

**FOR
AGENDA**

EBS/01/129

CONFIDENTIAL

August 3, 2001

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Turkmenistan—Issues in Data Provision to the Fund**

Attached for consideration by the Executive Directors is a paper on issues in data provision to the Fund with respect to Turkmenistan, which will be brought to the agenda for discussion on a date to be announced. A draft decision appears on pages 15–19. At the time of the circulation of this paper to the Board, the Secretary's Department has not received a communication from the authorities of Turkmenistan indicating whether or not they consent to the Fund's publication of this paper; such communication may be received after the authorities have had an opportunity to read the paper.

Questions may be referred to Mr. Pastor (ext. 38838), Mr. Leckow (ext. 34799), and Mr. Luecke (ext. 38735).

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INTERNATIONAL MONETARY FUND

TURKMENISTAN

Issues in Data Provision to the Fund

Prepared by European II, Legal, and Policy Development and Review Departments

(In consultation with other departments)

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August 3, 2001

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I. INTRODUCTION

1. This report reviews the provision of information to the Fund by the Turkmen authorities in the context of the Fund's surveillance activities. The report documents the authorities' record of providing the Fund with the core macroeconomic information needed for surveillance purposes. Data provision had been adequate through mid-1999, but has been increasingly incomplete since then. The report outlines the impact of this lack of data on Fund operations; the staff's efforts to resolve the data problem; and the authorities' response to those efforts. The staff believes that Turkmenistan is in breach of its obligations under Article VIII, Section 5(a) and, accordingly, it recommends that the Executive Board adopt a decision that finds Turkmenistan in breach of its obligations. The proposed decision sets a deadline for Turkmenistan to provide information listed under Article VIII, Section 5(a) of the Fund's Articles of Agreement and certain core statistical indicators that the Board has viewed as the minimum necessary to conduct effective surveillance.¹

II. DATA PROVISION TO THE FUND

2. During 1993–99, there was a significant improvement in the compilation and reporting to the Fund of basic macroeconomic data by Turkmenistan. These improvements were supported by technical assistance from the Fund and international donors, and were reported to the Executive Board in the context of annual Article IV consultation discussions.² By mid-1999, Turkmenistan provided data to the Fund on international reserves, the central bank balance sheet, reserve and broad money, interest rates, state government balance, consumer price inflation, and exports and imports all on a monthly basis. Data on the external current account deficit and public external debt were reported to the Fund every three months and, at times, on a monthly basis. Data on exchange rates were updated continually. In most cases, and in the case of the monetary accounts in particular, the data were furnished to the Fund using computer files which had been developed jointly by the staff and officials working in the local statistical units. The available information was broadly adequate for surveillance purposes, despite shortcomings regarding the availability, quality and timeliness of some of the data reported.

¹ This paper does not discuss Turkmenistan's obligation under Article IV, Section 3(b), to "provide the Fund with the information necessary" to conduct surveillance. For a discussion of this provision see: *Misreporting of Information in the Context of Fund Surveillance and Fund Financial Assistance – Present Legal Framework* (EBS/00/13, 2/2/00), page 9.

² See, for example, SM/97/103 dated April 29, 1997; SM/98/114 dated May 27, 1998; and SM/99/258 dated October 7 1999. Also, see Chairman's Summing Up SUR/98/74 dated June 26, 1998, and SUR/99/127 dated November 3, 1999.

3. The provision of basic macroeconomic data to the Fund has deteriorated markedly since the conclusion of the 1999 Article IV consultation.³ Three staff visits (in January, May, and November 2000) could not collect macroeconomic data for end-1999. Also, in mid-June 2000, the Central Bank of Turkmenistan (CBT) officially informed the Fund that the only financial information that would be henceforth provided to the Fund was the CBT's monthly bulletin, which is usually published with approximately a month and a half lag. Moreover, starting June 2000, the balance sheet of the monetary authorities was eliminated from the CBT's published bulletin and the consolidated balance sheet of the commercial banks was reported only in percentage terms.

4. By mid-2000, the National Institute of State Statistics and Information (Turkmenstatprognos) had also stopped the flow of information regularly submitted to the Fund. Provision of the published and well-documented monthly statistical bulletin ceased. In recent months, Turkmenstatprognos has begun to provide the Fund staff with a two-page summary of the monthly bulletin, which compares poorly with the previous flow of information, in terms of the timeliness and coverage.

5. Provision of fiscal data has been sharply reduced. Budget execution data have not been received by the staff for over a year. A summary table on the 2001 budget was recently provided by the authorities, but with very little detail and without any of the budget's underlying assumptions. In the past, budget execution data were available from Turkmenistan on a timely basis every month, and the officials of the Ministry of Economy and Finance were readily available to the staff for any clarification of the data and/or other fiscal information. Moreover, the staff actively discussed with the authorities the assumptions and projections included in the budget in the context of Article IV missions and staff visits to Turkmenistan.

6. An additional problem with the reporting of fiscal data has been a lack of information on the operations of the extra budgetary funds since mid-1999. At the time of the last Article IV mission in June 1999, the authorities supplied the staff with revenue and expenditure data for these funds which, together with a rather detailed external debt reporting available at that time, helped the staff in estimating a measure of the Public Sector Borrowing Requirement (PSBR) for 1997-99.

7. As noted above, the compilation and provision of balance of payments and external debt data had improved significantly during 1993-99. Fund technical assistance was instrumental in the development of questionnaires, reporting forms, and compilation systems for balance of payments accounting at the CBT. Compilation of public external debt data by the central bank and by State Bank for Foreign Economic Affairs of Turkmenistan (which is the government's on lending agent for export credits and investment loans from abroad) had

³ The 1999 Article IV consultation was concluded on November 1, 1999 (SM/99/258 and SM/99/259). Turkmenistan has no Fund credit outstanding.

also improved significantly. For the State Bank of Foreign Economic Affairs the progress with its internal accounting translated into a successful completion of the auditing of its books as of end-December 1999, by PricewaterhouseCoopers. Also, the Turkmen authorities have availed themselves of a World Bank grant since mid-2000 to station a resident expert on external debt accounting and reporting at the CBT, and made commitments on external debt reporting in the context of the latest Country Assistance Strategy paper (CAS) for Turkmenistan, albeit with limited results so far (Box 1).

8. However, the furnishing of balance of payments and external debt data to the Fund has been deteriorating for more than a year. The latest estimates of Turkmenistan's external debt were provided to staff in June 1999. In the case of the balance of payments, official estimates for 2000 were furnished to the Fund in mid-April 2001, but without the supporting information needed to verify the accuracy of the estimates.

9. The reduction in the provision of information to the Fund paralleled growing isolationism by Turkmenistan in its international financial relations. In this context, Turkmenistan's perceptions, as conveyed in contacts with staff, about the role of Fund-supported programs in assisting it to settle its claims on other CIS countries have also changed.⁴ During 1995–99, the Turkmen authorities seemed appreciative of Fund-supported programs that fostered a better flow of debt service payments, especially from Ukraine and some smaller CIS debtors. However, Turkmenistan grew uneasy about Georgia's Fund-supported programs, particularly as the Fund allowed Georgia to make purchases under these arrangements despite its arrears to Turkmenistan. Similarly, it was disappointed when Ukraine stopped debt service payments to all official creditors, including Turkmenistan, in early 2000 at the same time as it approached the Paris Club for a rescheduling. The Fund continued to allow Ukraine to make purchases after that. Turkmenistan told Fund staff and the authorities of most Paris Club member countries that it was a poor country with debt service problems of its own and should not be expected to reschedule Georgia's or Ukraine's debts on the same terms as were offered by wealthier creditors.⁵

⁴ As of mid-1999, Turkmenistan had claims on other CIS countries totaling about US\$0.8 billion on account of gas shipments delivered in the early 1990s, with Georgia (US\$374 million) and Ukraine (US\$352 million) being the largest debtors.

⁵ In the event, Turkmenistan did not participate in the Paris Club rescheduling meetings for Georgia (March 6, 2001) and Ukraine (July 13, 2001), despite the staff's recommendation to the Turkmen authorities to take part in those meetings.

Box 1. Turkmenistan: Relations with International Financial Institutions

The **World Bank's** Board discussed a new CAS for Turkmenistan in January, 2001. The CAS called for an initial phase focused on policy dialogue and non-lending analytical support, including efforts to improve transparency and economic management. Moving towards a second phase involving a small lending program would depend on (i) resolution of the current violation of the Negative Pledge Clause contained in its loan agreements with the Bank;¹ (ii) improvement in the performance of on-going projects; and (iii) progress on key budget and debt management issues, including debt reporting and the reform of the Foreign Exchange Reserve Fund (FERF).

Turkmenistan has not resumed its reporting of external debt data to the World Bank, despite commitments made by the authorities during the preparation of the CAS.² Also, Turkmenistan has not made progress on reversing the Negative Pledge Clause violation, nor on preparing a plan for the reform of the FERF. The World Bank staff has informed the authorities that the Bank would not be able to move towards a lending phase with Turkmenistan unless some tangible progress is made towards solving the issues. Further, there have been only limited results (in terms of compilation and data reporting) with the external debt resident advisor financed by the World Bank, and the Bank grant is due to close as scheduled in August 2001.

In the case of the **Asian Development Bank (AsDB)**, despite substantial progress, the AsDB staff has not yet been able to agree with the Turkmen authorities on the required country economic report and interim operational strategy, which would be the first step for the AsDB to start providing financial assistance.³ The main sticking points have been (i) missing information on the external debt and (ii) the need for the authorities and the AsDB staff to agree on an assessment of the economy and appraisals of specific sectors. A third mission from the AsDB with the objective of completing the report is expected in Ashgabat in August 2001.

The recently-approved update of the **EBRD** lending strategy for Turkmenistan is revealing of the EBRD's concerns.⁴ Lending will conform to the base case scenario laid out in the strategy and will be limited to private sector recipients in the absence of progress in political and economic transition. Projects related to oil and gas sector development, which may involve public sector participation (e.g., production sharing arrangements), will be financed only if the transparent use of any government revenue flowing from the project is assured. In addition, the Board of Directors supported a proposal that the President of the EBRD write to the President of Turkmenistan stressing the need for commitment to the principles of multiparty democracy, pluralism, and market economics, as established in Article 1 of the EBRD's covenant. Other concerns to be raised with the Turkmen authorities include: (i) the need to reform the Foreign Exchange Reserve Fund, so as to improve the transparency of the external debt situation; (ii) the apparent restrictions on the use of the EBRD credit line for the financing of small and medium-size enterprises; and (iii) the insufficient provision of data by Turkmenistan to IFIs.

¹ The Negative Pledge Clause requires borrowing countries to ensure that no other external debt has priority over the World Bank loans in the allocation, realization or distribution of foreign exchange. The violation of the Negative Pledge Clause is related to a 1996 loan provided by a consortium of German banks for the rehabilitation of the Turkmenbashi Oil refinery. Proceeds of oil sales are collected in an overseas collateral account to repay the loan.

² The CAS included a written statement by the authorities giving assurances that Turkmenistan would furnish a debt report to the Bank by the end of the first quarter of 2001.

³ Turkmenistan became a member of the AsDB effective August 31, 2000.

⁴ Discussed at the EBRD Board Meeting of June 11, 2001; due for final approval on July 10, 2001.

III. IMPLICATIONS OF THE DATA SUPPLY PROBLEM

10. The authorities' limited provision of basic macroeconomic data has impaired the quality of Fund surveillance activities and has also precluded the successful completion of technical assistance efforts to publish an IFS country page for Turkmenistan.

11. Fund surveillance over economic policies in Turkmenistan has weakened in two notable respects. First, the deadline for completion of the Article IV consultation with Turkmenistan (including grace periods) expired in early February 2001 and the annual consultation process is now delayed with no target date possible in the absence of sufficient data for the staff to prepare an effective Article IV mission. Second, lack of data provision has limited the staff's ability to update Fund management and the Executive Board on economic policies in Turkmenistan in a timely and effective manner.

12. Efforts to publish an *IFS* country page for Turkmenistan were stalled in April/May 2000, despite substantial initial progress in this area. At the request of the authorities, a money and banking statistics mission visited Ashgabat in November 1999 to review procedures for compiling monetary statistics and to establish a system for reporting monetary and financial data which could lead to the introduction of a page for Turkmenistan in *IFS*. The reporting system, based on the mission's recommendations, was promptly established and the regular monthly data reporting to STA commenced in January 2000, with data for March 1998 through November 1999. In March 2000, the CBT reported historical monthly data for November 1993 through February 1998 and data for December 1999 through February 2000. Based on this reporting, in April 2000, a draft *IFS* page with notes was transmitted to the authorities for review and approval leading to their inclusion in *IFS*. A reply, communicated informally to STA, noted the need by the CBT for a further review and consideration of the data. Also, the monthly reporting of data to STA stopped after May 2000, without any explanation by the authorities.

IV. STAFF EFFORTS TO MAINTAIN DATA PROVISION

13. During the last 16 months, Fund management and staff have undertaken a number of initiatives to resolve the data provision problem with Turkmenistan. In keeping with the graduated approach outlined in the *Operational Guidance Note on the Provision of Statistical Data by Members*,⁶ the steps taken have included: (i) direct staff and management contacts with the authorities; (ii) involvement of the Executive Director elected by Turkmenistan; (iii) reports to the Board at the time of country matters sessions; and (iv) delay in the Article IV consultation. These steps are explained below.

14. The staff expressed its disappointment over the periodicity, timeliness, coverage, and quality of the overall economic and financial data available from Turkmenistan in a total of six official letters sent to the authorities between August 2000 and February 2001. An

⁶ SM/95/180, Attachment II, of 7/21/95.

additional letter from Management urging the authorities to furnish the data required for the preparation of the Article IV consultation mission was sent on April 6, 2001. Dissatisfaction over the data supply has also been expressed by the staff in a number of formal and informal meetings with government officials since January 2000. Notably, during the 2000 Annual Meetings in Prague, the staff urged the Turkmen representatives attending the Meetings to reverse the government's steps towards less transparency on the grounds that this would undermine the annual consultation process. The staff stressed that the furnishing of information to the Fund was one of the general obligations of member countries under the Articles of Agreement, and could only enrich the quality of the economic dialogue during a forthcoming Article IV mission.

15. The same concerns about the quality and frequency of the macroeconomic data available from Turkmenistan were expressed by the staff during a mission to Ashgabat in November 2000. The mission's main objective had been to prepare the ground for a forthcoming Article IV mission. In discussions with key deputy chairmen of the cabinet in charge of the economy and senior government officials, the mission, which included a senior official of the European II department, emphasized that the provision of information to the Fund was vital to a useful dialogue on policy regardless of the differences in view, and was furthermore one of the obligations of member countries under the Articles of Agreement. The mission stressed that while the 12-month period since the last annual consultation with Turkmenistan was coming to an end, the 2000 Article IV consultation discussions could not be conducted under the circumstances because of insufficient data for analysis.

16. The Executive Director for Turkmenistan has been kept regularly informed of the continuing data problem. The staff stressed the need to reverse the recent trend towards less transparency to avoid delaying the annual consultation process with Turkmenistan. The staff also indicated that the information received from the authorities would be used on a strictly confidential basis; any preliminary information could later be revised/updated by the authorities, as needed.

17. Active participation of the Executive Director's office in seeking to resolve the data issue has been manifest in a number of ways. Through numerous briefs and other contacts, the Executive Director has reminded the Turkmen government representatives of their legal obligation under the Articles to provide the Fund with the information it needs. The Executive Director visited Ashgabat in July 2000 and his advisor joined the November 2000 staff visit.

18. The staff reported to the Executive Board about the authorities' lack of cooperation in country matters meetings of December 6, 2000 and April 9, 2001. At the December meeting, the staff noted that a full mission fielded to Turkmenistan in early November had not been successful in preparing the ground for the upcoming Article IV consultation, because of the authorities' unwillingness to release the minimum macroeconomic data required for such an endeavor. The staff stressed that, under the circumstances, it was best not to conduct the 2000 Article IV consultation in early 2001, as had been initially planned. Further, during the April country matters meeting, the staff reported to the Board that, while detailed monetary data

through end-January 2001 had been received in early February and the authorities were then promising to furnish balance of payments data for end-2000 by mid-April, it was unclear how soon the 2001 budget information and fiscal and external debt data for 2000 would become available. Moreover, the staff stressed that the flow of monetary data had again ceased.

19. The February 2001 report on delays in completing Article IV consultations formally notified the Executive Board about Turkmenistan.⁷ The report indicated that the Article IV consultation had been delayed as the Turkmen authorities had not provided data sufficient for staff to prepare and conduct policy discussions. It noted that the staff had been in intensive discussions with the authorities over the provision of the necessary data, and that the authorities had recently provided some new information and indicated their intention to provide additional data soon. It was expected that an Article IV mission could be fielded very quickly after the provision of the data necessary for this purpose.

V. THE AUTHORITIES' VIEWS

20. The authorities were first informed about the problems with the quality and frequency of the data submitted to the Fund during a staff visit to Ashgabat in January 2000. Since then, the authorities have expressed views about the data supply problem a number of times.

- During the early May 2000 staff visit, the authorities indicated that they would provide comprehensive macroeconomic data to the Fund, including external debt figures for end-1999, by mid-May.
- At the EBRD Annual Meetings in Riga (May 21, 2000), the Turkmen representatives attending the meetings agreed with staff about the need to improve the supply of data to the Fund.
- During the IMF-World Bank Annual Meetings in Prague (September 2000), the authorities reassured the staff about Turkmenistan's intention to improve the quality and quantity of data supplied to the Fund. The authorities requested a list of data requirements which would allow an effective Fund surveillance over economic policies in Turkmenistan. This list was provided to the authorities soon after the Meetings and corresponded to the information supplied to the staff for the 1999 Article IV consultation.
- At the time of the November 2000 staff visit to Ashgabat, the Director of the National Institute of State Statistics and Information (Turkmenstatprognos) told the mission that he was not authorized to release any economic information to the Fund. Further,

⁷ See, *Report on Delayed Completion of Article IV Consultation and Extension of Approval of Exchange Measures* (EBD/01/19 of February 15, 2001).

the Deputy Chairman of Cabinet in charge of Agriculture and the Deputy Chairman of Cabinet in charge of relations with the Fund told the mission that some data required for the forthcoming Article IV consultation mission, especially balance of payments and external debt figures, had not been finalized. They also suggested that the Fund staff could compile other macroeconomic information (i.e., inflation, real GDP growth, and fiscal data) from public sources, including news media.⁸

- In late January 2001, a week before the World Bank's Executive Board meeting on the Country Assistance Strategy (CAS) paper on Turkmenistan, the authorities provided the Fund staff with detailed monetary accounts through end-2000. They also notified the staff that Turkmenistan stood ready to furnish data to the Fund on a *regular* basis and that the information requested by the November mission—including, inter alia, data on inflation, real economic activity, and state government operations, and the consolidated government budget for 2001—would be forwarded to the Fund liaison office in Ashgabat. Detailed monetary accounts through end-January 2001 were received in early February 2001.
- In late February, the authorities further notified the staff that the provision of all data needed for the preparation of an Article IV mission was imminent. However, the authorities stressed that external debt data could not be provided to the Fund for the time being, due to the still inadequate system of collection and analysis of such information. In the event, no update of fiscal data was provided.
- In late March, the authorities alerted the staff that they would not be able to meet the end-March deadline for the submission of all basic macroeconomic data required for the Article IV mission, but the information would be available by mid-April 2001. The authorities indicated that the preparation of external debt data was being actively conducted and that the data would be sent to the Fund upon the completion of all reporting forms. The authorities noted that similar work was being done regarding the detailed information on the 2001 state budget, which would also be sent to the Fund upon completion of the relevant work.
- In a letter to Fund Management, dated April 21, 2001, the authorities agreed with Management on the need to supply the staff with all the information required for the preparation of an Article IV mission. At the same time, in line with their prior statements, they submitted the balance of payments for 2000 and some limited data on the 2001 state budget (see paragraph 5 above) to the IMF office in Ashgabat. However, the authorities did not provide information on the external debt of

⁸ On this point, the staff stressed that while it could possibly collect some of these macroeconomic indicators from newspapers and other sources, data collected through these channels might be inaccurate and outdated. Moreover, the staff mentioned that the normal practice for the Fund was to rely primarily on data provided directly by the authorities.

Turkmenistan. The authorities acknowledged that lack of external debt data would prevent the staff from making an adequate assessment of the economic situation of Turkmenistan, but, in their view, the information available was not suitable for accurate economic analysis. The authorities' letter made no reference to monthly reporting of monetary and fiscal data.

VI. APPLICATION OF ARTICLE VIII, SECTION 5

21. Under Article VIII, Section 5, member countries are obligated to provide the Fund, "in as detailed and accurate a manner as is practicable," with the information necessary for the effective discharge of the Fund's duties.⁹ Article VIII, Section 5(a) lists 12 categories of information which should be made available to the Fund, while taking into account each member's ability to produce those data. Moreover, the Board may legally require a member to provide other information by adopting a decision calling upon the member to produce such information. Failure to provide such information to the Fund, when the member has the ability to do so, would constitute a breach of obligation under the Fund's Articles of Agreement and could give rise to the application of sanctions against the member. As specified in Article XXVI, Section 2, sanctions could begin with a declaration of ineligibility to use the Fund's general resources. Subsequent sanctions could include the suspension of voting rights, and ultimately, compulsory withdrawal.

22. During the discussion of misreporting of information to the Fund,¹⁰ Executive Directors stressed that Article VIII, Section 5 should be applied in a manner consistent with its relevance to the modern data needs of the institution. Many Directors saw a need to update the set of data which members are required to report to the Fund pursuant to this Article. In particular, the data categories listed in Article VIII, Section 5(a) do not include external debt, reserve or base money, broad money, interest rates, the central bank balance sheet, and the fiscal stance, which the Fund has considered to be core statistical indicators in

⁹ Member countries are not required to furnish the information specified under Article VIII, Section 5 in such detail that the affairs of individuals and corporations are disclosed.

¹⁰ See: *Data Provision to the Fund for Surveillance Purposes* (SM/00/113 of 6/12/2000), as well as *Misreporting of Information to the Fund—Policies, Procedures, and Remedies—Preliminary Considerations* (EBS/00/12, 2/2/2000); *Misreporting of Information to the Fund in the Context of Fund Surveillance and Fund Financial Assistance—Present Legal Framework* (EBS/00/13, 2/2/2000); and *Summing Up by the Acting Chairman—Strengthening Safeguards on the Use of Fund Resources—Misreporting of Information to the Fund—Policies, Procedures, and Remedies—Preliminary Considerations* (BUFF/00/48, 3/23/00).

the context of the reviews of the *Provision of Information to the Fund by Members*.¹¹ A paper on this topic is scheduled for Board discussion.

23. As of June 30, 2001, for Turkmenistan, gaps in the provision of data listed under Article VIII, Section 5(a) are significant, especially regarding data on the country's international investment position, exchange controls, and official clearing arrangements (Table 1). External debt figures were last supplied to the staff in June 1999. This has precluded the preparation of any updates of the country's (net) investment position and limited the staff's ability to verify the correspondence between the balance of payments and external debt data. Information on exchange controls was last received during the June 1999 Article IV mission, with the added consequence that the records in Turkmenistan's country page in the latest *Annual Report on Exchange Arrangements and Exchange Restrictions* (published in late-2000) were never confirmed by the authorities, despite repeated requests by Fund staff asking the CBT to review and verify the draft country page. Updates on barter arrangements in international trade have also been overdue since mid-1999. Other large gaps in the provision of data listed under Article VIII, Section 5(a) refer to holdings at home and abroad of gold and foreign exchange; total exports and imports of merchandise; and balance of payments data, including trade in goods and services, gold transactions, known capital transactions, and other items net. Through mid-1999, the provision of these data was done on a timely and regular basis.

24. Further, as of June 30, 2001, the matrix of core statistical indicators for Turkmenistan reveals that, while most data are currently produced by the authorities on a monthly basis, they are only reported to the Fund with much longer lags, on an intermittent basis, or not at all (Table 2). For example, in the case of external public debt data and the overall government balance (including the operations of the state government and the extrabudgetary funds), the information was last made available by Turkmenistan during the 1999 Article IV mission in June 1999. Monetary data was last supplied to the Fund in early February 2001, after a six-month period of no reporting. No further updates of international reserves, central bank balance sheet, reserve and broad money have taken place in recent months.

25. Turkmenistan would not be in breach of obligation under Article VIII, Section 5(a), if it were determined that the authorities were unable to provide the information required under this provision. However, the prior provision of such data evidences Turkmenistan's technical feasibility to report this information in a detailed, accurate, and timely manner.

¹¹ See: *Strengthening Fund Surveillance—Provision of Statistical Data by Members* (SM/95/59, 3/24/95); *Summing Up by the Chairman, Strengthening Fund Surveillance, Provision of Statistical Data by Members* (SUR/95/34, 4/17/95); and *Summing Up by the Acting Chairman—Provision of Information to the Fund for Surveillance—Progress Report* (SUR/97/132, 12/11/97)

Table 1. Turkmenistan: Required Data Reporting Categories under Article VIII, Section 5(a)
(As of June 30, 2001)

Data	Reporting lag (In months)
(i) Official holdings at home and abroad of (1) gold, (2) foreign exchange;	5
(ii) Holdings at home and abroad by banking and financial agencies, other than official agencies, of (1) gold, (2) foreign exchange;	5
(iii) Production of gold	NR 1/
(iv) Gold exports and imports according to countries of destination and origin	NR 1/
(v) Total exports and imports of merchandise, in terms of local currency values, and according to countries of destination and origin;	6
(vi) International balance of payments, including (1) trade in goods and services, (2) gold transactions, (3) known capital transactions, and (4) other items;	6
(vii) International investment position i.e., investments within the territories of the member owned abroad and investments abroad owned by persons in its territories so far as it is possible to furnish this information;	24
(viii) National income;	1
(ix) Price indices, i.e., indices of commodity prices in wholesale and retail markets and of export and import prices;	1
(x) Buying and selling rates for foreign currencies;	-- 2/
(xi) Exchange controls; i.e., a comprehensive statement of exchange controls in effect at the time of assuming membership in the Fund and details of subsequent changes as they occur; and	24
(xii) Where official clearing arrangements exist, details of amounts awaiting clearance in respect of commercial and financial transactions, and of the length of time during which such arrears have been outstanding.	24

Source: Articles of Agreement.

1/ NR: Information not requested by the staff on a regular basis.

2/ Turkmenistan's official exchange rate is reported daily in Interfax. The official exchange rate has remained unchanged since April 1998.

Table 2. Turkmenistan: Core Statistical Indicators
(As of June 30, 2001)

	Exchange Rates	External Public Debt/ Debt Service	Inter-National Reserves	Central Bank Balance Sheet	Reserve/ Base Money	Broad Money	Interest Rates	Consumer Price Index	Export/ Imports	Current Account Balance	Overall Government Balance 1/	GDP
Date of Latest Observation	June 30, 2001	May 1999	January 31, 2001	January 31, 2001	January 31, 2001	January 31, 2001	May 2001	May 2001	2000 annual total	2000 annual total	April 30, 1999	May 2001
Date received	June 30, 2001	June 1999	February 2001	February 2001	February 2001	February 2001	June 2001	June 2001	April 2001	April 2001	May 10, 1999	June 2001
Frequency of Data	D	Q/M	M	M	M	M	M	M	M	Q	M	M
Frequency of Reporting	M	Data are currently not provided	Data are currently not provided	Data are currently not provided	Data are currently not provided	Data are currently not provided	M	M	M	irregular	Data are currently not provided	M/Q
Source of Updating	RR	A	A	A	A	A	A	A	B	A	C	B
Mode of Reporting	RR	M	RR	RR	RR	RR	RR	RR	RR	RR	RR	RR
Confidentiality	-	-	-	-	-	-	-	-	-	-	-	-
Frequency of Publication	-	-	-	-	-	-	M	M	-	-	-	M

Explanation of abbreviations:

Frequency of data, reporting and publication: D-daily, W-weekly, M-monthly, Q-quarterly, A-annually, OR-on request, CH-when changed.

Source of Updating: A-Central Bank of Turkmenistan, B-Turkmenstatprognos, C-Ministry of Economy and Finance.

Mode of reporting: RR-by fax and e-mail through liaison office, M-Obtained during Missions.

Confidentiality: CON-confidential.

1/ Including the operations of the extrabudgetary funds.

VII. PROPOSED DECISION

26. Based on the information and analysis presented in sections II-VI, the staff is of the view that Turkmenistan has the ability to report all the data required under Article VIII, Section 5 in a timely manner and, accordingly, the staff believes that Turkmenistan's failure to provide certain information listed in Article VIII, Section 5 (a) gives rise to the breach of Turkmenistan's obligation under that provision.¹²

27. Against this background, the staff would propose that the Executive Board adopt a decision that finds Turkmenistan to be in breach of obligation under Article VIII, Section 5(a). Attached is a proposed decision which makes such a finding. The decision also calls upon Turkmenistan to provide within the next 90 days certain information listed under Article VIII, Section 5 and certain core statistical indicators, as well as timely and regular updates thereafter.¹³ The decision notes the intention of the Managing Director, to the extent that Turkmenistan does not meet this deadline, to issue, under Rule K-1, a formal complaint and recommendation for sanctions for a breach of obligation under Article VIII, Section 5.

28. The staff would propose that the Board decide to publish its finding of Turkmenistan's breach of obligation (along with the text of the decision of the Board). In this regard, the Fund's policy of publishing findings of misreporting applies to cases in which countries report inaccurate information but not explicitly to cases where countries fail to provide information. At the same time, it is legally possible for the Board to decide to publish a finding that a member has breached an obligation under the Articles without a general policy to this effect in place. The publication policy as it applies to the failure to provide information under Article VIII, Section 5 will be discussed in the forthcoming paper on strengthening the application of Article VIII, Section 5.

¹² Such breaches arise with respect to the failure of the authorities to provide the information listed in Article VIII, Sections 5 (a)(i), (ii), (v), (vi), (vii), (xi) and (xii).

¹³ Turkmenistan is legally required to provide the information listed in Article VIII, Section 5. It is not, however, presently required to produce other information such as the core statistical indicators. The effect of the decision calling upon Turkmenistan to produce the information on the core statistical indicators will be to impose a legal obligation on Turkmenistan to produce such information under Article VIII, Section 5.

Proposed Decision

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

The Fund has reviewed the report set forth in EBS/01/129 (the “report”) on the failure by Turkmenistan to provide the Fund with certain information for the purposes of the Fund’s surveillance over Turkmenistan’s exchange rate policies and adopts the following decision:

- (a) the Fund finds that, by failing to provide the Fund with the information specified in Article VIII, Section 5 (a)(i), (ii), (v), (vi), (vii), (xi), and (xii) as described in paragraphs 23 and 26 of the report, Turkmenistan breached its obligation under Article VIII, Section 5 to report accurate information to the Fund;
- (b) the Fund calls upon Turkmenistan to provide the Fund, before [date], and on a continuous basis thereafter, with accurate and up-to-date information on the following:
 - (i) each of the items specified in Article VIII, Sections 5 (a)(i), (ii), (v), (vi), (vii), (xi), and (xii) as described in List A attached hereto; and
 - (ii) each of the core statistical indicators specified in List B attached hereto;

(c) the Fund notes the Managing Director's intention to make a complaint for a declaration of ineligibility of Turkmenistan to use the general resources of the Fund for the breaches of obligation specified in paragraph (a) above in the event that Turkmenistan fails to provide the Fund with the information specified in paragraphs (b)(i) and (ii) above before [date].

List A – Information Specified in Article VIII, Section 5

1. Official holdings at home and abroad of (a) gold, and (b) foreign exchange (Article VIII, Section 5 (a)(i)).
2. Holdings at home and abroad by banking and financial agencies other than official agencies, of (a) gold, and (b) foreign exchange (Article VIII, Section 5 (a)(ii)).
3. Total exports and imports of merchandise, in terms of local currency values, and according to countries of destination and origin (Article VIII, Section 5 (a)(v)).
4. International balance of payments, including (a) trade in goods and services, (b) gold transactions, (c) known capital transactions, and (d) other items (Article VIII, Section 5 (a)(vi)).
5. International investment position i.e., investments within the territories of the member owned abroad and investments abroad owned by persons in its territories (Article VIII, Section 5 (a)(vii)).
6. Exchange controls, i.e., a comprehensive statement of exchange controls presently in effect (Article VIII, Section 5 (a)(xi)).

7. Where official clearing arrangements exist, details of amounts awaiting clearance in respect of commercial and financial transactions, and of the length and time during which such arrears have been outstanding (Article VIII, Section 5 (a)(xii)).

List B – Core Statistical Indicators to be Provided

1. External public debt.
2. Central bank balance sheet.
3. Reserve/base money.
4. Broad money.
5. External current account balance.
6. Overall government balance.