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SM/85/65
Supplement 1
Correction 1

CONTAINS CONFIDENTIAL
INFORMATION

March 20, 1985

To: Members of the Executive Board
From: The Secretary
Subject: Annual Review of the Implementation of Surveillance -
Background Material

The following corrections have been made in SM/85/65,
Supplement 1 (2/28/85):

Page 3, footnote 1, lines 2 and 3: delete "beyond the standard cycle
of 12 months."

Page 12, Table 4: footnotes 2-6 were inadvertently omitted

Page 15, Table 7, footnote 1, line 1: for "The table thus excludes"
read "The table thus includes"

Page 18, Table 10: footnote 7 was inadvertently omitted

Corrected pages are attached.

Att: (4)

Other Distribution:
Department Heads

cases. On average, the specified cycle for consultations concluded in 1984 was exceeded by four weeks, reflecting some use of the three-month grace period for all but 20 countries. ^{1/} Ten countries exceeded the specified consultation cycle by more than the three-month grace period (Table 7). In seven of these cases, the grace period was exceeded by one month or less, generally on account of minor difficulties in scheduling the consultation mission or the Executive Board meeting. Longer delays were experienced for Mauritius in order to allow joint discussion of a request for use of Fund resources, and for Rwanda owing to staff involvement in other missions. Only in the case of Tanzania was the grace period exceeded by a substantial amount because the mission had been delayed at the request of the authorities.

With the exception of the People's Democratic Republic of Mozambique, which is expected to have its first Article IV consultation in 1985, consultations are clearly overdue for all of the countries without specified consultation cycles. The interval between consultations is expected to be nearly two years for Yugoslavia (a program country) and will exceed two years for Cape Verde, Comoros, and Libya. The three remaining cases are instances of long-standing difficulties, and it is not anticipated that consultations can be scheduled with these members within the near future. The staff has been in contact with the authorities of Iraq and the Islamic Republic of Iran, but it has not yet been possible to schedule a consultation. There has been no contact with Democratic Kampuchea.

4. Time elapsed between missions and Executive Board conclusion of consultations

The average period from termination of initial discussions to conclusion of consultations by the Executive Board was 104 days in 1984, the same as in the preceding year (Table 8). There has been a sharp increase since 1980 in the average period between initial discussions and conclusion of consultations, reflecting mainly a lengthening of the period between conclusion of initial discussions and issuance of staff reports. The longer period required for preparation of staff reports was attributable in large part to the number of consultations involving multiple missions or further discussions at headquarters, generally as a result of concurrent discussions of use of Fund resources. There were 23 such cases 1984, compared with 20 in the preceding year and only 9 in 1982. The average period from the termination of the final mission to the issuance of staff reports was 52 days in 1984, compared with 59 days in 1983.

Although there had earlier been some increase in the average period between issuance of staff reports and the related Board discussions following establishment of revised guidelines for circulation of staff

^{1/} Under the present system of advance specification of consultation cycles, a grace period of three months is permitted.

reports in 1982, 1/ there was a significant decline in this period to 33 days in 1984 (from 37 days in the preceding year), about the same average time elapsed as in 1980. The decline was attributable mainly to the reduction in the number of consultation reports that were combined with a request for use of Fund resources or associated review (from 45 in 1983 to only 26 in 1984); a longer circulation period is required for such papers.

5. Application of the three-month rule

Under the Procedures for Surveillance (Decision No.5392-(77/63), Procedure II), the Executive Board is required to reach conclusions regarding an Article IV consultation not later than three months after the termination of discussions between the member and the staff. 2/ In current practice, if Executive Board consideration of an Article IV consultation report is expected to be delayed beyond the three-month period, a paper goes to the Board seeking an extension of the period for concluding the Article IV consultation.

Extensions of the three-month period were requested in 27 cases in 1984, compared with 34 instances in 1983 and 41 in 1982 (Table 9). The decline in requests for extensions after 1982 is attributable in part to the decline in the number of consultation reports that were combined with a request for use of Fund resources or associated review. It also reflects a modification of procedures regarding such requests that was implemented following the 1983 surveillance review. 3/ As in 1983, the principal reason for extensions in 1984 was to permit joint discussion by the Executive Board of the Article IV consultation and a request for use of Fund resources.

In one case (Iraq) where it was not possible to schedule an Executive Board discussion of an Article IV consultation within the three-month period or a reasonable time thereafter, it was decided that it would be preferable to initiate a new Article IV consultation rather than to hold a discussion on the basis of outdated information. Accordingly, the staff report was withdrawn from Executive Board consideration (EBD/84/173,

1/ Staff reports for Article IV consultations with all members are now required to be circulated at least three weeks in advance of the Board discussion. For members using the Fund's resources in the upper credit tranches or those whose consultations would have an important bearing on the Fund's surveillance functions under Article IV, the required circulation period is four weeks.

2/ A detailed discussion of procedures followed by the staff in this respect is provided in the 1983 Surveillance Review paper (SM/83/43, 3/1/83).

3/ An extension is now normally not required if the three-month period between termination of staff discussions with a member and Board conclusion of the consultation expires during a period when the Board normally would not meet.

Table 3 (concluded). Countries on Standard 12-Month Consultation Cycle
(As of February 22, 1985)

Country	Date by Which Next Consul- tation to be Concluded <u>1/</u>	Country	Date by Whic Next Consul- tation to be Concluded <u>1/</u>
<u>Middle Eastern Department</u>			
Afghanistan	09/14/85	Syrian Arab	
Egypt	07/06/85	Republic	09/10/85
Lebanon	02/20/86	United Arab	
Pakistan	12/21/84 <u>2/</u>	Emirates	06/20/85
Saudi Arabia	07/25/85	Yemen Arab Republic	11/21/85
Sudan	12/19/85	Yemen, P.D.R.	05/21/85
<u>Western Hemisphere Department</u>			
Argentina	09/04/85	Guatemala	06/29/85
Bahamas	05/21/85	Guyana	08/31/85
Barbados	08/10/85	Haiti	02/04/86
Belize	06/20/85	Honduras	02/11/86
Bolivia	07/18/85	Jamaica	06/08/85
Brazil	05/09/85	Mexico	07/30/85
Canada	01/20/85 <u>2/</u>	Nicaragua	03/05/85
Chile	05/14/85	Panama	09/14/85
Colombia	10/10/85	Paraguay	01/11/86
Costa Rica	08/01/85	Peru	12/21/85
Dominica	07/18/85	Suriname	01/27/85 <u>2/</u>
Dominican Republic	08/08/85	Trinidad and Tobago	11/30/84 <u>2/</u>
Ecuador	06/20/85	United States	08/03/85
El Salvador	12/05/85	Uruguay	05/02/85
Grenada	11/21/85	Venezuela	08/31/85

Source: Exchange and Trade Relations Department.

Table 4. Countries on Longer Consultation Cycles
 (As of February 22, 1985)

Country	Date by Which Next Consultation to be Concluded <u>1/</u>	Cycle (Months) <u>2/</u>
<u>African Department</u>		
Benin	12/31/84 <u>3/</u>	(16)
Chad	Flexible	...
Djibouti	(08/10/85)	18
Seychelles	12/31/84 <u>3/</u>	(14)
<u>Asian Department</u>		
Bhutan	(05/28/85)	18
Singapore	05/31/86	(17)
Solomon Islands <u>4/</u>	(07/09/85)	18
Vanuatu	(12/27/85)	18
<u>European Department</u>		
Austria	(07/25/85)	18
Finland <u>5/</u>	(09/02/85)	18
Luxembourg <u>5/</u>	(07/20/85)	18
Malta	(01/18/85) <u>3/</u>	18
Norway	06/30/86	(18)
<u>Middle Eastern Department</u>		
Bahrain	(03/16/85)	18
Jordan	(05/21/85)	18
Kuwait	07/16/86	18
Oman	(01/06/85) <u>3/</u>	18
Qatar	(06/14/85) <u>6/</u>	18
<u>Western Hemisphere Department</u>		
Antigua and Barbuda	05/31/85	(16)
St. Christopher and Nevis	06/30/86	(17)
St. Lucia	11/30/85	(17)
St. Vincent	01/31/86	(17)

Source: Exchange and Trade Relations Department.

1/ Date specified in summing up or if in parentheses, date derived from specification in summing up in terms of number of months. "Flexible" reflects uncertainties about scheduling of next consultation owing to security problems.

2/ Parentheses indicate that number of months is derived from date specified in summing up.

3/ Within grace period permitted by guidelines.

4/ Summing up referred to date of staff discussion consistent with 18-month cycle.

5/ Consultation to be scheduled flexibly within outside limit of date specified.

6/ To accommodate the authorities' preferences regarding the timing of the mission, the consultation is now expected to be concluded around the end of 1985.

Table 7. Countries Exceeding Specified Cycles in 1984 ^{1/}

	End of Specified Cycle ^{1/}	Date Consultation Concluded	Number of Months Between Consultations	Explanation
<u>African Department</u>				
Burkina Faso	6/10/84	10/19/84	16	Extension to allow authorities more time to consider staff report
Mauritius	5/18/84	10/5/84	17	Mission delayed to allow authorities to prepare for discussions on use of Fund resources
Rwanda	4/20/84	10/15/84	18	Mission delayed by staff involvement in other missions
Senegal	9/19/84	1/16/85	16	Extension to allow completion of discussions on use of Fund resources
Tanzania	7/11/84	12/9/84	17	Mission delayed at request of authorities
<u>European Department</u>				
Cyprus	9/2/84	12/9/84	15+	Mission delayed by staff involvement in other missions
Spain	4/22/84	8/10/84	16	Mission delayed by staff involvement in other missions
Turkey	6/24/84	10/10/84	16	Heavy Board schedule near Annual Meeting
<u>Middle Eastern Department</u>				
Sudan	9/14/84	12/19/84	15+	Board meeting delayed at request of Executive Director
<u>Western Hemisphere Department</u>				
Colombia	7/1/84	10/10/84	15+	Heavy Board schedule near Annual Meeting

Source: Exchange and Trade Relations Department.

^{1/} Including three-month grace period. The table thus includes only those members for which it had originally been expected that consultations would be concluded by September 30, 1984.

Table 8. Article IV Consultations--Period from Termination of Initial Discussions to Board Conclusion, 1980-84 1/

	1980	1981	1982	1983	1984
Termination of initial discussion to issuance of staff report					
Average in calendar days	53	63	59	67	71
Percentage distribution					
40 days or less	31	13	10	7	13
41-50 days	20	22	30	20	21
51-60 days	19	21	21	26	25
61-70 days	20	20	19	20	18
71 days or more	10	24	20	27	23
Issuance of staff report to Board conclusion					
Average in calendar days	35	26	39	37	33
Percentage distribution					
20 days or less	19	47	7 <u>2/</u>	10 <u>2/</u>	8 <u>2/</u>
21-30 days	30	25	41	51	46
31-40 days	19	14	19	18	30
41-50 days	14	6	19	8	8
51-60 days	6	6	3	3	6
61 days or more	12	1	11	10	2
Total: termination of initial discussion to Board conclusion					
Average in calendar days	88	89	99	104	104
Percentage distribution					
70 days or less	24	22	10	9	13
71-80 days	12	17	17	16	15
81-90 days	23	22	20	23	26
91-100 days	18	10	19	17	14
101-110 days	11	9	14	10	9
111-120 days	2	10	6	3	3
121 days or more	10	10	14	22	20
Memorandum item:					
Termination of final discussion to issuance of staff report					
Average in calendar days	59	52

Source: Exchange and Trade Relations Department.

1/ Recorded in year in which consultation concluded.

2/ The Executive Board had agreed to waive the circulation period in these cases.

Table 9. Reasons for Requests for Extension of the Three-Month Period for the Conclusion of Article IV Consultations, 1980-84

(Number of cases) 1/

	1980	1981	1982	1983	1984 <u>2/</u>
Difficulties in scheduling Board meetings <u>3/</u>	1	1	19	7	7
Desire to discuss jointly use of Fund resources and Article IV consultations	8	5	8	16	10
Delays to allow official comments on staff papers before Board discussion	2	5	7	3	5
Additional information required, e.g., policy or institutional changes	4	1	3	6	4
Staff committed to other missions	2	--	1	2	1
Request of the authorities	7	7	3	--	--
Total	<u>24</u>	<u>19</u>	<u>41</u>	<u>34</u>	<u>27</u>

Source: Exchange and Trade Relations Department.

1/ Individual countries may have had more than one request for extension in a given year.

2/ Table 21 lists the 1984 requests for extensions.

3/ 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 be present.

Table 10. Business Travel by Professional Staff
 and Duration of Missions, 1980-84

	1980	1981	1982	1983	1984
Staff travel (staff days) <u>1/</u>					
Consultations <u>2/</u>	8,128	8,404	10,309	11,593	10,698
Use of Fund resources	5,750	8,148	6,545	7,415	6,721
Technical assistance	3,084	4,218	2,687	3,187	3,840
Other <u>3/</u>	3,156	3,878	3,570	2,287	2,300
A. Total travel	20,118	24,648	23,111	24,482	23,559
B. Total staff days available <u>4/</u>	95,304	98,361	101,929	117,935 <u>7/</u>	122,120 <u>7/</u>
C. (A as percent of B) <u>5/</u>	(21.1)	(25.1)	(22.7)	(20.8)	(19.3)
Mission duration <u>6/</u>					
Average in calendar days	13.9	14.3	13.3	13.8	13.2
Percentage distribution					
7 days or less	8.9	10.1	9.1	17.1	17.8
8-10 days	13.3	7.6	12.5	8.2	10.1
11-13 days	28.9	30.4	31.8	20.5	23.1
14-16 days	30.0	30.4	35.2	27.4	26.0
17-26 days	11.1	16.5	9.1	24.0	19.5
27 days or more	7.8	5.1	2.3	2.7	3.6

Sources: Administration Department and Exchange and Trade Relations Department.

1/ 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.

2/ Includes consultations combined with use of Fund resources.

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

4/ Departments included are AFR, ASD, EUR, MED, WHD, CBD, ETR, FAD, INST (excluding the Administration Division), LEG, RES, and STAT. Excludes computer system officers, editorial officers, administrative officers, library staff, research assistants, and staff in the field.

5/ Note that A. includes weekends and holidays, while B. does not.

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.

7/ Data for 1983 and 1984 are not comparable with those for earlier years. On a comparable basis, it is estimated that 108,298 staff days were available in 1983.