standpoint because the behavior of the rate appears unrelated to underlying economic and financial conditions, including factors currently and prospectively affecting competitiveness and long-term capital movements. In 1982, this difficult problem came to the

forefront for both floating exchange rates, such as the U.S. dollar and the yen, and pegged exchange rates, such as the Swedish krona. The staff has the intention of bringing to the Executive Board one or more papers on this subject over the next several months. Their main purpose will be to serve as background for preparation of the biennial review of the document "Surveillance Over Exchange Rate Policies" to be carried out in 1984.

## II. General Aspects of the Implementation of Surveillance Procedures

The implementation of surveillance continued to take place through a variety of channels in 1982, including discussions of members' positions and policies by the Executive Board on the occasion of Article IV consultations, reviews of the World Economic Outlook by the Executive Board and the Interim Committee, and consultations and discussions with members by management and staff. In response to the greater urgency of surveillance issues, the Fund intensified its activities, as reflected in an increase in the number of consultation missions; in the preparation of a broad range of special studies on issues related to surveillance, including special studies undertaken in the context of the World Economic Outlook; in the increase in the amount of time devoted by Executive Directors to discussion of country items; and in the active role of management, including more frequent public statements.

### 1. Article IV consultations

The basic framework within which surveillance was exercised remained the individual Article IV consultation. The discussion and analysis of economic developments in connection with Article IV consultations provided a basis for the Fund's assessment of members' policies from the perspective both of individual members and of the functioning of the international economy. <sup>1/</sup>

The experience in 1982 as regards the conclusion of Article IV consultations is reviewed in the Annex. Briefly, as in 1981, the percentage of the membership for which Article IV consultations was concluded in 1982 declined. However, this reflected the presence at the end of 1982 of an unusually large backlog of consultation staff reports that had been issued but not yet discussed by Executive Directors. In fact, consultation activity increased substantially in 1982. Consultation missions and staff reports both increased by about 20 per cent in 1982.

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<sup>1/</sup> A more extensive discussion of the role of Article IV consultations is presented in Section IV below.

A less favorable development in 1982 was the reversal of the trend of recent years toward reducing the length of time elapsed between the termination of discussions in the field and conclusion of consultations by the Executive Board. The average length of time increased from 89 days in 1981 to 99 days in 1982, largely as a consequence of the requirement that the interval between issuance of staff reports and Board discussion had to be at least three weeks, and in some cases four weeks. The number of cases for which extensions of the three-month limit established by the consultations guidelines had to be sought, increased to 41 in 1982 from 23 in 1981.

Regarding the content of staff reports for Article IV consultations, two issues were highlighted in last year's review of surveillance: the treatment of exchange rate policies and the need to provide analysis of the balance of payments and any need for adjustment in a medium-term framework. The issue of how forthcoming the staff should be in discussing exchange rate problems has been discussed in the past by Executive Directors. Several Directors endorsed the techniques developed by the staff for reporting on the sensitive subject of the exchange rate, but others cautioned against a discussion of exchange rate policies that was too explicit. A number of Directors, while agreeing that exchange rate questions must be treated carefully in the reports, considered that, in cases of inappropriate exchange rate policy or maintenance of an unrealistic exchange rate level, the staff reports should treat the issues forthrightly.

During 1982, the staff continued its endeavors to discuss exchange rates cautiously, taking into account the sensitivity of the subject, while at the same time being sufficiently forthright to ensure that adequate attention was paid to exchange rate issues. These issues were generally discussed against the background of present and prospective balance of payments developments, the evolution of competitiveness, and the effects of, and the scope for, adjustment in other policy instruments. This analysis has generally been adequate for the Executive Board to form a judgment of the member's exchange rate policy. In a number of cases, the Chairman's summing up of the discussions of Executive Directors stressed the need for adjustments in exchange rates, for the adoption of greater flexibility in exchange rate policies, or for action to unify exchange rates at realistic levels.

As regards the need for analysis of the balance of payments in a medium-term setting, there has been some progress in recent years, especially in the context of the use of Fund resources, in the application of the concept of a "sustainable balance of payments structure" as the goal of the adjustment of payments imbalances that the Fund seeks in its consultations with members. These efforts have been supported by the development of medium-term scenarios for the world economy for the purpose of discussions by Executive Directors of the World Economic Outlook. However, the assessment of balance of payments developments

in a medium-term framework, both for individual members and in a multi-lateral setting, is a subject of continuing importance that will be given renewed attention in the forthcoming papers mentioned in the introduction.

Other proposals to increase the effectiveness of surveillance through Article IV consultations with members, by improving the coverage of important subjects and by increasing the frequency of consultations, are discussed in Sections III and IV below.

## 2. World Economic Outlook and special papers and seminars

The World Economic Outlook discussions continued during 1982 to provide a comprehensive framework for the review of the world economy and the exchange rate system, and thus for surveillance over the exchange rate policies of individual members. Staff analyses of the World Economic Outlook were discussed on two occasions in 1982, in April (at EBM/82/50-54) and in August (at EBM/82/113 and 114); and in each case a further review of the World Economic Outlook was conducted shortly afterward by the Interim Committee (at its May and September meetings). In major part, the staff analyses elaborated upon the integrated type of medium-term approach to global domestic and external adjustment problems that was briefly described in the Fund's 1981 Annual Report (page 37) and endorsed by the Interim Committee at its September 1981 meeting. A feature of the April 1982 Board discussion of the World Economic Outlook was the particular attention that was given, on the basis of the staff's "Main Issues" paper (ID/82/1), to policies and developments in the major industrial countries, and on the interactions among them. The approach adopted allowed special focus to be placed on policy aims or actions of one or more countries that seemed to clash (or harmonize) with those of other countries, thereby providing the essential framework for a Board discussion that fell within the compass of the Fund's responsibility for surveillance over members' exchange rate policies. A staff survey of the World Economic Outlook, based on the material prepared for Executive Directors in April 1982, was published as Occasional Paper No. 9. Most recently, the World Economic Outlook was discussed by Executive Directors on January 31 and February 2, 1983.

Several special studies were prepared in support of the World Economic Outlook analysis, including studies of exchange rate developments in industrial countries and in developing countries, and studies of fiscal and monetary developments in industrial countries. Other staff papers bearing on surveillance that were the subject of Executive Board discussions in 1982 are referred to in Section III.

During 1982 Executive Directors also held a series of seminars on special subjects. The subjects discussed in this context in 1982 included exchange rate policies in developing countries (based on SM/82/8, 1/11/82); economic policies and the Fund's approach to centrally planned economies (SM/82/82, 4/26/82, and DM/82/34, 5/19/82); the energy crisis and payments imbalances, with particular emphasis on the role of oil



exporting developing countries (based on EBD/82/127, 5/28/82); and interest rate policies in developing countries (based on SM/82/213, 11/12/82).

3. Other activities of management and staff

Management had discussions with a large number of country authorities at Fund headquarters, paid visits to some of them, and participated in meetings involving several members, such as meetings of the G-5 and of the GATT Ministers. The Managing Director also played a more public role in the surveillance process, both through frequent public addresses and through informal remarks on related issues in various forums. Consultations with members by the staff have continued to include informal visits by the staff for special consultations in connection with the periodic reviews of the World Economic Outlook by Executive Directors and staff visits in the context of negotiations for the use of Fund resources.

4. Notification of changes in members' exchange arrangements

Under the provisions of the amended Article IV, Fund members acquired the right, only mildly circumscribed, to maintain exchange arrangements of their choice and the obligation to notify the Fund promptly of any changes in their exchange arrangements. Developments in members' exchange arrangements since the Second Amendment of the Articles and the experience in respect of the notification obligation were reviewed in a paper, "Exchange Arrangements Maintained by Members" (SM/82/44, 2/24/82), that was considered by Executive Directors at the time of the last annual review of surveillance in March 1982.

On the basis of that review, which noted that in some cases changes had been notified to the Fund as much as a month after they had occurred, Executive Directors adopted the standard that notifications should be communicated to the Fund within three days. The experience in 1982 as regards the promptness of notifications by members continued to be mixed. Of the 70 notifications communicated to the Executive Board (up from 59 in 1981), some 80 per cent were in conformity with the new standard. The three-day standard for the notification of changes was exceeded in 16 cases. One of these cases involved a suspension of foreign exchange market dealings, while two took place at a time of national security problems in the country concerned, and four occurred in the context of ongoing mission discussions. To ensure that notifications were received, in a number of instances the staff initiated contact with the national authorities. This process involved significant delays, which also occurred when clarifications were required of initial communications.

The trend toward adoption of more flexible exchange arrangements continued in 1982. In the course of the year, six countries changed their exchange arrangements to or from pegged arrangements, five in the

direction of greater flexibility. Four countries ceased to peg their currency to that of another member: of these, two moved to currency basket pegs (one to the SDR), another now adjusts the exchange rate of its currency according to a set of indicators, and the fourth adopted a managed float. One country discontinued its peg to the SDR and undertook instead to manage the float of its exchange rate. Only one currency reverted to a single currency peg: but in that instance, the move was undertaken in conjunction with a sizable devaluation and in an effort to unify its multiple exchange markets.

The diversity of members' exchange arrangements permitted under the amended Article IV has prompted the continuing development of a system for the classification of exchange regimes. In accordance with Decision No. 7088-(82/44), adopted April 9, 1982, the residual category "Other" of the classification of members' exchange arrangements was replaced by several categories that (1) differentiate the regimes on the basis of the flexibility with which the arrangements have been implemented; and (2) distinguish between managed and independently floating arrangements. In particular, a new category, "Flexibility Limited," was introduced to distinguish those members observed to maintain an exchange arrangement such that their exchange rate fluctuates within the equivalent of 2 1/4 per cent margins with respect to another member's currency or currency composite. This new criterion, which is monitored statistically on a quarterly basis has, over the past year, been found to provide a workable and relatively stable basis for distinguishing flexibility. During 1982, four members' arrangements were reclassified under this category--two (Afghanistan and Thailand) were brought into the category while two (Morocco and the Philippines) adopted more flexibility in their arrangements.

### III. Subjects Prominent in the Implementation of Surveillance

#### 1. The setting of financial policies

The reduction of inflation and of underlying inflationary expectations has been a primary objective of policy in industrial countries in recent years. However, both the degree of restraint and the methods used to this end have differed among countries. Partly for these reasons, but also reflecting differences in the circumstances in which policies of restraint were implemented, the effects on nominal and real interest rates and on economic growth have differed significantly among countries. These developments have put substantial pressures on exchange markets.

In this context, particular attention attaches to the mix of fiscal and monetary policies. The Fund has continuously stressed the need for a balanced approach to adjustment, with monetary policy adequately supported by fiscal policy. Such a balanced approach is needed not only for policies to be effective from a domestic standpoint, but also to avoid having major disturbing effects on exchange rates. When a country

places too much of the burden of fighting inflation on monetary policy, its interest rates tend to reach unduly high levels, particularly in real terms. The exchange rate may be pushed above an appropriate level, and in the process encourage the imposition of restrictions on goods and capital movements. Also, other countries may be induced to adopt tighter monetary conditions than are warranted by the domestic conditions, but that are needed to prevent or limit declines in the value of their currencies. In the longer run, changes in exchange rates reflecting disturbances in financial markets may create significant adjustment problems that themselves further increase the instability of exchange rates.

Issues related to the setting of policies were subject to careful scrutiny in the context of the implementation of Fund surveillance in 1982. Substantial attention was devoted to this subject both in discussions with members during Article IV consultations and in the broader framework of the World Economic Outlook. Special related studies conducted in connection with the World Economic Outlook included an analysis of long-term developments and rigidities in fiscal systems and positions and a comparative study of monetary policies in industrial countries. Substantial attention was also devoted to this topic in the 1982 Annual Report.

As was noted in last year's review of the implementation of surveillance, it is evident that members will wish to choose the mix of policies which they believe is most appropriate to their circumstances. But the principles of surveillance imply that, in doing so, members will take into account the interests of other members. Although judgments in this respect are difficult and often leave room for substantial debate, the issue to be addressed in the context of surveillance is whether a balance of these considerations has been achieved. Forthright discussions of the issues with members and during reviews of the World Economic Outlook increase the extent to which members bear in mind the external effects of their policies.

## 2. Intervention

Most major members with flexible exchange rate arrangements intervened on a frequent basis in foreign exchange markets in 1982, at times on a substantial scale. The United States maintained its policy of limiting intervention to occasions when it was thought necessary to counter conditions of disorder in the market. Following the realignment of currency values within the EMS in June 1982, the U.S. authorities announced that they had conducted some intervention, the first since March 1981. Since then, the U.S. authorities have intervened in small amounts on a number of occasions.

The question of the appropriate scale and incidence of intervention to counteract disorderly conditions in exchange markets figured prominently in Fund surveillance discussions in the first half of 1982. As was noted in last year's annual review of surveillance and also in the

1982 Annual Report, the Fund believes that it is important for members to show strong purpose in preventing, to the extent possible, disorderly exchange market conditions. Clearly, however, intervention should not be excessive and thus, possibly, prevent appropriate adjustments in exchange rates or exert a destabilizing influence on exchange markets. In practice, except in relatively clear-cut cases, differences persist as to what circumstances constitute the "disorder" that should trigger intervention and the extent to which such intervention should be coordinated among the monetary authorities in different countries. An important development in this area was the agreement by participants in the Versailles Summit in June 1982 for an expert study of the experience with and efficacy of exchange market intervention.

### 3. Exchange rate actions

The severity and length of the recession, and the associated rise in unemployment, have rekindled fears that exchange rates could be used "to gain an unfair competitive advantage over other members," which is identified explicitly in Article IV as inconsistent with the obligations of members. The decline in inflation rates may also have reduced countries' reluctance to allow their currencies to depreciate for fear of the impact of depreciation on domestic prices.

Concerns, both inside and outside the Fund, were voiced following the decision by Sweden in October 1982 to depreciate the krona by 16 per cent, which was reviewed on a preliminary basis by Executive Directors on October 13, 1982, and was subject to a special consultation under Article IV that was concluded on December 22, 1982. Vigilance regarding the rationale and effects of changes in individual exchange rates has also been reflected in recent months in the preparation of staff papers for the information of Executive Directors on significant changes in exchange rates introduced by members (e.g., Greece, Spain).

Suggestions to improve the coverage and timeliness of communications on significant changes in exchange rates to the Executive Board in a way that is uniform for all members are examined in Section V.

### 4. Protectionism

With the continuing recession and rising unemployment, trade frictions have increased, placing under stress the multilateral framework for the conduct of trade policy that is widely recognized as having contributed to the prolonged postwar period of growth in economic activity and trade. Protectionist pressures were exacerbated by the persistence through most of 1982 of exchange rate relationships that in some cases have resulted in a significant realignment of competitive positions. Accordingly, trade policy developments have rapidly grown into one of the foremost issues of national and international concern. Executive Directors have reiterated on several occasions their desire that the

Fund, in fostering the international process of adjustment, should become more active in encouraging countries to reduce and to avoid recourse to restrictions.

Against this background, and while keeping in mind the competence and jurisdictional responsibility of the GATT in trade matters, the attention paid to trade restrictions in the implementation of Fund surveillance has increased in recent years. In particular, developments in international trade policy were discussed extensively by Executive Directors on September 20, 1982, on the basis of a staff report of the same title (SM/82/136, 7/12/82, and Supplements 1 and 2). In addition, trade issues were prominent in discussions of the World Economic Outlook, and increasing attention is being devoted to this topic in Article IV consultations.

As emphasized in the "Statement by the Managing Director on Trade Issues" (Buff 82/229) following the completion of the GATT Ministerial Meeting in December 1982, it is important that the Fund strengthen further its contribution to the drive against protectionism. For this reason, the staff was instructed to expand the coverage and analysis of trade policy in Article IV consultation reports. In this regard, assessments of trade measures should take account of their impact both on the domestic adjustment of the country concerned and on trading partners. Also, contacts have been initiated between the staff and senior GATT officials in order to examine possible modalities of intensified Fund-GATT collaboration.

In light of the request of GATT Ministers at the November GATT Ministerial Meeting, 1/ the Fund staff will undertake a study on the impact of exchange rate fluctuations on international trade; when completed, the study would be submitted to the Executive Board for approval of transmission to the GATT.

##### 5. External debt

Concerns regarding the sustainability of external borrowing and lending policies became particularly acute during 1982, as debt servicing difficulties in several major developing countries raised questions about the stability of the international financial system. These concerns were reflected in the exercise of Fund surveillance, both from the perspective of the sustainability of the financial requirements of individual members in the context of Article IV consultations and from the broader perspective of the functioning of the international

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1/ The decision by GATT Ministers reads: "The Contracting Parties decide: To request the Director-General to consult the Managing Director of the International Monetary Fund on the possibility of a study of the effects of erratic fluctuations in exchange rates on international trade, to report to the Council on the results of these consultations and to forward any such study to the Council so that it may consider any implications for the General Agreement."

financial system. The broader issues were highlighted in discussions of the World Economic Outlook and were also discussed explicitly by Executive Directors on the basis of related staff papers, in particular, "International Capital Markets--Developments and Prospects" (SM/82/105, 6/1/82), which was discussed on June 30, 1982, and "The Adequacy of Existing Arrangements to Deal with Major Strains in the International Financial System" (EBS/82/194, 10/22/82), discussed on November 19, 1982. The most recent staff paper dealing with the World Economic Outlook (ID/83/1) was accompanied by a comprehensive survey of the present external debt situation (ID/83/2). A staff paper to be issued shortly, which is scheduled for Executive Board discussion in early April will focus on policy issues concerning the role of the Fund in the current external debt situation.

In recent years the staff has sought to improve the coverage of external debt developments and policies in Article IV consultation reports. However, progress in this area has been hampered in several cases by lack of adequate data. In many cases, the importance of adequate data and of proper institutional machinery to monitor external borrowing has not been fully recognized by members until debt servicing difficulties emerged. Reflecting in part these constraints, only a relatively small number of consultation reports (generally those dealing jointly with requests for use of Fund resources) have contained a "forward-looking" analysis of the policies that would be broadly consistent with maintaining the medium-term debt service profile of the economy within appropriate bounds. In most consultation reports the analysis of external indebtedness has been considerably more limited. Proposals to improve the coverage of external debt situations and policies in Article IV consultation reports are discussed in the forthcoming staff paper mentioned above.

Other staff work in the area of external debt includes increasing technical assistance in the field of external debt under the aegis of the Central Banking Department's technical assistance program. It also includes a major project now under way in the Bureau of Statistics (in cooperation with the BIS) to improve the coverage and currentness of data on international banking, within more general efforts to develop a broad data base on external debt. This data base would eventually bring together data on external debt already available within the Fund and data from the World Bank, the OECD, the BIS, and country sources. A staff paper describing the Fund's work in this area will be issued as a background paper for the April Board discussion on external debt problems and policies. Progress in these areas and increased emphasis on improving the coverage of the external debt situation and policies in Article IV consultation reports should help to keep the Board informed, at an early stage, of potential payments difficulties faced by individual member countries.

#### IV. Frequency of Article IV Consultations

Regular Article IV consultations contribute to the fulfillment of the Fund's objectives in a number of ways. 1/ The staff mission, for example, provides an occasion for the country authorities to carry out a comprehensive examination of their policies. For both the staff and the authorities, the compilation of data which takes place before and during the mission provides the background needed for policy analyses. The need for the staff to make a thorough examination of the situation helps prepare management and staff to deal with questions that may arise, not only in connection with the consultation, but during the interval before the next consultation.

The discussion in the Executive Board provides the national authorities with a considered expression of the views of the international community on the member's macroeconomic situation and policies. While other organizations also provide important perspectives on individual economies, the Fund's consultations are unique in the breadth of their coverage, from the point of view both of the macroeconomic nature of the review and of the large number of countries covered. In turn, the Article IV consultation provides an opportunity for the country to explain its situation and policies to the international community. This explanation, together with the conclusions of the Executive Board, is available to the authorities of member countries. This improves the process of surveillance by assisting member countries in developing the policy advice that they give each other in their bilateral contacts.

A high degree of frequency of consultations strengthens the surveillance process and provides an effective mechanism for providing early warnings of pressures on the payments balances of members. This section focuses on procedures by which a high degree of frequency can be attained.

##### 1. Current guidelines on frequency and their implementation

Procedures for surveillance attached to Decision No. 5392-(77/63), adopted April 20, 1977, in paragraph II, provide a description of the envisaged consultation process. 2/ They state that members shall consult with the Fund regularly under Article IV, that the consultations shall comprehend the regular consultations under Articles VIII and XIV and that in principle they shall take place annually. In practice, it has not proven possible to adhere to a strict annual cycle for all

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1/ For a comprehensive description of the role of Article IV consultations in surveillance, see last year's review of the implementation of surveillance, SM/82/37 (2/17/82).

2/ Selected Decisions of the International Monetary Fund and Selected Documents, Ninth Issue, p.13.

members. The guideline has been adopted of covering three fourths of the membership within any 12-month period. In principle, this would maintain an annual consultation cycle with major countries and with countries that are either using Fund resources or that are likely to wish to come to the Fund.

As can be seen in Table 1 in the Annex, the number of consultations completed in the Executive Board, as a proportion of the membership, declined from 77 per cent in 1979 to 57 per cent in 1982. As noted earlier, the low figure in 1982 reflected an unusually large number of reports issued in December 1982, which thus could not be discussed by the Board before the end of the calendar year. In terms of staff reports issued in 1982, 99 members were covered (69 per cent of the membership) compared with 83 members in 1981 (59 per cent of the membership). Nevertheless, the adjusted result in 1982 fell short of the 75 per cent principle noted above. Also, the number of members without consultations for 24 months or more rose from 13 at the end of 1981 to 18 at the end of 1982, which may be compared with figures of 5 or less before 1981; in the past some Executive Directors have indicated their view that 24 months should be regarded as the outer limit. Since 1978, the average period between consultations has increased from 18 months to over 20 months.

2. Problems encountered in adhering to a strict consultation schedule

Problems in adhering to a strict annual consultation schedule arise at each of the three stages of the consultation process: scheduling of the staff mission, issuance of the staff report, and discussion by the Executive Board.

a. Scheduling of missions

Staff assignment in connection with use of Fund resources missions has been accorded high priority, and in some countries where use of Fund resources discussions have required long or frequent missions and intensive work at headquarters, decisions have been taken that the extra work associated with producing Article IV consultation documentation could be postponed. In other cases where use of Fund resources was not at issue for the member itself, staff resources were not sufficient to maintain a strict consultation schedule.

Difficulties also arise in agreeing with national officials on the timing of consultation discussions. Such difficulties are discussed in Section IV(3)(c).



b. Delays in issuance of staff reports  
or discussion by the Executive Board <sup>1/</sup>

Delays frequently occur in the issuance of staff reports once the mission has returned. In this case, while there is an exchange of views on policy issues between national officials and the staff, the dissemination to the international community of the staff's analysis and the factual basis underlying it, and the fulfillment of the surveillance function of the Fund through the discussion in the Executive Board, are delayed. In some instances, the delay is a result of continuing negotiations regarding the use of Fund resources; there may be concern that issuance of the report could interfere with the process of negotiations or that the report could quickly become outdated as a result of changes in policy.

In some cases, the termination of consultation discussions with the authorities requires two or more contacts, either in the field or at headquarters. Sometimes these situations arise because of a lack of data, or the unavailability of key officials, or impending major policy changes that have yet to take precise shape. In other cases, the need for further contacts arises only following the original "termination of discussions," when important unexpected policy changes give rise to a need for further discussions with the authorities.

Conclusion of Article IV consultations by the Executive Board following the issuance of the staff report often involves minor delays, largely as a result of scheduling problems. From time to time more substantial delays occur, generally as a result of changes in government or major policy changes. In these cases it is frequently necessary for the staff to visit the country again in order to provide the Board with the necessary information on current policies.

When delays in scheduling of missions and issuance of staff report or Executive Board discussion occur sequentially, the overall effect can be a very long interval between consultations. In one recent case, such a combination of delays resulted in an interval of 28 months between the conclusions of consecutive consultations. A staff mission to conduct Article IV consultation discussions was proposed at a time consistent with maintaining a regular annual cycle, but was postponed at the request of the authorities; with subsequent postponements, discussions were actually initiated 12 months later. The discussions were not completed at that time as key senior officials were not available to meet with the mission; at their request, a follow-up mission two months later completed the discussions. Before the staff report could be issued, however, a significant change in the member's exchange system

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<sup>1/</sup> An analysis of the factors involved in delays in issuance of staff reports or discussions by the Executive Board, and of current procedures for dealing with such delays, is contained in the Annex to this paper.

was introduced. A further staff visit was needed to review the change in policy, but the authorities considered an early visit inopportune, and a comprehensive exchange of views on the new policy did not take place until four months after the second staff visit. At that point, the staff report was issued, and was promptly followed by Board discussion.

During this prolonged process, there were frequent informal contacts between the staff and the authorities in which there was an exchange of views on major policy issues. The Executive Board, however, did not have a staff analysis, nor an opportunity to express its views. Similarly, the member did not have the opportunity to explain its situation and policies to the international community.

3. Suggestions for improving the frequency of consultations

The suggestions set out here bring together a number of elements: (a) stricter adherence to the existing criteria for annual consultation cycles; (b) understandings with each member on the cycle to be followed for its next consultation; and (c) establishment of procedures for those occasions when problems arise in adhering to such understandings.

a. Criteria for strict annual consultation cycles

The current criteria for members to adhere to an annual consultation cycle are as follows:

(1) Those members whose economies are on such a scale that developments in them have a substantial impact on other countries, on either a global or a regional basis.

(2) Those members that have financial programs with the Fund.

(3) Those members whose situations warrant careful scrutiny, in particular those where there are substantial doubts about the medium-term viability of the member's balance of payments situation. Among the criteria relevant to this judgment are those set out in the Principles of Fund Surveillance over Exchange Rate Policies. <sup>1/</sup> Annual consultations in such cases contribute to early identification of situations with a potential for difficulties for trading partners or for the system as a whole and also give the international community the opportunity to provide the member concerned with a considered assessment of its policies.

While it is suggested that there be stricter adherence to the normal 12-month interval between consultations for countries on an annual cycle, a grace period, say three months, could be established. No fixed period is suggested for countries on a less strict cycle, but

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<sup>1/</sup> Decision No. 5392-(77/63), Selected Decisions of the International Monetary Fund and Selected Documents, Ninth Issue, pp. 12-13.

it might be expected that for such countries the interval between consultations would not exceed two years. In some cases, a six-month review might be considered. Such a review might be appropriate for a member with a program with the Fund, or a member that was thought to be slipping into problems. Documentation for such a review would depend on the circumstances, but might normally be limited to a brief staff report for discussion by the Board.

b. Determination of the consultation cycle  
for individual countries

A possible approach would be to specify, at the conclusion of each consultation, the final date by which the next consultation with the member was to be concluded by the Board. The process could start during the discussions in the field, when the staff could discuss with the authorities the approximate date for conclusion of the next consultation. In most cases the approximate date would be chosen on the basis of an annual cycle. A preliminary assessment by the staff, in light of the criteria outlined above, indicates that under current circumstances some 75-80 per cent of the membership would be on an annual cycle.

The understanding with the authorities could be incorporated in the appraisal in the staff report on the consultation, and could also be reflected in the Chairman's summing up. Such a procedure would mean that over the next year or so target dates for the next consultation could be established for each member. A degree of flexibility would obviously need to be maintained, as a change in a member's situation might suggest a different scheduling. Management might come to the conclusion that an earlier consultation was appropriate; if a later scheduling seemed warranted, the Board would be informed in an appropriate way. Implementation of the procedure would be facilitated by the fact that members on an annual cycle would be encouraged to receive the consultation mission around the same time each year.

c. Procedures for dealing with delays

Under this system, it would be appropriate to advise the Board of situations where the date specified for completion of the next consultation, allowing for any grace period, could not be met. One approach would be to issue a brief report to the Board on the status of consultations periodically. This report could list any countries for which the specified date was not expected to be met, along with some explanation of the delay. A future date by which the consultation was expected to be concluded would normally be indicated.

In most cases, any delay would be expected to be relatively short, but in a few cases there might be special problems. These could include situations where the security of the mission could not be assured, or where the member notified the Fund that it was not prepared, because of war circumstances, to disclose economic information to the international

community. In such cases it would normally be understood that the consultation mission would take place as soon as possible after the special circumstances had passed.

In the past, delays have often arisen because the country authorities were in the process of formulating new policies and considered that a staff mission would be premature until the policy reformulation was complete. A strong case can be made that it is precisely at such times that Article IV consultations can be most constructive. The re-examination of policies may turn out to be prolonged and, sometimes, ultimately unsuccessful, particularly in countries that are experiencing a serious deterioration in their situation. Not infrequently, the member eventually has had to seek use of Fund resources on an emergency basis without the benefit of a recent consultation. In such cases, therefore, it would seem that the consultation schedule should be maintained.

Other cases of delays are not so clear-cut and Executive Directors' views on their treatment would be particularly helpful.

It is to be expected that a brief delay may occur when an unexpected election or change in government occurs just around the time the mission is scheduled to take place. From time to time, however, the approach of, or the possibility of, elections, has led to a substantial delay, at the member's request. It has sometimes been suggested that the presence of a Fund mission in a pre-election period might become a political issue. Another argument is that national authorities frequently are not in a position to enunciate official policies in a pre-election period or shortly after a new government has been formed. There is weight in these arguments, but prolonged delays because of elections or changes in government would not be wise, since external problems can arise or intensify in periods of political uncertainty.

A frequent factor in delays in concluding consultations has been continuing discussions on the use of Fund resources. During the 1982 review of the implementation of surveillance, Executive Directors indicated their view that, in certain cases, it would be advantageous to the country concerned and for the Fund staff to have the benefit of comments by the Executive Board on the country's economic and financial situation. Executive Board guidance would seem particularly important in those cases when negotiations become protracted.

On these grounds, it is suggested that delays in initiating discussions for electoral/political reasons, or in concluding consultation discussions in the context of ongoing negotiations on the use of Fund resources, should, whenever possible, be limited and fitted into the grace period. Possibly the nature of the staff report would have to be modified in such circumstances to reflect a discussion of the economic situation and problems without full specification of the policies envisaged by the authorities; in such cases it could be appropriate to call for further discussions at an early date.

d. Transitional procedures

The approach outlined above would not become fully effective until there had been a consultation with each member. During the transitional phase, management and staff would be working to clear away the existing backlog of cases on the basis of the criteria above. A further brief report would be made to the Executive Board in six months to summarize progress in eliminating the backlog and to indicate any cases where it is proving difficult to initiate or conclude consultation discussions. It might also be necessary to draw the attention of the Board to any difficult cases.

A number of adaptations of existing practices could be made to help clear up the backlog and then adhere to a stricter schedule. One useful step would be to make further progress in combining consultations with the use of Fund resources missions. In 1982 there were 12 combined missions, but because of the high priority attached to negotiating missions, there were about 20 members with programs for which a consultation was not completed in 1982. There were other cases of staff negotiating visits that did not conclude the negotiations and did not conclude consultation discussions. It is planned in 1983 to increase as much as possible the number of combined negotiating and consultation missions. While this would in some cases increase the duration of missions, it would, of itself, produce a material improvement in the frequency of Article IV consultation discussions.

A related aspect is the possibility of combining staff reports with papers on the use of Fund resources, a 1981 innovation that was favorably received by Executive Directors. Four combined reports were issued in 1982, and it is expected that more combined reports will be issued in 1983. As with combined missions, it would be important that combined reports cover the broad range of policy topics expected in Article IV consultations.

A question arises with respect to those smaller members for which the criteria specified above do not require a strict annual cycle, but which count on annual consultations as part of their own process of policy formulation. Until the current backlog of consultations is cleared up, a more selective approach would clearly be needed with respect to missions to such countries. Over the longer term, it might well be advisable to schedule full consultations for such members only at two-year intervals, with informal staff visits or technical missions in the off-years to satisfy the needs of the members for policy discussion and advice.

The staff will continue to experiment with the form and content of staff reports and RED papers as has frequently been suggested by the Board. Over the coming year, given the need to clear up the backlog of consultation reports and move to a stricter schedule, it would seem

particularly important to experiment with ways of reducing the staff time devoted to the preparation of REDs, to the extent that is possible without sacrifice of essential information.

In many cases, it should not be essential in 1983 to issue full REDs. Such an approach would be consistent with suggestions that have been made to issue an RED paper only at every second consultation for countries on the 12-month cycle. In that case it would be necessary to add some factual material to the staff report. Alternatively, a shorter RED could include an analysis of selected topics and the usual tables on the external sector, together with many of those relating to fiscal and monetary developments, but would minimize the presentation of other statistics. The text of such reports could be limited to any necessary interpretation of the tables. In the longer term, the practice could be adopted of issuing such brief REDs in alternate years.

While adaptations such as these will mitigate the increase in staff resources occasioned by the transition to a stricter schedule, some additional staff would clearly be necessary. The number of consultations, in terms of staff missions, would be expected to increase by about 15 in 1983 and remain close to the new level in future years. On average an Article IV consultation takes up the equivalent of one man-year of staff time, when allowance is made for preparatory work before a mission and report writing after the mission. The exact implications for staff resources of stricter scheduling is being examined.

#### V. Methods of Surveillance over Changes in Exchange Rates or Exchange Rate Policies

The Fund's general responsibilities for surveillance over exchange rate policies are normally discharged through the regular Article IV consultations and, in broader fashion, through general papers for Board discussion such as the World Economic Outlook, which is a particularly important vehicle for surveillance with respect to the major industrial countries. From time to time, however, issues arise with respect to individual countries that call for special attention. The principles of Fund surveillance over exchange rate policies state the developments that might indicate a need for discussion with a member. This section describes the existing procedures and practices for fulfilling this aspect of the Fund's surveillance function and proposes certain adaptations suggested by recent experience.

##### 1. Current procedures and practices

###### a. Notifications

Under the procedures set out in Section IV of "Notification of Exchange Arrangements under Article IV" (SM/77/277, 11/28/77) members are required to notify the Fund of changes in exchange arrangements, and

over time practices have evolved on what constitutes a change requiring notification. <sup>1/</sup> In some cases the notification is communicated to the Executive Board by the Executive Director for the country concerned; in other cases the staff, upon notification of a change in exchange arrangements, communicates it to the Executive Board.

Any change in the nature of the member's exchange arrangement is a matter for notification. Where a member pegs its currency, notifications of all changes in the peg are also communicated to the Board, as are large discrete changes for currencies with more flexible arrangements. For the latter, however, changes in exchange rates often take place almost continuously, and while the cumulative change over even relatively brief periods can be large, discrete changes are usually so small that it has not seemed necessary to communicate them to the Executive Board. For example, sizable discrete depreciations of the Icelandic krona took place in August 1982 and January 1983, both of which were communicated to the Executive Board; in between those large changes, however, implementation of a policy of gradual depreciation involved almost daily changes that were too small to be subject to communication. The largest of these was 3 per cent in effective terms; none of the others exceeded 1 per cent. <sup>2/</sup>

In addition to communications on individual members, the staff prepares, for the information of Executive Directors, a quarterly paper on exchange arrangements maintained by members. That paper summarizes developments in members' exchange arrangements during the previous quarter, shows the latest classification of exchange arrangements as known to the staff, and indicates changes in exchange rates of countries including those following more flexible arrangements.

b. Staff assessments

The procedures on notification indicate that if the change in exchange arrangements is significant, the normal practice is that the communication to the Board be followed promptly by a staff paper describing the context of the change in policy and giving the staff's assessment.

In many cases changes have occurred shortly before or after staff visits in connection with regular Article IV consultations, or in relation to the adoption of programs supported by the use of Fund resources. In such cases the communication to the Board has generally included a statement that the staff's assessment would be incorporated in the staff report

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<sup>1/</sup> Recent developments in this area are summarized in Section II of the present paper.

<sup>2/</sup> The question of what is "too small" is clearly a matter of judgment; in practice, a change of less than 5 per cent for any of the 51 nonpegged currencies is seldom communicated to the Board. The impracticality of adopting a significantly lower limit is indicated by the fact that there are almost daily changes for many of the currencies with flexible exchange arrangements and frequent small changes for other currencies with such arrangements.

or use of Fund resources paper. In some other cases separate papers have been issued, but these have been relatively rare. In 1982, for example, only three such separate analyses were prepared--papers on Sweden (EBS/82/187, 10/9/82), Spain (EBS/82/242, 12/27/82), and on the June EMS realignment (SM/82/135, 7/8/82).

c. Executive Board discussions

Most discussions in the Executive Board of changes for individual countries have taken place in the context of Article IV consultations or of requests for use of Fund resources; in some such cases the documentation for the meeting has included separate papers on the change in exchange rate or exchange arrangement. Separate discussions have been relatively rare. Since the Second Amendment came into effect April 1, 1978, only five cases have been the subject of separate discussions: Nepal, Iceland, and the United States in 1978, Indonesia in 1979, and Sweden in 1982. The cases of the United States and Sweden involved staff visits to the country concerned, and are discussed further below.

The spread of flexible rates has given rise to concern that surveillance procedures may not provide equal treatment in terms of the degree of the scrutiny applied when there are changes in exchange policies of individual members. This concern was voiced at the time of the Executive Board discussion (EBM/78/136, 9/8/78) of Iceland's devaluation of September 6, 1978, for example. The 1978 "Annual Review of Regular Consultations and Other Issues Related to Article IV" (SM/78/287, 12/11/78) addressed this issue in particular detail, and the supplemental surveillance procedure was adopted in response to these concerns. Such concerns have continued to be expressed, however, most recently in the context of the recent special Article IV consultation with Sweden.

d. Ad hoc consultations

Changes in exchange rates or exchange rate policies are often the subject of informal discussions between management and staff and country authorities, and such discussions are reflected in subsequent Article IV consultation staff reports. As noted above, moreover, the policies of the major industrial countries are discussed during special staff visits and by the Executive Board in the context of the World Economic Outlook and related subjects. Past decisions on surveillance procedures prescribe two more formal responses.

Procedure V of the Principles agreed in 1977 required the Managing Director, when he considered that a member's exchange rate policies might not be in accord with the exchange rate principles, to raise the matter informally and confidentially with the member. If, after discussion with the member, he concluded there were grounds for doubting that the principles were being observed, he was to report to the Executive Board on the results of the discussion. If, however, he was satisfied that



the principles were being observed, he was to advise the Executive Directors informally and the staff was to report on the discussion in the context of the next Article IV consultation.

The supplemental procedure adopted by the Executive Board in January 1979 (Decision No. 6026-(79/13), 1/22/79) authorized the Managing Director to initiate informal and confidential discussions with a member if he considered that a modification in the member's exchange arrangements or exchange rate policies or the behavior of the exchange rate of its currency might be important or might have important effects on other members. If after prior discussion he considered that the matter was of importance, he was to initiate and conduct an ad hoc consultation. This procedure was modeled on the procedure that was followed when the United States informed the Fund of important exchange policy measures, as communicated in EBD/78/241 (11/1/78). The Fund staff had discussions with the U.S. authorities and prepared a paper on the basis of those discussions (EBS/78/657, 12/1/78). The Chairman's summing-up of the conclusions of the Executive Board meeting at which the matter was discussed (EBM/78/197 and 198, 12/13/78) noted that Directors had called for exercise of that kind of surveillance whenever situations developed in major countries that had an important bearing on the economies of other countries.

The procedure followed with regard to the 1982 devaluation by Sweden was somewhat analogous, but with the important difference that the Board had a preliminary discussion before the staff visit, with a further discussion later on. Following the verbal communication to the Board on October 8, 1982 that Sweden had devalued by 16 per cent, the staff prepared a brief paper (EBS/82/187, 10/9/82) analyzing the devaluation as a basis for discussion by the Board. During that discussion (EBM/82/135, 10/13/82), there was general agreement with the staff's tentative conclusion that the devaluation seemed, on the face of it, overly large. Some Executive Directors suggested that the situation fitted "Procedure V" described above, and that the Managing Director, who would be "taking into account any views that may have been expressed by other members" as the procedure required him to do, should proceed along the lines set out in the procedure. Other Directors agreed that a consultation should be held, but felt that it was not necessary to invoke Procedure V. The consensus of the meeting was that the exchange rate policies of Sweden and the supporting measures that were being introduced should be the subject of further special consultation between the staff and the Swedish authorities in the near future, so that Directors could shortly have an opportunity for a further discussion of those matters on the basis of a comprehensive analysis of the situation.

Following discussions in Stockholm between the staff and the Swedish authorities, a comprehensive report on the devaluation was prepared by the staff (EBS/82/222, 12/3/82) and discussed in the Executive Board (EBM/82/166, 12/22/82). The Chairman's summing up noted that Directors stressed that the Swedish case was not to be seen as an isolated experience, but as part of a broad and nondiscriminatory application of established surveillance procedures to all members.

## 2. Proposals

The tentative proposals set out here are in response to the emphasis that Executive Directors have placed on the need for the Fund to apply, and to be seen to apply, surveillance with respect to exchange rate changes uniformly to all members, irrespective of their exchange arrangements. They also reflect the concerns expressed by many that in present circumstances there is a risk of competitive devaluations.

The approach would be designed to alert the Board to all large changes in real effective exchange rates, that is, to large changes in competitiveness. This approach would be applied with respect to all large changes in real terms, whether they involve an appreciation or a depreciation, and whether they result from a change of a one-step, or discrete, nature or a cumulative change over time. Specifically, a practice could be developed whereby the Board would receive an information notice from the staff on any change in real effective terms that was clearly in excess of a certain amount, whatever the exchange arrangement followed by the member. The choice of any particular number is naturally arbitrary but experience suggests that agreement on and acceptance of a clear numerical threshold would contribute to an even-handed implementation of surveillance procedures.

The adoption of such an approach would raise a number of technical issues. One would be the numerical threshold to be adopted. It needs to be borne in mind that different thresholds would lead to different numbers of information notices. Simulations by the staff suggest that if this system had been in effect in recent years, a 5 per cent threshold would have resulted in 25-30 additional communications each year for the 41 currencies that currently are governed by more flexible exchange rate arrangements or participate in cooperative arrangements. The corresponding numbers under a 10 per cent threshold would have been one third to one half of those under the 5 per cent threshold. <sup>1/</sup>

A second technical matter would be the choice of a relevant starting point for measurement of cumulative changes. This could be established on the basis of the data available at the latest occasion on which the Board had had an opportunity to discuss the country's exchange rate policy, such as the conclusion of an Article IV consultation or discussion of a member's program for use of Fund resources. Alternatively, cumulative changes could be measured over the latest six (or twelve) months, but on the whole the staff believes that linking the change to the last Board discussion would be more appropriate.

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<sup>1/</sup> The number of cases where the threshold would actually have been exceeded was considerably larger; but of these some were already notified under existing procedures, and others occurred around the time of Board discussions of programs or Article IV consultations and thus would not have needed to be subject to separate communications.

A third technical issue is that measurement of changes in competitiveness is necessarily approximate. <sup>1/</sup> Reasonably current data on relative rates of price or cost inflation used in measuring competitiveness, moreover, may not be available, and it would often be necessary to use estimates based on recent trends. If this approach were adopted, it would be appropriate for staff reports on Article IV consultations to provide data and to describe the indicators of competitiveness for each member that would be used in judging whether the threshold had been surpassed.

Beyond these technical issues are certain principles of application on which the guidance of Executive Directors would also be needed. These concern the extent to which the procedures to be applied to currencies with pegged arrangements, or which display limited flexibility with respect to another currency, should be identical to those applied to currencies governed by more flexible arrangements.

(1) At present all changes in nominal exchange rates for pegged currencies are notified to the Board, as are large discrete nominal changes for currencies with other exchange arrangements (e.g., the recent changes by Greece, Iceland and Spain). Given the emphasis in the approach outlined above on changes in excess of a certain percentage in real terms, Executive Directors may wish to consider whether it would be appropriate for notifications of nominal changes to be made to the Board only when they involve cumulative changes in real effective terms clearly in excess of whatever threshold is adopted.

(2) A related question is the application of the procedure of providing information notices on real effective cumulative changes to pegged currencies or those maintaining limited flexibility even when the nominal rate with respect to the reference currency does not change. From one viewpoint, the principle of uniformity would suggest that the same procedures be followed as for currencies maintaining more flexible arrangements. Members that adopt pegged arrangements, however, do so because they attach importance to steadiness of policy, and prefer to change their rate only when a change is clearly mandated by economic developments. The Board may wish to consider the issues involved.

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<sup>1/</sup> A variety of indicators are used to assess changes in competitiveness, including relative changes in consumer or wholesale prices, unit labor costs, and value-added deflators. Weights for trade partners and competitors also need to be selected to reflect, inter alia, the composition and structural characteristics of trade. In practice, assessments of the evolution of competitiveness take into account movements in several indicators. Assessments of changes in competitiveness thus incorporate a significant element of judgment.

(3) A third aspect of uniformity of treatment is the extent to which notifications of exchange rate changes should be accompanied by analyses. Under the approach suggested here, information notices on cumulative real effective changes would be limited to a simple statement of the factual evidence for concluding that the change had exceeded the threshold. In a few instances, the Managing Director might decide, as a separate matter and with a timing of his choice, that some analysis should be provided to the Board. Similarly, an Executive Director might request the staff to provide some analysis. The fact that the Managing Director did not provide analysis to the Board, however, could not be taken to imply that he did not consider the change important. For example, in those exceptional cases where the Managing Director considered that the change in the exchange rate should be the subject of informal and confidential discussion with the member, under either Procedure V of the "Procedures for Surveillance" or the supplemental surveillance procedure, management might well feel that any preliminary analysis might prejudice the outcome of the discussion.

Under existing practices with respect to large discrete changes in nominal rates, the notification to the Board is frequently accompanied by some analysis. The Board may wish to consider whether this practice with respect to large discrete nominal changes should continue, or whether such notifications should be limited normally to a simple statement of the facts of the exchange rate change.

#### VI. Selected Issues for Board Discussion and Proposed Decision

In their discussion of the issues raised in the current review of surveillance, Executive Directors may wish to focus on the suggestions for adaptations in the implementation of procedures.

1. Regarding the content of staff reports on Article IV consultations, it is planned to provide more extensive analysis of the external debt situation and to expand the coverage of trade policy.

2. A number of proposals are advanced with respect to the frequency and timeliness of Article IV consultations.

a. The current criteria for holding consultations on an annual cycle are outlined in the paper. The staff estimates that on the basis of those criteria and in present circumstances, 75-80 per cent of members would be on an annual cycle. A strict approach in this area is suggested because the consultation process should provide an effective mechanism to signal impending pressures on members' payments systems that are in themselves a cause of concern or that may be of significance to the members' trading partners or to the functioning of the international financial system. In this connection special attention would be paid to external indebtedness.

b. It is suggested that at the conclusion of each consultation the target date by which the next consultation should be concluded would be specified in the Chairman's Summing Up. Delays beyond the agreed date would be notified to the Executive Board.

c. The paper identifies a number of factors that have delayed consultations in the past. Ways will have to be found to hold delays within reasonably short boundaries if an effective annual cycle of consultations is to be achieved. Directors may also wish to consider whether in some circumstances, staff reports could be limited to an analysis of the economic situation with less of a description of policy intentions.

3. Several extensions and adaptations of current practices are planned to mitigate the increased demands on the Executive Board and on the Fund's staff resources of adherence to a stricter consultation cycle. These include further progress in combining consultation missions with negotiations on the use of Fund resources and shortening Recent Economic Developments papers, or, in selected cases, issuing them only every second year. Such adaptations will be particularly important in the transitional period during which the existing backlog of consultations is cleared up. There may, however, be need for limited increases in staff if there is to be adherence to a strict consultation schedule.

4. With respect to informing the Board of changes in exchange rates, the paper suggests an approach that reflects the concerns of Executive Directors that the Fund's surveillance over such changes apply uniformly to all members. The views of Directors on suggestions made in this paper will provide needed guidance.

#### Proposed Decision

The following draft decision is proposed for adoption by the Executive Board:

The Executive Board has reviewed the general implementation of the Fund's surveillance over members' exchange rate policies, as required by paragraph VI of Procedures for Surveillance attached to Decision No. 5392-(77/63), adopted April 29, 1977, including the procedures for the conduct of consultations under Article IV, which consultations shall comprehend the consultations under Article VIII and Article XIV, and approves the continuation of the procedures as described in SM/83/43, in the light of the Managing Director's summing up, until the next annual review, which shall be conducted not later than April 1, 1984.

Factual Background on Article IV Consultations in 1982

1. Membership coverage of Article IV consultations

As was noted in the 1982 Review of the Implementation of Surveillance (SM/82/37) that covered in detail the period 1978-81, the trend since 1979 had been for the percentage of membership covered by Article IV consultations to decline, falling below the target of covering annually 75 per cent of membership. This trend continued during 1982 (Table 1). The percentage of the membership with consultations, which had stood at an average of 73 per cent in 1978-79, declined to 61 per cent in 1981 and to 57 per cent in 1982. The number of consultation missions, however, increased from 88 in 1981 to 105 in 1982 (a few of these were multiple missions for single consultations) and the number of staff reports issued rose from 83 in 1981 to 98 in 1982. Owing to a bunching of consultation missions in the last few months of 1982, an unusually large number of staff reports on consultations were issued in December 1982 that could not be placed on the Executive Board's agenda before the end of the year. The average consultation cycle lengthened from 17-18 months in 1978-79 to about 20 months in 1982.

The increase in the average consultation cycle was most pronounced for the oil-exporting developing countries, although for the same group of countries, members with completed consultations increased from about 58 per cent in 1981 to about 67 per cent in 1982. This divergence is due to the fact that a small number of countries in this group has remained without consultations for prolonged periods of time. For industrial countries, while there has been no change in the percentage of members with consultations, the average consultation cycle declined from about 19 months in 1981 to about 18 months in 1982. For non-oil exporting developing countries there has been both a decline in the percentage of members with completed consultations and a lengthening of the average consultation cycle.

The lengthening of the average consultation cycle reflects in part the fact that an increasing number of countries have not had a consultation with the Fund for prolonged (i.e., 24 months or longer) periods of time. Thus, while in 1979 only three countries had not had a consultation with the Fund for 24 months or more, by the end of 1982 there were 18 countries in that situation (see Table 1, footnote 2). Of these 18 countries, 4 were faced with national security problems (external, internal, or both), which meant that the physical security of Fund missions could not be assured or that the authorities felt that because of national security considerations they were not in a position to release recent data on their economies. Of the remaining countries, 10 had been engaged in reviews of their economic policies and had postponed consultation discussions pending completion of these reviews. In 9 of these cases, the staff was closely involved with the authorities in this review and in 4 of them use of Fund resources papers have been issued and discussed in the Executive Board. It should

also be noted that of the 18 countries that had not had a consultation for 24 months or more at the end of 1982, 9 countries are scheduled to have consultations completed during the first quarter of 1983.

2. Delays in issuing staff reports and in Executive Board conclusions of Article IV consultations

The consultation process involves three stages: staff visit in the field, issuance of the staff report, and conclusion of the consultation by the Board. Delays can and do occur at any stage but, as was explained in Section IV, the problem has been most acute in the area of scheduling Article IV missions. It is at this stage that by far the greatest number of delays occur, and such delays also tend to be much longer than delays occurring at the later stages. Nonetheless, significant delays do occasionally occur also in the issuance of staff reports and in the scheduling of Board discussions, and standard procedures have been developed for dealing with such delays.

a. Current procedures for dealing with delays

The agreed procedures for surveillance (Decision No. 5392-(77/63), Procedure II) require that the Executive Board shall reach conclusions, thereby completing the consultation, not later than three months after the termination of the discussions between the member and the staff. The requirement that staff reports be circulated at least three weeks in advance of the Board discussion, or four weeks in the case of members using the Fund's resources in the upper credit tranches and those whose consultation would have an important bearing on the Fund's surveillance functions under Article IV, <sup>1/</sup> thus determines the final date by which the staff report must be issued.

Current procedures followed by the staff in this respect may be summarized as follows:

1. The three-month period is normally counted from the last day of discussions between the authorities and the staff.

2. The three-month period is counted off on a calendar basis and the first Board day (viz., Monday, Wednesday, or Friday) upon the completion of the three-month period is regarded as the deadline for Executive Board discussion.

3. As a general rule, in cases of delay beyond the end of the three-month period, a paper is circulated for lapse-of-time decision seeking postponement of the discussion by the Executive Board beyond the end of the three-month deadline. This Board paper is prepared by the Secretary's Department, in consultation with the Executive Director

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<sup>1/</sup> Statement by the Managing Director on Issuance of Papers for Executive Board Agenda, Buff 82/20 (2/23/82).

for the member concerned, the area department, and others as appropriate. The rule is administered with flexibility in the sense that if Board discussion is scheduled just a few days after the three-month deadline, the paper is not necessarily circulated.

4. In those exceptional cases where discussions between the member and the staff cannot be completed on the first visit (e.g., because of the unavailability of data or of policy-making national officials), the clock for purposes of the three-month rule begins to run upon conclusion of the supplementary discussions.

5. In the context of missions combining Article IV consultations and program negotiations, the three-month clock begins to run from the time of completion of initial discussions. A request for an extension is made in the customary manner in the event further developments make it appropriate to postpone Executive Board consideration of the Article IV consultation report beyond the three-month deadline.

6. The tentative schedules of Executive Board meetings generally include a list of Article IV consultations for which discussions between the staff and the authorities have been terminated but which have not yet been placed on the Executive Board agenda. Since June 1982 this list has also included against each consultation the three-month deadline for the Executive Board reaching conclusions and thereby completing the consultation.

b. Delays in issuing staff reports

The average period from the termination of initial discussions to the issuance of staff reports was reduced from 63.1 calendar days in 1981 to 58.9 calendar days in 1982 (Table 2). Nevertheless, some significant delays still occurred. For members with consultations completed during 1982, in eight cases the staff report was issued 80 or more calendar days following the termination of discussions. For three of these countries, the decision to delay the staff report was associated with continuing negotiations regarding the use of Fund resources. In two cases, the termination of discussions with the authorities required two or more contacts, either in the field or at headquarters. In one case, the issuance of the staff report had to be delayed as staff members were committed to other missions.

c. Delays in Board discussions

Early in 1982 the requirement was introduced that the Board discussion normally take place not less than three weeks, and in many cases not less than four weeks, after issuance of the staff report, on average an increase of 9-10 days over previous practice. There were also frequent delays in 1982 in the scheduling of Executive Board discussions. Taken together, these resulted in an increase in the average time between issuance of the staff report and Board conclusions



from 26.1 calendar days in 1981 to 39.3 calendar days in 1982. Despite the decline in the average period between termination of missions to issuance of staff reports, therefore, the total time between termination of discussions and Board conclusion increased from 89.4 calendar days in 1981 to 99.1 calendar days in 1982.

When delays in issuance of staff reports or in Board discussions meant that the three-month rule might not be met, the Board was notified through requests for postponements. Altogether 41 requests for postponement were made during the year. The more frequent causes for such postponements in 1982 were (see Table 3): (1) scheduling problems mostly because of the workload of the Executive Board, Board recess, or the Interim Committee and Annual Meetings (20 cases); (2) when a use of resources request was being concurrently processed, delay in order for the Board to discuss the papers jointly (eight cases); and (3) delays in receiving comments from the authorities (seven cases).

3. Manpower resources devoted to Article IV consultations:  
staff travel and Executive Board hours

a. Staff travel

Staff time devoted to the process of Article IV consultations falls into three distinct stages: pre-mission work at headquarters, work during the mission in the field and the post-mission preparation of reports. The manpower resources devoted to the mission stage may be analyzed in terms of the size and duration of missions. Data on the size distribution of Article IV consultation missions are provided in Table 4. The average size of consultation missions, after having remained at about 4.6 professional staff members from 1979 to 1981 increased slightly to 4.8 staff members in 1982. This was mainly on account of more extensive Fund involvement with some recent members and is not expected to continue in the future. While area department staff trips in connection with consultations increased by about 20 per cent, trips by functional department staff, primarily the Exchange and Trade Relations Department and the Fiscal Affairs Department, increased by over 40 per cent (Table 5).

The duration of consultation missions generally depends on, first, the availability of publicly-reported data and, second, the extent to which concurrent use of Fund resources discussions or major policy reviews are involved. The average duration of consultation missions declined from 14.3 calendar days in 1981 to 13.3 calendar days in 1982, and the decline was most pronounced in the number of missions of long and very long duration, i.e., those of respectively more than 17 days and more than 27 days (Table 6). This decline partly reflected the fact that recent use of Fund resources missions had helped lay the groundwork for consultation discussions, and partly that, in some cases, additional but shorter missions were required to complete the consultation discussions.

Travel by professional Fund staff for the purpose of conducting Article IV consultations is shown in Table 6 in a broader framework of total business travel. Staff travel is broken down by purpose into four broad categories: consultation (including combined consultation and use of Fund resources), use of Fund resources, technical assistance, and others (e.g. contacts with international organizations, Paris Club, consultative group meetings, etc.). Travel to conduct Article IV consultation discussions increased during 1982. Travel for use of Fund resources declined from the peak reached in 1981. Overall, total business travel by professional staff, after experiencing a sharp increase during 1981, declined somewhat during 1982. Data on business travel disaggregated by departments most closely associated with the consultation process (i.e., area departments and ETR and FAD) show (Table 7) that consultation travel increased sharply for AFR and ASD, increased moderately for ETR and FAD, and declined for EUR, MED, and WHD.

b. The Executive Board

The proportion of Executive Board hours spent on country items had been around one third during the period from 1978 to 1980, but increased to 46 per cent in 1981 and to 51 per cent in 1982 (Table 8). Total Board hours spent on country items increased from 163 in 1980 to 204 in 1981 and to 261 in 1982. This sharp increase occurred on account of a rise both in consultations and use of Fund resources.

4. Length of staff reports and reports on recent economic developments

The tendency, noted in the past, for staff reports to increase in length continued during 1982 (Table 9), with average length of staff reports rising from 14.3 pages in 1981 to 16.4 pages in 1982. This increase largely reflected the fact that an increasing number of reports incorporated requests for use of Fund resources or reviews of stand-by arrangements.

At the time of last year's surveillance review it was noted that reports on Recent Economic Developments had been expanding and it was agreed to discourage any further increase in their length. Accordingly, the average length of REDs declined slightly in 1982, principally as a result of a reduction in the proportion of reports exceeding 100 pages. The practice of providing appendices that treat in depth a particular problem of member countries continues to be applied.

Table 1. Article IV Consultations--Membership Coverage, 1978-82

(IFS Classification)

	1978	1979	1980	1981	1982
<b>Fund membership</b>					
Consultations completed with (per cent of total)	89 (69.4)	105 (76.6)	93 (66.4)	86 (61.0)	83 (57.2)
Average consultation cycle (months) <sup>1/</sup>	17.9	18.0	17.3	19.3	20.5
Staff reports issued	87	96	86	83	98
<b>Industrial countries</b>					
Consultations completed with (per cent)	14 (70.0)	15 (75.0)	16 (80.0)	13 (65.0)	13 (65.0)
Average consultation cycle (months)	17.4	17.0	17.0	18.9	18.1
<b>Developing countries</b>					
<b>Oil exporting</b>					
Consultations completed with (per cent)	9 (75.0)	9 (75.0)	8 (66.7)	7 (58.3)	8 (66.6)
Average consultation cycle (months)	16.3	15.5	16.5	18.7	21.5
<b>Non-oil exporting countries</b>					
Consultations completed with (per cent)	66 (66.0)	81 (77.1)	69 (63.9)	66 (60.6)	62 (54.9)
Average consultation cycle (months)	18.2	18.5	17.4	19.6	20.9
<b>Consultations combined with use of Fund resources missions</b>	5	6	10	16	12
Average consultation cycle (months)	17.9	19.3	17.6	18.7	21.3
<b>Countries without consultations for 24 months or more <sup>2/</sup></b>	5	3	4	13	18
<b>Countries with consultations on a cycle of 15 months or less</b>	48	47	49	46	50

Source: Exchange and Trade Relations Department.

<sup>1/</sup> For members with consultations completed in a given year the relevant time interval is between their penultimate and ultimate Board consultation conclusions; for members without completed consultations the relevant time interval is between the last Board conclusion and December 31 of a given year. Democratic Kampuchea is excluded from these calculations.

<sup>2/</sup> Comprises members (excluding Democratic Kampuchea) that at the end of a given year have not completed a consultation for 24 months or more. In 1978: Chad, Equatorial Guinea, Guyana, Portugal, Turkey; 1979: Nicaragua, Spain, Uganda; 1980: El Salvador, Iran, Jamaica, Nicaragua; 1981: Afghanistan, Bolivia, Burundi, Chad, Congo, El Salvador, Guinea-Bissau, Iran, Suriname, Tanzania, Trinidad and Tobago, Uganda, Zaire; 1982: Afghanistan, Bolivia, Chad, Chile, Costa Rica, Gabon, Ghana, Greece, Guatemala, Guinea-Bissau, Iran, Iraq, Libya, Mauritania, Netherlands, Senegal, Uganda, Western Samoa.

Table 2. Article IV Consultations--Time Period from Termination of Discussions to Board Conclusions, 1978-82 <sup>1/</sup>

	1978	1979	1980	1981	1982
<b>Time from termination of discussion to issuance of staff reports</b>					
Average in calendar days	55.2	53.1	52.8	63.1	58.9
Percentage distribution					
30 days or less	4.6	9.9	5.6	5.0	2.5
31-40 days	16.3	5.9	25.6	7.5	7.5
41-50 days	22.1	28.7	20.0	22.5	30.0
51-60 days	29.1	28.7	18.9	21.3	21.3
61-70 days	14.0	15.8	20.0	20.0	18.7
71-79 days	6.1	7.1	4.6	8.7	10.4
80 days or more	7.9	3.8	5.4	15.1	9.6
<b>Time from issuance of staff reports to Board conclusion of consultations</b>					
Average in calendar days	41.4	41.6	35.1	26.1	39.3
Percentage distribution					
20 days or less	12.8	20.8	19.3	46.8	7.5
21-30 days	30.2	21.8	29.5	25.3	41.3
31-40 days	17.4	19.8	19.3	13.9	18.7
41-45 days	11.6	14.9	13.6	6.3	18.7
51-60 days	8.1	7.9	5.7	6.3	2.5
61-70 days	8.1	4.0	10.2	1.3	5.0
71 days or more	11.6	10.9	2.3	--	6.3
<b>Total time from termination of discussions to Board conclusion of consultations</b>					
Average in calendar days	96.7	94.7	88.2	89.4	99.1
Percentage distribution					
70 days or less	17.6	21.8	23.6	21.8	10.0
71-80 days	14.1	18.8	12.4	16.7	17.5
81-90 days	20.0	14.9	22.5	21.8	20.0
91-100 days	18.8	15.8	18.0	10.3	18.8
101-110 days	7.1	4.0	11.2	9.0	13.7
111-120 days	4.7	7.9	2.2	10.3	6.3
121 days or more	17.6	16.8	10.1	10.3	13.7

Source: Exchange and Trade Relations Department.

<sup>1/</sup> Recorded in year in which consultation concluded.

Table 3. Reasons for Requests for Postponement of Executive Board Discussions of Article IV Consultations in 1982

	Number of Cases
Difficulties in scheduling Board meetings <u>1/</u>	19
Desire to discuss jointly requests for use of Fund resources and Article IV consultations	8
Delays in receiving official comments on staff papers	7
Policy or institutional changes requiring additional information	3
Request of the authorities	3
Staff committed to other missions	<u>1</u>
Total	41

Sources: Exchange and Trade Relations Department and Secretary's Department.

1/ Mostly on account of the informal recess and Interim Committee and Annual Meetings, but also including cases where the Executive Director elected by the member concerned was unable to attend.

Table 4. Size of Article IV Consultation Missions, 1978-82 <sup>1/</sup>

(Number of Missions)

	1978	1979	1980	1981	1982
All Missions	<u>93</u>	<u>95</u>	<u>95</u>	<u>88</u>	<u>106</u>
3 or less staff	7	6	2	5	4
4 staff	38	39	49	33	40
5 staff	41	38	34	43	45
6 staff	6	10	8	7	11
7 staff	1	1	1	-	6
8 staff	-	1	1	-	-
Average <sup>2/</sup>	4.5	4.6	4.6	4.6	4.8
African Department	<u>28</u>	<u>29</u>	<u>27</u>	<u>20</u>	<u>32</u>
3 or less staff	3	4	1	1	-
4 staff	14	15	15	9	14
5 staff	9	5	9	9	18
6 staff	2	5	2	1	-
7 staff	-	-	-	-	-
8 staff	-	-	-	-	-
Average <sup>2/</sup>	4.4	4.4	4.4	4.5	4.6
Asian Department	<u>12</u>	<u>17</u>	<u>18</u>	<u>13</u>	<u>21</u>
3 or less staff	1	1	1	1	1
4 staff	4	10	11	8	11
5 staff	7	6	5	4	3
6 staff	-	-	-	-	3
7 staff	-	-	1	-	3
8 staff	-	-	-	-	-
Average <sup>2/</sup>	4.5	4.3	4.4	4.2	4.8
European Department	<u>17</u>	<u>18</u>	<u>17</u>	<u>16</u>	<u>17</u>
3 or less staff	3	1	-	-	-
4 staff	9	7	12	6	5
5 staff	5	10	3	9	6
6 staff	-	-	2	1	4
7 staff	-	-	-	-	2
8 staff	-	-	-	-	-
Average <sup>2/</sup>	4.1	4.5	4.4	4.7	5.2
Middle Eastern Department	<u>14</u>	<u>13</u>	<u>13</u>	<u>14</u>	<u>13</u>
3 or less staff	-	-	-	1	-
4 staff	7	6	5	5	7
5 staff	5	5	4	6	3
6 staff	1	2	4	2	3
7 staff	1	-	-	-	-
8 staff	-	-	-	-	-
Average <sup>2/</sup>	4.7	4.7	4.9	4.6	4.7
Western Hemisphere Department <sup>3/</sup>	<u>22</u>	<u>18</u>	<u>20</u>	<u>25</u>	<u>23</u>
3 or less staff	-	-	-	2	3
4 staff	4	1	6	5	3
5 staff	15	12	13	15	15
6 staff	3	3	-	3	1
7 staff	-	1	-	-	1
8 staff	-	1	1	-	-
Average <sup>2/</sup>	5.0	5.4	4.9	4.8	4.7

Source: Administration Department.

<sup>1/</sup> Excluding secretaries; EPs included in their assigned departments. Multiple missions in connection with the same consultation are counted as separate missions.<sup>2/</sup> Assuming that the smallest mission size is three staff members.<sup>3/</sup> Including U.S. consultation mission.

Table 5. Professional Staff Participation in Article IV Consultation Missions by Area and Functional Departments, 1978-82 <sup>1/</sup>

(Number of Trips)

	1978	1979	1980	1981	1982
African Department	<u>120</u>	<u>126</u>	<u>120</u>	<u>90</u>	<u>146</u>
AFR staff	<u>94</u>	<u>97</u>	<u>79</u>	<u>61</u>	<u>97</u>
Other staff	26	29	41	29	49
Asian Department	<u>52</u>	<u>73</u>	<u>79</u>	<u>55</u>	<u>101</u>
ASD staff	<u>37</u>	<u>49</u>	<u>51</u>	<u>35</u>	<u>67</u>
Other staff	15	24	28	20	34
European Department	<u>70</u>	<u>81</u>	<u>75</u>	<u>75</u>	<u>88</u>
EUR Department staff	<u>65</u>	<u>72</u>	<u>68</u>	<u>66</u>	<u>74</u>
Other staff	5	9	7	9	14
Middle Eastern Department	<u>66</u>	<u>61</u>	<u>64</u>	<u>65</u>	<u>61</u>
MED staff	<u>46</u>	<u>45</u>	<u>47</u>	<u>50</u>	<u>50</u>
Other staff	20	16	17	15	11
Western Hemisphere Department <sup>2/</sup>	<u>109</u>	<u>97</u>	<u>97</u>	<u>118</u>	<u>107</u>
WHD staff	<u>89</u>	<u>83</u>	<u>81</u>	<u>101</u>	<u>85</u>
Other staff	20	14	16	17	22
Total	<u>417</u>	<u>436</u>	<u>435</u>	<u>403</u>	<u>503</u>
Area departments	331	346	326	313	373
Functional departments	86	92	109	90	130
ETR	(50)	(53)	(49)	(41)	(60)
FAD	(30)	(26)	(34)	(30)	(41)
RES	(2)	(6)	(8)	(7)	(8)
STAT	(-)	(2)	(5)	(2)	(8)
CBD	(-)	(3)	(3)	(4)	(4)
Other	(4)	(2)	(10)	(6)	(9)

Source: Administration Department.

<sup>1/</sup> Excluding secretaries; EPs included in their assigned departments.

<sup>2/</sup> Including participation in U.S. consultation mission.

Table 6. Business Travel by Professional Staff  
and Duration of Missions, 1978-82

	1978	1979	1980	1981	1982
Staff business travel (staff days)					
Consultations <u>1/</u>	7,823	8,277	8,128	8,404	10,309
Use of Fund resources	3,814	4,505	5,750	8,148	6,545
Technical assistance	3,339	3,104	3,084	4,218	2,687
Other <u>2/</u>	2,657	2,391	3,156	3,878	3,570
A. Total travel <u>3/</u>	17,633	18,277	20,118	24,648	23,111 <u>4/</u>
B. Total staff days available	92,144	94,182	95,304	98,361	101,929 <u>5/</u>
(A as per cent of B)	(19.1)	(19.4)	(21.1)	(25.1)	(22.7)
Mission duration <u>6/</u>					
Average in calendar days	14.1	13.6	13.9	14.3	13.3
Percentage distribution					
7 days or less	3.5	8.9	8.9	10.1	9.1
8-10 days	17.4	10.9	13.3	7.6	12.5
11-13 days	30.2	25.7	28.9	30.4	31.8
14-16 days	27.9	33.7	30.0	30.4	35.2
17-21 days	20.9	16.8	11.1	16.5	9.1
27 days or more	1.2	4.0	7.8	5.1	2.3

Sources: Administration Department and Exchange and Trade Relations Department.

1/ Includes consultations combined with use of Fund resources.

2/ Includes, among others, contacts with other international organizations, debt rescheduling, seminars, and membership missions.

3/ Defined as days spent away from headquarters on business travel (i.e., travel to and from mission destinations or weekends and holidays in the field are included). Excludes travel related to Annual Meetings, travel by resident representatives, all travel within the United States, and travel related to general support services.

4/ The availability of more precise data for 1982 makes it possible to exclude any annual leave taken during the travel period; the data for 1978-81 include such leave and thus somewhat overstate business travel.

5/ For CY 1982 figure shown is actual number of days worked, including weekends spent away from headquarters on business travel. Figures for previous years shown in SM/82/37 (2/17/82) have been revised to reflect the averages for leave days, sick days, and other types of leave indicated by the analysis for CY 1982. Departments included are AFR, ASD, EUR, MED, WHD, CBD, ETR, FAD, INST (excluding the Administration Division), LEG, RES, and STAT (excluding the Data Fund Division). Excludes computer system officers, editorial officers, administrative officers, library staff, research assistants, and staff in the field.

6/ Missions are recorded according to the year the consultation was concluded, while staff travel is recorded in the year in which the mission actually occurred.



**Table 7. Business Travel by Fund Staff of Selected Departments, 1978-82 1/**  
(in staff days)

	1978	1979	1980	1981	1982
<b><u>African Department</u></b>					
Consultations	1,805	1,737	1,585	1,358	2,341
Use of Fund resources	818	1,034	1,915	2,850	1,861
Technical assistance	68	143	323	278	90
Other	386	390	418	485	363
A. Total travel	3,077	3,304	4,241	4,971	4,655
B. Total staff days available	11,778	12,300	13,110	13,645	14,470
(A as per cent of B)	(26.1)	(26.9)	(32.4)	(36.4)	(32.2)
<b><u>Asian Department</u></b>					
Consultations	791	1,016	1,159	728	1,542
Use of Fund resources	420	345	446	692	589
Technical assistance	24	28	26	161	35
Other	302	189	326	344	358
A. Total travel	1,537	1,578	1,957	1,925	2,524
B. Total staff days available	8,146	8,218	7,875	8,561	9,021
(A as per cent of B)	(18.9)	(19.2)	(24.9)	(22.5)	(28.0)
<b><u>European Department</u></b>					
Consultations	993	1,318	1,130	1,333	1,270
Use of Fund resources	245	479	511	577	649
Technical assistance	20	39	22	64	-
Other	212	152	137	283	624
A. Total travel	1,470	1,988	1,800	2,257	2,543
B. Total staff days available	8,626	8,739	9,100	9,157	9,489
(A as per cent of B)	(17.0)	(22.8)	(19.8)	(24.7)	(26.8)
<b><u>Exchange and Trade Relations Dept.</u></b>					
Consultations	1,008	1,013	991	884	1,223
Use of Fund resources	781	844	1,105	1,346	1,077
Technical assistance	72	20	199	85	133
Other	263	230	301	372	487
A. Total travel	2,124	2,107	2,596	2,687	2,920
B. Total staff days available	9,250	9,673	9,456	10,085	10,844
(A as per cent of B)	(23.0)	(21.8)	(27.5)	(26.6)	(26.9)
<b><u>Fiscal Affairs Department</u></b>					
Consultations	620	576	726	629	733
Use of Fund resources	394	525	650	843	645
Technical assistance	1,401	1,060	798	1,388	959
Other	117	109	146	104	208
A. Total travel	2,532	2,270	2,320	2,964	2,545
B. Total staff days available	9,332	9,225	9,699	9,554	9,660
(A as per cent of B)	(27.1)	(24.6)	(23.9)	(31.0)	(26.4)
<b><u>Middle Eastern Department</u></b>					
Consultations	987	819	891	1,023	987
Use of Fund resources	264	320	317	327	191
Technical assistance	69	66	60	134	118
Other	131	105	108	161	213
A. Total travel	1,451	1,310	1,376	1,645	1,509
B. Total staff days available	5,192	5,903	5,674	5,777	5,737
(A as per cent of B)	(28.0)	(22.2)	(24.3)	(28.5)	(26.3)
<b><u>Western Hemisphere Department</u></b>					
Consultations	1,479	1,510	1,272	1,877	1,802
Use of Fund resources	828	877	716	663	1,373
Technical assistance	94	65	52	71	2
Other	191	241	346	472	586
A. Total travel	2,592	2,693	2,386	3,083	3,763
B. Total staff days available	11,906	12,875	12,619	13,507	13,453
(A as per cent of B)	(21.8)	(20.9)	(18.9)	(22.8)	(28.0)

Source: Administration Department.

1/ For explanation of headings see footnotes 1-4 of Table 6.

Table 8. Country Items in Executive Board Meetings, 1978-82

	1978	1979	1980	1981	1982
1. Total number of Board meetings <u>1/</u>	226	209	207	190	211
2. Total number of country items <u>2/</u>	157	157	144	151	142
a. Consultations alone	70	72	71	59	62
b. Consultations combined with use of Fund resources <u>3/</u>	19	32	21	27	21
c. Use of Fund resources alone	45	40	42	51	52
3. Total Board hours	498	515	493	440	511
4. Total Board hours on country items (as per cent of total Board hours)	166 (33.3)	173 (33.6)	163 (33.1)	204 (46.4)	261 (51.1)
a. Consultations alone (as per cent of Board hours on country items)	82 (49.4)	91 (52.6)	84 (51.5)	84 (41.2)	101 (41.7)
b. Consultations combined with use of Fund resources (as per cent of Board hours on country items)	26 (15.7)	38 (22.0)	25 (15.3)	45 (22.1)	53 (20.3)
c. Use of Fund resources alone (as per cent of Board hours on country items)	42 (25.3)	41 (23.7)	51 (31.3)	71 (34.8)	94 (36.0)

Source: Secretary's Department.

1/ Comprising Board meetings, seminars, informal sessions, and the Committee of the Whole.

2/ Country items comprise use of Fund resources, consultations, and exchange systems.

3/ Use of Fund resources covers approvals of stand-by and extended arrangements, reviews of such arrangements, CFF and other purchases, and modifications of performance criteria.

Table 9. Length of Reports in Connection with  
Article IV Consultations, 1978-82

	1978	1979	1980	1981	1982
<b>Staff Reports</b>					
Average length (pages)	12.3	12.5	13.3	14.3	16.4
Percentage distribution					
9 pages or less	12.8	14.9	11.1	7.6	8.7
10-14 pages	6.3	62.4	51.1	48.1	32.5
15-19 pages	19.8	20.8	35.6	34.2	32.5
20 pages or more	1.2	2.0	2.2	10.1	26.3
<b>Reports on Recent Economic Developments</b>					
Average length (pages)	81.0	79.4	85.7	90.1	88.7
Percentage distribution					
50 pages or less	2.3	6.9	3.3	5.1	6.3
51-60 pages	14.0	12.9	6.7	3.8	8.7
61-70 pages	16.3	14.9	16.7	11.5	8.7
71-80 pages	16.3	23.8	16.7	14.1	11.3
81-90 pages	20.9	16.8	20.0	16.7	15.0
91-100 pages	15.1	7.9	14.4	15.4	20.0
101 pages or more	15.1	16.8	22.2	33.3	30.0

Source: Exchange and Trade Relations Department.