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To: Members of the Executive Board
From: The Secretary
Subject: Frequency of Article IV Consultations - An Interim Report

The attached interim report on the frequency of Article IV consultations is circulated for the information of the Executive Directors.

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INTERNATIONAL MONETARY FUND

Frequency of Article IV Consultations: An Interim Report

Prepared by the Exchange and Trade Relations Department

(In consultation with other Departments)

Approved by Donald K. Palmer

October 21, 1983

As called for at the last Annual Review of the Implementation of Surveillance (EBM/83/55, 3/28/83), this paper summarizes the progress to date in eliminating the backlog of Article IV consultations. In response to requests by Executive Directors at the Mid-Term Review of the Work Program (EBM/83/86, 6/17/83), it also briefly reviews the experience with the specification of Article IV consultation cycles since the present system was adopted at the time of the Surveillance Review.

I. Membership Coverage of Article IV Consultations

As was noted in the 1983 Surveillance Review paper, ^{1/} the number of Article IV consultations declined steadily from 77 percent to 57 percent of Fund membership between 1979 and 1982. This trend was reversed in the first nine months of 1983, when consultations were concluded with 67 percent of members, and coverage is projected to reach 84 percent by the end of the year (Table 1). This high percentage to some extent reflects the exceptionally large number of staff reports issued in the last few months of 1982 and discussed in 1983, but also reflects a further intensification of consultation mission activity in 1983: some 115 staff reports are projected to be issued in 1983, up from 98 in 1982.

The large number of consultations concluded so far in 1983 has resulted in a marked reduction in overdue consultations. The period which the Executive Board, at the time of the Surveillance Review, considered to be the maximum permissible interval between consultations was 24 months. The number of members for which more than 24 months have elapsed since the last consultation declined from 15 at the end of 1982 to 5 at September 30, 1983, and is projected to drop to 3 by the end of 1983. There has also been a sharp decline in the number of

^{1/} "Annual Review of the Implementation of Surveillance" (SM/83/43, 3/1/83).

countries for which the interval since the last consultation is in the range of 15-24 months, 1/ from 27 at the end of 1982 to 12 at September 30, 1983, and to a projected figure of 11 by the end of 1983.

Table 2 lists the members for which at September 30, 1983 more than 15 months had elapsed since the conclusion of the previous consultation. Of the 5 for which the interval had exceeded 24 months, 4 are understood to be affected by security problems that may justify the postponement of consultations; the fifth member, Australia, has recently held consultation discussions with the staff and conclusion of the consultation is scheduled for November 23, 1983. Of the 12 members with intervals in the 15-24 month range, 6 are judged by the staff to meet the criteria for a longer cycle, and one is affected by security problems. For 3 countries, delays have been occasioned by negotiations relating to the use of Fund resources. Careful review of these cases is being undertaken, as Executive Directors have, in the past, expressed the view that such delays are to be avoided as much as possible. The remaining 2 cases involved delays in scheduling missions, partly because of staffing problems; in both cases a consultation mission has taken place or is scheduled for the near future, and it is expected that the consultation will be concluded by early 1984.

II. Specification of Consultation Cycles: The Experience to Date

At the 1983 Surveillance Review, Directors agreed that it would be helpful to establish, at the conclusion of each consultation, a final date for the conclusion of the next consultation. 2/ Table 3 lists the members with which Article IV consultations were concluded between March 28, 1983 (the date of the Executive Board's conclusion of the Surveillance Review) and September 30, 1983, indicating for each the expected cycle for the next consultation, as set out in the Chairman's Summing Up. Of the 63 consultations completed during the period, in 55 the standard 12-month cycle was specified, in 6 a longer cycle (which, in principle, can be as long as 24 months, but so far in practice has been in the range of 15 to 18 months), and in 2, both of which involved security problems, a "flexible approach" was called for.

The proportion on the standard cycle, 87 percent, is beyond the range of 75-80 percent suggested in SM/83/43. If the same proportion continues to hold, the implication is that there will be a further increase in the number of consultations per year.

1/ Under the present system of advance specification of consultation cycles, the standard cycle is 12 months, with a three-month grace period. Reference to the criteria for the standard cycle is made in Part II, below.

2/ Buff 83/92, 4/7/83.

Certain questions have arisen about the determination of consultation cycles. Some smaller members that clearly do not meet any of the three criteria that require a member to be placed on the standard cycle 1/ have indicated the importance they attached to holding consultations on an annual basis. Some other members for which the staff would recommend the standard cycle have questioned whether the criteria for the standard cycle in fact apply to them. These issues will be addressed in the staff paper for the next Surveillance Review, which is to be concluded by April 1, 1984.

1/ Economies having a substantial impact on other countries, members with Fund-supported programs, and situations where there are substantial doubts about medium-term viability of the balance of payments.

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

	1982	1983	1983
	(1)	Jan.-Sept. (2)	Projected (3)
		<u>(During period)</u>	
Number of consultations concluded (Percent of membership)	83 (57)	98 (67)	122 <u>1/2</u> / (84)
Number of staff reports issued	98	84	115
		<u>(End of period)</u>	
Number of countries for which more than 24 months have elapsed since con- clusion of the last consultation	15	5	3 <u>2</u> / 11
Number of countries for which the time elapsed since conclusion of the last consultation is in the range of 15-24 months	27	12	11

1/ In addition, for two members further consultations are expected to be concluded this year because the exigencies of consultation scheduling resulted in both the 1982 and 1983 consultations falling within calendar 1983. A consultation is also expected to be concluded with the Netherlands Antilles.

2/ The consultation with Iraq (see Table 2, footnote 3) is assumed to be concluded by the end of 1983.

Table 2. Members for Which More Than 15 Months Have Elapsed Since Last Consultation

(As of September 30, 1983)

Member	Date Last Consultation Concluded	Number of Months Since Last Consultation Concluded	Projected Date for Conclusion of Next Consultation	Explanation <u>1/</u>
<u>African Department</u>				
Burundi	3/22/82	18	2/84	Longer cycle
Chad	4/25/79	53	3/84	Security problems
Djibouti	5/24/82	16	1/84	Longer cycle
Mali	11/16/81	22	11/83	Use of Fund resources
Zaire	3/12/82	19	12/83	Use of Fund resources
Seychelles	4/26/82	17	10/83	Longer cycle
<u>Asian Department</u>				
Democratic Kampuchea	10/31/73	119	...	Security problems
Philippines	4/30/82	17	12/83	Use of Fund resources
<u>Middle Eastern Department</u>				
Iran	10/06/78	60	...	Security problems
Iraq	2/29/80	43	3/	Security problems
Qatar	3/24/82	18	12/83	Longer cycle
<u>European Department <u>2/</u></u>				
Australia	5/29/81	28	11/83	--
Finland	1/25/82	20	1/84	Longer cycle
<u>Western Hemisphere Department</u>				
Antigua & Barbuda	4/30/82	17	1/84	Longer cycle
Nicaragua	12/23/81	21	2/84	Security problems
Haiti	12/23/81	21	11/83	--
Paraguay	11/25/81	22	1/84	--

1/ "Longer cycle" refers to what the staff would recommend, based on member's current circumstances; "Security problems" refers to cases where the member, in a situation of armed conflict, has declined to receive a consultation mission, or where the security of the mission cannot be assured; "Use of Fund resources" refers to situations where consultation missions or Board discussions were postponed because of negotiations on use of Fund resources.

2/ Article IV consultations are also held with the Netherlands Antilles; the last consultation was concluded February 18, 1980, and the next is expected to be concluded in November 1983.

3/ Staff report issued, but date for Executive Board discussion not yet set.

Table 3. Specification of Consultation Cycles:
Consultations Concluded March 28-September 30, 1983

Members	Date Consultation Concluded	Cycle
Zambia	4/19/83	Standard
Central African Rep.	4/22/83	Standard
Spain	4/22/83	Standard
Uruguay	4/22/83	Standard
Rwanda	4/28/83	Standard
<i>Lebanon</i>	5/13/83	<i>Flexible</i>
Bahamas	5/13/83	Standard
Mauritius	5/18/83	Standard
Mexico	5/23/83	Standard
Gabon	5/27/83	Standard
Ecuador	6/01/83	Standard
Guatemala	6/01/83	Standard
South Africa	6/02/83	Standard
France	6/03/83	Standard
Guinea Bissau	6/08/83	Standard
St. Lucia	6/08/83	Standard
Ethiopia	6/08/83	Standard
Ivory Coast	6/10/83	Standard
Upper Volta	6/10/83	Standard
Portugal	6/13/83	Standard
United Arab Emirates	6/13/83	Standard
Israel	6/15/83	Standard
Belize	6/17/83	Standard
Barbados	6/22/83	Standard
Panama	6/24/83	Standard
Turkey	6/24/83	Standard
Colombia	7/01/83	Standard
Niger	7/01/83	Standard
Papua New Guinea	7/01/83	Standard
Venezuela	7/01/83	Standard
Oman	7/06/83	18 months
Viet Nam	7/06/83	Standard
Korea	7/08/83	Standard
Malaysia	7/08/83	Standard
Nepal	7/11/83	Standard <u>1/</u>
Tanzania	7/11/83	Standard
Bangladesh	7/13/83	Standard
Costa Rica	7/18/83	Standard
Malta	7/18/83	18 months

Table 3 (concluded). Specification of Consultation Cycles:
Consultations Concluded March 28-September 30, 1983

Members	Date Consultation Concluded	Cycle
United States	7/20/83	Standard
Kuwait	7/22/83	18 months
Norway	7/22/83	18 months
Ireland	7/25/83	Standard
Afghanistan	7/27/83	Flexible
Egypt	7/27/83	Standard
Germany	7/29/83	Standard
Ghana	8/03/83	Standard
Dominica	8/03/83	Standard
Guinea	8/05/83	Standard
Lesotho	8/24/83	Standard
Grenada	8/24/83	Standard
Yemen Arab Republic	8/24/83	Standard
Gambia	8/26/83	Standard
Tunisia	8/26/83	Standard
Saudi Arabia	8/29/83	Standard
Cyprus	9/02/83	Standard
Sweden	9/02/83	Standard
Benin	9/06/83	15 months
Sri Lanka	9/14/83	Standard
Sudan	9/14/83	Standard
Romania	9/14/83	Standard
Bahrain	9/16/83	18 months
Senegal	9/19/83	Standard

1/ Nepal was considered a standard cycle country, but because the current consultation was completed only seven months after the previous one, the interval before the next one was expected to be 15 months.

