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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 04/58-1

10:00 a.m., June 16, 2004

1. Statement by the Managing Director on the Work Program of the Executive Board

Documents: (BUFF/04/92 and Supplement 1)

Staff: Anjaria, SEC

Length: 1 hour, 40 minutes

Executive Board Attendance

R. de Rato, Chairman
A. Krueger, Acting Chair

Executive Directors	Alternate Executive Directors
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S. Al-Turki (SA)	A. Alazzaz (SA)
I. Bennett (CA)	C. O'Loughlin (CO)
K. Bischofberger (GR)	G. Meissner (GR)
P. Duquesne (FF)	S. Boitreaud (FF)
	I. Alowi (ST)
J. Solheim (NO)	
N. Jacklin (UA)	
W. Kiekens (BE)	
G. Le Fort (AG)	
	M. Daïri (MD)
	A. Lushin (RU)
D. Ondo Mañe (AF)	L. Rutayisire (AF)
L. Martí (CE)	M. Schwartz (CE)
P. Padoan (IT)	
M. Portugal (BR)	
B. Misra (IN)	R. Jayatissa (IN)
T. Scholar (UK)	
A.S. Shaalan (MI)	O. Kanaan (MI)
I. Usman (AE)	P. Ngumbullu (AE)
X. Wang (CC)	H. Ge (CC)
J. Kremers (NE)	T. Kitahara (JA)
F. Zurbrugg (SZ)	

S.J. Anjaria, Secretary
Y.P. Chia, Assistant

Also Present

African Department: A. Bio-Tchané, Director; S. Tiwari. Asia and Pacific Department: D. Burton, Director; W. Tseng, Deputy Director; P. N'Diaye. European Department: A. Leipold, Deputy Director; B. Banerjee. External Relations Department: T. Dawson, Director; G. Hacche, Deputy Director; M. Bell, D. Hawley, R. Nord. Fiscal Affairs Department: R. Hemming. Finance Department: M. Kuhn, Director; E. Brau, Deputy Director; S. Ding, Y. Metzgen, A. Tweedie. Human Resources Department: J. Marquez-Ruarte, Director; P. Swain. Legal Department: J. Jones. Middle East and Central Asian Department: M. Khan, Director; J. Wakeman-Linn. Monetary and Financial Systems Department: A. Gulde-Wolf. Office of Budget and Planning: B. Potter, Director. Office of Technical Assistance Management:

C. Liuksila, Director. Policy Development and Review Department: C. Baker, S. Brown, M. Fetherston, J. Gottschalk, M. Hadjimichael, J. Hicklin, R. Kincaid, K. Langdon, A. MacArthur, M. Shannon. Secretary's Department: P. Ramlogan, M. Yslas. Statistics Department: W. Alexander, Deputy Director. Technology and General Services Department: B. Stuart, Director. Western Hemisphere Department: L. Cardemil, R. Duttagupta. Senior Advisors to Executive Directors: S. Bah (AF), A. Baukol (UA), C. Cobos (BR), C. Gola (IT), A. Ismael (AF), K. Kanagasabapathy (IN), J. Masawe (AE), T. Moser (SZ), C. Pereyra (AG), K. Sakr (MI), C. Sia (ST), P. Sun (CC). Advisors to Executive Directors: L. Cao (CC), A. Dupont (BE), N. Epstein (UA), E. Eurlings (NE), T. Farhadi (MD), R. Gregory (UK), M. Jamaluddin (ST), D. Jardaneh (MI), A. Maciá (BR), B. Mamba (AE), S. Naka (JA), K. Nauphal (MI), R. N'Sonde (AF), B. Ólafsson (NO), M. Piatkowski (SZ), O. Steudler (SZ), Y. Wu (CC), S. Wolff-Hamacher (GR).

1. STATEMENT BY THE MANAGING DIRECTOR ON THE WORK PROGRAM OF THE EXECUTIVE BOARD

The Managing Director submitted the following statement:

Overview

At the ministerial meetings in April 2004 in Washington, the membership reviewed the Fund's progress across a broad range of its activities, identified the basic orientation of members' policies that would be supportive of the strengthening global economic recovery while providing heightened protection against remaining vulnerabilities, and gave strategic direction to the Fund's policy agenda for the coming 6–12 months. The work program proposed below aims to give concrete shape to the priorities identified.

The Board's work program is ambitious, but feasible. It has three distinct, but intertwined, strands:

- The Board will devote a major part of its time—probably around two third of the Board's hours spent in meetings—to **providing policy advice and making decisions on Fund financial assistance** to member countries. In this context, Executive Directors will have opportunities continuously to ensure that policy initiatives that they have agreed in recent years to improve the effectiveness of the Fund in the areas of Fund surveillance, use of Fund resources, and technical assistance are being effectively implemented.
- The Board will also devote attention to **policy development and review**. Three major policy areas are scheduled for review in the coming period:
 - The biennial review of **surveillance**, which will evaluate progress on the range of surveillance-related initiatives recently implemented and consider further improvements in the content and modalities of surveillance.
 - The review of the 2002 **Guidelines on Conditionality**, which will focus on the implementation of the recently streamlined conditionality guidelines.
 - The identification of specific modalities and instruments in refining the Fund's role in **low-income countries**, focusing on the PRSP approach and the PRGF, the HIPC Initiative and debt issues, and aid issues.

Work in these three areas is being informed by a continuing process of consultations. Executive Directors will have had the opportunity to provide input in shaping the structure and content of the reviews of surveillance and conditionality guidelines through informal discussions on the outlines of the respective staff papers at an early stage of their

preparation. The further work on low-income countries will build on the stage-setting informal briefing of the Board in August 2003 on this topic. In each of these areas, the work of the Fund is also benefiting from outreach efforts to national policymakers, parliamentarians, and other members of civil society for inputs into the policy formulation and implementation process.

- Finally, the Board will discuss, prior to the 2004 Annual Meetings, three **IEO evaluation reports**—on **PRSPs/PRGF, the role of the Fund in Argentina, and technical assistance**. Experience indicates that applying the lessons from previous IEO evaluations to shaping Fund policies and practices in a substantive, cost-effective, and evenhanded manner is a challenging, yet rewarding, effort.

As usual, management will prepare a report to the IMFC on progress with the implementation of the **Fund's policy agenda** prior to the 2004 Annual Meetings.

In implementing this work program the staff will need to continue to produce streamlined Board documents that are of a high standard and are conducive to focused, constructive Board discussions. The Secretary will continue to remind staff of the importance of adhering to the minimum circulation periods for all Board papers and will work to avoid undue bunching of the Board calendar.

The Outlook for the Global Economy and Financial Markets

The IMFC urged that our analysis and policy direction on the global economy and financial markets focus on sustaining the global economic recovery and providing the foundation for durable economic growth by achieving an orderly reduction in global imbalances, vulnerabilities, and structural rigidities that impede growth and resilience. Our key vehicles for this purpose will be the periodic discussions on the World Economic Outlook (**WEO**), World Economic and Market Developments (**WEMD**), the Global Financial Stability Report (**GFSR**), and the **Financial Markets Update**. The timing of these discussions is outlined in Charts 1 and 2. Multilateral surveillance will continue to pay close attention to the cross-border impact of individual member countries' policies and global economic developments, including commodity market developments, as well as to vulnerabilities arising from both domestic and world-wide sources. Together with the stream of Article IV country consultations, multilateral surveillance will be the main vehicle for promoting and monitoring progress on the key priorities for surveillance identified by the IMFC for the coming year.

The IMFC underscored the critical importance of open markets for supporting broad-based global economic growth and prosperity. The Fund will continue to advocate **multilateral trade liberalization** and help members to gain

full advantage of the opportunities it provides. The Fund's recent decision to establish the **Trade Integration Mechanism** will provide financial support as warranted to underpin progress under the Doha Round. A staff guidance note on the implementation of the new mechanism will be circulated this summer. Following the 2004 Annual Meetings, a seminar will review recent developments and issues in **regional trade agreements**.

Strengthening Fund Surveillance and Crisis Prevention

The IMFC stressed the importance of ongoing reforms to strengthen the **quality, effectiveness, and evenhandedness of surveillance**. As foreshadowed in the March informal discussion with Executive Directors, the **biennial surveillance review** in July will take a two-pronged approach. First, it will assess the coverage and content of surveillance over the past two years, including how bilateral surveillance has reflected individual country circumstances and global issues, the treatment of global and regional spillovers in bilateral surveillance, the coverage of exchange rate issues, the use of balance sheet analysis, and institutional issues relevant to enhancing growth. Second, it will examine, drawing inter alia on the results of outreach, surveys, and interviews, whether there are practical ways of further enhancing the impact and effectiveness of surveillance, for example by improving the policy dialogue with member countries and the procedures for surveillance.

Two seminars in May addressed successively improving the **sovereign debt structure for crisis prevention** and the role of **liquidity management** in limiting liquidity risks and coping with external shocks. An informal seminar in the summer will examine how the **balance sheet approach** may be applied to emerging market countries, drawing on case studies to illustrate how developments in currency and maturity mismatches can help explain recent financial crises. As part of our efforts to strengthen **financial sector surveillance**, the Board will hold a seminar in September on issues and gaps in **financial sector regulation**, drawing on the findings of FSAP reviews and suggesting ways in which to strengthen responses to the main regulatory issues facing member countries.

A note, to be circulated for information in June, will focus on Fund issues in bilateral surveillance of the **investment climate** in member countries, drawing on the work of other institutions in this field.

In December, an informal seminar will take up the institutional and operational preconditions for successful implementation of a **floating exchange rate regime**.

The next review of the Fund's **Standards and Codes Initiative** will take place in mid-2005. The Board will also discuss a paper presenting a standard for **insolvency and creditor rights** as the basis for preparing ROSCs in this domain.

Fund Facilities, Instruments, Program Design, And Conditionality

Our work to improve program design and conditionality will flow in two main streams. First, on the **design of Fund-supported programs** the staff is preparing a series of background papers on the objectives and main analytical frameworks of program design, and on the macroeconomic and structural policy content of programs. A summary paper drawing together the main conclusions of these papers will be considered by the Board in July. Second, work on preparing for the review of the **2002 Guidelines on Conditionality** will start off with an informal seminar in June based on an outline of the questions to be addressed in the formal Board review of the Conditionality Guidelines following the 2004 Annual Meetings. It will explore how the review will cover the implementation of the recently streamlined conditionality guidelines, including the issues of ownership, the focus of conditions on critical factors, and the clarity of conditions for members. The review itself will draw on the review of Fund-Bank collaboration undertaken in March 2004, and the discussion of the lessons from recent capital account crises building on the recent evaluation of the IEO.

We need to continue to adapt our financing facilities to the new environment of large and volatile capital flows. In July, a staff paper on **precautionary arrangements** will examine issues raised at last year's Board discussions on the precautionary extension of Brazil's Stand-By Arrangement, the CCL review, and precautionary arrangements more broadly. The paper will inter alia cover the use of precautionary arrangements as a crisis prevention tool; their potential impact on creditor and debtor behavior and on the Fund's liquidity; and changes to the Supplemental Reserve Facility that would allow it to be used for potential balance of payments needs.

Following the Annual Meetings, the Board will discuss a series of papers on other issues related to facilities, conditionality, and program design. The next biennial **review of access policy** will take place in late 2004 and will include access under the PRGF as well as exceptional access. In response to the issues raised by Executive Directors during the discussion of exceptional access policy, the Board will consider, early next year, a paper reviewing **charges and maturities** of Fund facilities more generally. Based on the insights from the discussion on the balance sheet approach (see paragraph 8), a staff paper on **debt management** conditionality and policies under Fund-supported programs will consider the implications of broadening debt limits beyond the current ones on externally issued public debt to put greater emphasis on the currency and maturity structure of debt and the role of contingent liabilities. In mid-2005, the Board will review **trade reforms under Fund-supported programs**, drawing on experience with programs during the period 1990–2002 to inform Fund policy advice in this area.

Prior to the Spring 2005 meetings, the Board is scheduled to review comprehensively the experience with the Fund's **safeguards policy**. The Board

will also follow up on the recent discussion on **public investment and fiscal policy** with a paper reporting on pilot case studies.

Fund's Role in Low-Income Countries

The IMFC stressed the important role that the Fund—in partnership with the multilateral development banks and bilateral donors—continues to play in assisting low-income countries with effective policy advice, financing, and technical assistance to achieve higher and more sustained growth and poverty reduction in the context of the international effort to meet the Millennium Development Goals (MDGs). Following up on the August 2003 discussion on the role of the Fund in low-income countries, the Board will take up a broad range of topics in the coming months, focusing on the PRSP approach and the PRGF, the HIPC Initiative and debt issues, and aid issues.

Following up on the March discussion on this topic, a further paper is planned for discussion in September on **PRGF financing and instruments**, which will consider how to finance PRGF operations beyond 2005, with options for mobilizing supplementary resources as the need rises. The paper will also include an elaboration of proposals on instruments that were endorsed by the Board and require further consideration. This will be preceded by a discussion in July on the **IEO report on the evaluation of the PRSP/PRGF**. Also this summer, short papers will be circulated on **post-program monitoring under the PRGF** and **subsidizing natural disaster assistance** for consideration on a lapse of time basis. The staff also plans to circulate, for the Board's information, guidance notes to the staff on norms for successive PRGF arrangements, criteria for PRGF/EFF blending, low-access PRGF arrangements, and emergency post-conflict assistance. The annual PRSP progress report will address issues in the IEO (and Bank OED) report and will be considered in September.

In the area of the HIPC Initiative and debt issues, the Board will discuss in September work on **debt sustainability in low-income countries**. A joint Fund-Bank staff paper will focus on further considerations with respect to the framework for debt sustainability in those countries. A companion piece will address operational issues specific to the Fund, including options on how to formulate debt limits in PRGF arrangements. Prior to this discussion, the Board will consider this summer a paper on options for handling the **HIPC sunset clause** and later this summer a paper on **HIPC topping up issues**. In the run up to the Annual Meetings, the Board will consider **progress reports** to the IMFC on the implementation of the HIPC Initiative and the PRSP approach prepared by the Fund and Bank staffs. An update on PRGF/HIPC financing will also be provided.

In September, a seminar will be held on a joint Fund-Bank staff paper on **aid, aid effectiveness, and financing modalities for the MDGs**, including the effectiveness of aid and members' capacity to absorb it, the role of aid in meeting

the MDGs, and potential global sources for increasing the amount of aid available in the near to medium term.

In the period following the Annual Meetings, the Board will discuss a paper on **technical assistance on monetary and financial matters to post-conflict economies**, drawing key lessons for future cases from rebuilding these economies' monetary and financial systems. In November, following on the recent discussion on instruments and financing for low-income countries and the interest in a strengthened process of surveillance for low-income countries, the Board will consider a paper on the Fund's role in providing appropriate **signals about low-income countries' macroeconomic policies** to donors and other international financial institutions in the absence of a need for Fund financing. In December, the Board will discuss a paper on the **design of macroeconomic programs** supported by the PRGF. The 2005 **Global Monitoring Report**, updating progress on meeting the Millennium Development Goals, will be issued for the Spring 2005 meetings. Also in the spring the Board will discuss a joint Fund-Bank paper on assessing the capacity to track **poverty-reducing spending in HIPC Initiative countries**, reviewing progress in this area since the February 2002 Board discussion.

Strengthening the Framework For Crisis Resolution

Our efforts at strengthening the framework for crisis resolution will continue to focus on promoting **collective action clauses** (CACs) in international sovereign bond issues. Progress toward a voluntary **code of conduct** is being made in the G-20 and other fora. Work also continues on other crisis resolution issues, and following the Annual Meetings a Board seminar is planned on how the **design and modalities of sovereign debt restructurings** could affect a member's financial system, including the implications of crisis resolution strategies for program design and conditionality, and for the role of Fund financing. A summary of developments on crisis resolution initiatives, including on CACs and the development of a code of conduct, will be included in **progress reports** for the Annual Meetings and the Spring 2005 meetings.

The **IEO's report on the role of the Fund in Argentina** will be discussed prior to the Annual Meetings.

In the period following the Annual Meetings, the Board will hold an informal seminar on issues concerning **reaccess to capital markets** by countries emerging from a financial crisis. A paper, for discussion prior to the Spring 2005 meetings, will give further consideration to issues arising in the context of members needing to **renegotiate debt to private creditors**.

Fund Governance and Finances

The IMFC called on the Executive Board to continue its work on quotas, voice, and representation, and to **report on progress** at its fall meeting. The Development Committee expects to receive reports from the two Boards on all aspects of the issue of strengthening the voice and participation of developing and transition countries in the work and decision making of the Bretton Woods institutions for discussions at its fall meeting.

At the request of Executive Directors during the latest discussion on the Fund's income position, the Board will review the **Fund's finances and financial structure**, with an informal seminar planned for November, prior to circulating a staff paper in December for a formal Board meeting in January. The review of the Fund's **income position** for FY 2005 and 2006 is planned for April 2005.

Other Policy And Administrative Topics

In August, the Board will discuss the **IEO's report on the Fund's role in providing technical assistance**.

The Budget Committee will review the **FY 2004 outturn** in July, consider a report on progress on **budget reforms** in November, and discuss the **preparation of the FY 2006 Administrative and Capital Budgets** and the medium-term budgetary framework in February. The 2005 review of **staff compensation** and the discussion of the **FY 2006 Budget and Medium-Term Framework** will take place in April.

A staff paper on the Fund's **external communications strategy** is expected to be discussed in early 2005.

A paper on the Fund's **external audit arrangements** will be discussed by the Board after the Annual Meetings. To prepare for this discussion, an informal seminar is planned for this summer.

The Secretary submitted the following Supplementary Note:

This note supplements the Managing Director's statement on the work program circulated on May 25, 2004 with further information on Board items.

Table 1 (attached) shows the status of items planned for the **calendar of Board meetings** through October 2004 based on available information and covering, for country items, dates agreed with the Executive Director concerned. Some 40 additional country items are in the process of being considered for this period. The calendar will be updated periodically as new information becomes available.

Table 2 (attached) lists papers to be issued for **lapse of time** consideration by the Board; papers for **information** or as **background** for Board policy discussions; and scheduled meetings of Board **committees**.

The preparation of the work program reflects the continued effort to streamline and avoid bunching. Where possible, papers have been combined into a single discussion item or issued for information or lapse of time consideration, rather than discussion. As usual, Executive Directors may request that a paper issued for information or lapse of time consideration be discussed. Further effort also is being made to establish realistic time tables for the preparation and clearance of policy papers, and SEC is monitoring closely the observance of the three-week minimum circulation for policy papers and selected Article IV consultation reports.

Indicators show that the time spent in formal and informal Board meetings has been substantial but on a declining trend, from 671 hours in 2001 to 598 in 2003, and somewhat fewer hours in January-April 2004 compared with the same period in 2003. That trend has been accompanied by further streamlining of meetings, with the average duration of meetings falling from 1.7 hours per item in 2001 to 1.4 hours in 2003 and 1.2 in 2004 (January-April). This reflects in part the large increase in the number of Gray statements, from 1,347 in 2001 to 2,250 in 2003, and a further sharp increase in January-April 2004 compared with the same period in 2003.

Mr. Callaghan submitted the following statement:

Key Points

- There is a need to improve the processes for determining the Fund's priorities and the Board's future work program.
- This need was highlighted in the budget discussions, as well as the 2003 staff survey.
- As part of the move towards output budgeting, the Fund's objectives for the period ahead will need to be specified, along with a plan as to how these will be achieved, and indicators to assess performance. The Board's work program should start moving in this direction.
- Missing from the forward agenda is advancing the issues raised in the budget discussions, a review of staff compensation, and a substantive discussion of issues associated with quotas, voice, and representation.

What should be included as a priority item in the work program is a review of how the Executive Board determines its work program. It is, of course,

not only the work program for the Board, but is the forward agenda for staff and management.

There is a pressing need for the Fund to have a more structured approach towards establishing its priorities and integrating its forward work agenda as part of the Fund's budget process. This was highlighted by many Directors during the FY 2005 Budget discussions. Moreover, a key concern raised in the 2003 staff survey was the significant unease among staff as to the way priorities are set in the Fund and new mandates accepted. These concerns are justified. However, there is no recognition in the forward work plan that the Board will be addressing any of these issues.

This year's statement by the Managing Director on the work program of the Executive Board follows the well-established procedure, albeit with the continuation of the recent development of giving some indication of the policy agenda for the next 12 months rather than primarily focusing on the next 6 months. However, there is no strategic assessment of the key issues facing the Fund in the coming 12 months, what should be the priorities for the Fund given recent and prospective developments, and the inter-relationship between different policy topics being considered and how they will contribute to the Fund fulfilling its mandate.

Much of the Board's work agenda is determined by a pre-established timetable of reviews and consultations: six-monthly WEOs and WEMDs, annual Article IV consultations, biennial policy reviews such as those on surveillance, conditionality, and access policy. These are important exercises, however, what is missing is a more coordinated and strategic approach towards setting objectives and outlining a work program towards achieving these objectives. This is a task that will need to be established as part of the Fund's ongoing adoption of output budgeting and the development of performance indicators. As part of this process, there has to be a closer integration between the Board's work program, the budget, and the business plans of departments.

Part of the problem with the current approach towards establishing the work program is that no indication is provided as to how specific issues relate to the key priorities facing the Fund nor the reason for why they will be considered by the Board at a certain time. This is particularly the case for the seminars. For example, while recent seminars were interesting and covered relevant topics, what was the rationale for holding seminars on the Liquidity Management Framework and Sovereign Debt Structures in May 2004? Why were they identified as priority topics at that time? Similarly, what is the rationale for the proposed seminar on Financial Sector Regulation in September, the seminar on floating exchange rate regimes in December, and so on? Why were these issues identified as priority issues to be considered at these times?

As we consider the work program, it is worth considering the comment by the Chairman of the recent IMFC Deputies meeting, namely: "...over the last 60 years, a great deal has happened in the private sector to make objectives sharper, to ensure that management is incentivized to achieve them, is able to report back against their achievement, and to make sure conflicts are taken out of the structure...we have to see now what has happened over the last 60 years in private sector organizations and public administration is relevant to [this] institution."

We should be asking the question whether the work plan is the kind of document that would give the public the confidence that the Fund is acting in a responsive and strategic way to the most pressing international economic issues.

We noted when the last Board work program was considered that a more strategic approach to establishing the priorities for upcoming surveillance should be adopted. For example, following the WEMD session, an informal seminar could address the issues which need to be covered in forthcoming Article IV consultations, particularly where the policies of one country are impacting on others and the contribution which can be made through greater regional surveillance. In addition, such occasions could help identify where cross-country comparisons would be useful, as well as provide an opportunity for the Board to contribute to the identification of topics to be covered as special issues in forthcoming WEOs. There are many ways such sessions could be organized, but as things currently stand, the Board does not have a strategic approach towards approaching future surveillance processes. This needs to be rectified.

One specific area we would highlight is the proposed work of the Fund in advocating multilateral trade liberalization. It is very welcome that a seminar will review recent developments and issues in regional trade agreements, but consistent with the above comments, it would be desirable if the work statement provided a more strategic outline of how the Fund proposes to contribute to advancing multilateral trade liberalization, beyond indicating that it will hold a seminar.

There are a number of important omissions from the future work program, including:

- any mention of progressing the issues raised at the FY 2005 Budget discussions;
- the review of staff compensation;
- any substantive reference to further consideration of work on quotas, voice, and representation, apart from considering a "Progress Report" in advance of the 2004 Annual Meetings.

Mr. Martí and Mr. Schwartz submitted the following statement:

The work program submitted to the Board covers a number of issues of current relevance. We will limit our comments to a few points only.

In the area of trade liberalization, we fully support the continued encouragement to making further progress that the Fund gives to its membership. Taking a firm stance on developments should not make us forget, however, that this is not a core competency of the Fund and there must be some limits to our possibilities to deepen on trade issues.

The biennial review of surveillance should be an ambitious exercise to evaluate the Fund's performance in one of its most important areas of activity. We subscribe to the outline set out by the Managing Director in his presentation. The methodology needs constant attention and we have to reflect on the impact and effectiveness of the exercise, in particular for the purposes of crisis prevention.

We are, however, not much in favor of systematically widening the scope of surveillance and would rather press for its deepening, e.g., by greater involvement of the countries in a policy dialogue with the Fund or in exercises of self-assessment, or by further tightening surveillance of the financial sector (the proposed seminar dealing with "gaps" in financial regulation seems to respond to this kind of concern). Resources available to carry out surveillance are limited and the outstanding quality of the product should not be put at risk by an excessive concern about adding new instruments or reaching into new domains. The extension of the Standards and Codes Initiative to also embrace standards for insolvency and creditor rights is a case in point. We have two comments here. Current experience shows that preparing ROSCs ties down a considerable amount of professional staff. Proposals to undertake new ROSCs should thus be analyzed with a clear estimate of their added cost, or of their opportunity cost if resources would have to be transferred from other areas. On the other hand, we understand that the World Bank is already coordinating work (with UNCITRAL) to develop a set of principles on insolvency regimes. We wonder about the apparent duplication of efforts here.

The role played by the Fund in the world economy gives special relevance to the Board discussions on the state of the global economy. This is a year of incipient recovery, with a number of economic uncertainties associated to the steady rise of oil prices, the slow reawakening of inflation and, probably, the end of an era of low financial costs, all against a long-standing background of major imbalances and the steadfast presence of geopolitical risks. The political overtones of the Fund's message through the WEO and the GFSR will be read more attentively than usual across the financial community and by the media, and we look forward to a constructive debate at the Board in due course.

The study on the investment climate always appeared to us to be much more related to the remit of the World Bank—its agenda includes references to this topic quite often—and we wonder what is the specific contribution that can be expected from the Fund. We notice that in some of our previous agendas this issue had already been scheduled as a “normal” topic for Board discussion (on May 24), whereas it now appears as a mere note for information.

There are two IEO reports that we would like to mention here. The first is the report on the Fund’s role in Argentina. It will be highly welcome. As a review of past performance during a very distinct period, its contents is not immediately associated, at this stage, to any other topic intended for discussion in the next few months. In trying to lighten the workload in the run-up to the Annual Meetings, we would not see any problem in moving it down to a later date. The report on the provision of technical assistance can be expected to shed light on an aspect about which we know little, the effectiveness of technical assistance from the point of view of the capacity of the recipient institutions to absorb and integrate the acquired skills into their work routine.

We consider that the Fund has a major role in providing assistance to LICs and this concern is adequately reflected in the work program. The IEO’s report on PRSP/PRGF is already available and will hopefully provide a helpful background to the forthcoming debates. We also welcome the paper intended to provide “signals to donors” about macroeconomic policies in LICs when there is no need for Fund financing, as well as the Fund/Bank seminar on aid and potential sources of aid. From a methodological standpoint, it can be argued that the Fund has given itself an excellent set of instruments for the analysis of these economies. Further reflection seems to be needed, though, on the operational effectiveness of the ensuing recommendations. Many of these countries encounter serious difficulties when they intend to move from macroeconomic stability onto a path of sustained growth. LICs (and not only LICs) often bring up this problem in their discussions with the Fund and a recent Board seminar (by Dani Rodrik) was timely focused on this topic. Support for poverty-reduction policies may have only limited effects whenever economies prove incapable of delivering to the population significant increases in per capita income. We think that the Fund should give some thought to this interaction between poverty reduction and GDP growth—a complex linkage not well understood in economics, as the IEO’s report very candidly points out—and very much expect that the announced paper on “design of macroeconomic programs” will be a contribution to filling this important gap.

On post-conflict economies, we note the proposed discussion on monetary and financial assistance. As a practical matter, we believe that the discussion would greatly benefit from PDR’s paper on the review of Program Experience in these countries (announced, ref 1756, but still undated) and should therefore be rescheduled to a later date.

Finally, we think that the overall audit structure of the Fund merits a review, and not just the “external” side of it. This institution appears firmly committed to increasing countries’ awareness of the state of best practices in governance. Its own priorities should therefore include the development of a strong framework of controls that could be presented everywhere as a state-of-the-art model. Current professional views tend to focus on the interactive workings of Boards, Board committees, internal and external auditors, rather than on the separate functions of each. While welcoming, therefore, the proposed seminar and paper mentioned at the end of the Managing Director’s statement, we also propose that the qualifier “external” be dropped and that the focus is directed to the audit arrangements of the Fund as a whole.

Mr. Solheim and Mr. Olafsson submitted the following statement:

Key Points

- We broadly agree with the work program for the next 6-12 months, but certain improvements should be considered for the program and the Managing Director’s statement.
- The Managing Director’s statement would benefit from a more forward looking strategy to include the placement of the major topics in a two- or three-year perspective with some provision for a results-oriented assessment. Moreover, we miss a proper link between the work program and a related budget discussion.
- In this spirit, a direct link should be established between the main topics in the work program and the IMFC communiqué and/or previous Board discussions; and the key objectives of the main topics should be listed.
- The topics covered by the work program are highly relevant, but it is disappointingly thin on crisis resolution issues. We believe that a new general review of the whole framework of crisis resolution is called for. Also, a new review of Fund facilities should be planned.
- The staff’s initiatives to hold informal briefing sessions on important policy issues under preparation is highly welcome.

We welcome the proposed work program, which reflects the broad range of ongoing work in the Fund. While we broadly agree with the main contents of the work program, we will in the following make some general remarks on the Managing Director’s statement, some specific remarks on the work program and some comments on the planning and organization of the Board’s work.

General Remarks on the Managing Director's statement

The Managing Director's statement on the work program in its present form is essentially a one-dimensional description of the Board's main activities during the next 6-12 months. A more forward looking strategy would include the placement of the major topics in a two- or three-year perspective with some provision for a result oriented assessment. It would also encompass an overview of what has been achieved so far and what remains incomplete. The upcoming 60th Anniversary of the Fund offers a good opportunity for the Fund to formulate a medium-term vision that would be very useful for the work of the Fund.

We believe that the Managing Director's statement could be sharpened by two amendments. First, a more direct and explicit link between the main topics in the work program and the IMFC communiqué and/or previous Board discussions. Second, a listing of the key objectives of the main topics.

A connection between the work program and the framework for budget and planning should be established. The budget discussions would be more meaningful and help focus the need for an overarching prioritization of Fund resources. In our preliminary statement to the recent Board discussion on the FY 2005 budget, we stated that "the medium-term emphasis in the departmental business plans should be reconciled with the semi-annual work programs, which are based on the decisions by the IMFC." Departmental business plans should to a greater extent include direct references to the work program of the Board. The Managing Director's statement on work program would also benefit by having links to departmental work programs. These could be rudimentary in the beginning, e.g., by providing information on which departments are involved in preparing the staff papers, as well as other general administrative information of relevance.

Specific Remarks on the Work Program

We agree that the Fund should continue to strengthen its surveillance and crisis prevention by increasing efficiency in identifying and reducing vulnerabilities. Furthermore, there is a need for a predictable and efficient framework to handle financial crisis. We are, however, disappointed to note the low priority given to crisis resolution issues. We believe that a general review of the crisis resolution framework is called for. Recent country cases have put into question the role of catalytic financing and these cases have also been vague on private sector involvement. We note the progress made in the use and specification of CACs and the ongoing work on the Code of Conduct. Further development of issues related to sovereign debt restructuring and better involving the private sector should continue in accordance with the consensus of the Prague framework.

We support the ongoing work to discuss and refine the role of the Fund in low-income countries and look forward to the input from the IEO evaluation. We emphasize, however, the importance of avoiding duplication of work among the Bretton Woods Institutions (BWIs), as well as avoiding a “no-institution land”. A clear division of labor between the BWIs should continue to be preserved.

We believe the time is ripe for a general review of Fund facilities. There are three main reasons: First, further simplifications could be made to the lending structure. Second, recent or forthcoming discussions—many of which are also reviews by nature (precautionary arrangements, access policy, charges and maturities on Fund facilities)—would have an important bearing on the design of the lending instruments. Third, the design of the lending instruments is closely related to the Fund’s finances and income position. As we stress below, to maintain continuity in the discussions, there is a need to see these elements in context, not necessarily having all aspects discussed at the same time but within a reasonable short time period.

We think that the Fund needs to focus on the possible macroeconomic effects of energy policies and trends. High and volatile oil prices could have substantial effects on the global economy, although the present level of real oil prices still remains well below previous oil crisis. Recent increases in prices for long term contracts in the futures market for oil deserves attention, since they may indicate a more permanent shift in the longer-term prospects for oil prices, with implications not only for growth and inflation but also for the need to expand supply capacity in the petroleum sector in order to stabilize oil prices at a level conducive for sustainable growth. We suggest that the coming WEO discusses these and related issues in more detail—possibly as a topic for a separate chapter.

We believe that governance issues deserve more emphasis, and we support Mr. Bennett’s views on these issues. To bring this work forward, an empirical focus is a natural next step, i.e., exploring which countries have improved its governance and what factors have contributed to this improvement and the results in terms of higher growth. While such evidence would be generally valuable for highlighting the virtue of good governance, it would be particularly pertinent for the effectiveness of the Fund’s support for low-income countries.

We would like to see continued focus on transparency issues. A paper tracking recent trends would seem appropriate next summer, one year after the new rules came into effect.

We miss a more specific reference to the compensation and benefits review and a development in the direction of more binding medium-term budgets. The proposed review will hopefully be undertaken and discussed by the Board this year, so that the results could have an impact on next year’s budget and salary discussion.

The Planning and Organization of the Board's Work

We remain concerned about too much bunching, too many revisions of the Board schedule, and too many waivers for the circulation requirements of Board papers. We emphasize once again the need to adhere to the minimum circulation period and to reduce the frequent revisions of the Board calendar.

We are concerned by a fragmentation in some of the policy discussions. Dividing up of topics might occasionally be desirable to make them manageable and lay the foundation for a focused discussion. But to secure a sufficiently comprehensive approach, topics that are vitally interconnected should preferably be discussed together in a single meeting or at least within a short time period. By way of example, the recent review of the Exceptional Access Framework without discussing the possible use of precautionary arrangements in this context, made the exercise less relevant.

We welcome the staff's initiatives to holding informal briefing sessions on the most important policy issues while staff is in the process of preparing the Board papers. Such meetings provide a promising channel for the staff to ask for guidance and for the Board to get involved in setting the direction of the work. This approach could also be useful in the early stage of the preparations of the World Economic Outlook and the Global Financial Stability Report, possibly in connection with the WEMD sessions.

We encourage further streamlining of Board documents, building on the positive progress seen in this area lately. In particular, policy-oriented and decision-focused executive summaries are conducive to efficient and fruitful Board meetings.

Clearly, all these elements will be an integral part of the wider efforts to improve the efficiency of Board proceedings, also to be followed up in line with the discussions at the Executive Board retreat in January 2004.

Mr. Shaalan and Mr. Kanaan submitted the following statement:

We thank the Managing Director for a well-balanced statement on the work program, and we welcome the focus on achieving progress on the priorities identified at the ministerial meetings in April 2004, aimed at strengthening global economic recovery while addressing remaining vulnerabilities.

The work program is once again quite ambitious, and we welcome the efforts to ensure that the schedule of meetings allows the Board adequate time for preparation and consultation, so as to enable Directors to exercise due diligence in their assessment and discussion of staff papers. With the latter objective in mind, we would like to underscore the importance of a continual review by the Secretary of the extent to which the schedule allows for sufficient time for the

preparation, clearance, and revision of papers, including through the development of indicators to track the workload and degree of bunching. It is also important to closely follow up on departments' work to ensure that the guidelines for the minimum circulation period are fully respected, and to make efforts to avoid stand-alone Article IV consultation discussion in the run up to the spring and annual meetings. In view of the already very tight work program, it is important to avoid adding non-urgent new policy items, and to minimize significant overlaps between our work and that of other multilateral institutions, including the World Bank.

While the Board meetings in the proposed schedule are generally well paced, there is a much higher concentration of policy items just before the spring and annual meetings, in particular in September 2004, and to a lesser extent in March 2005. The Secretary could look into a redistribution of some of the September and March meetings.

We agree with Mr. Callaghan that there is a need for a more strategic approach in developing a work program, and the need for a closer integration between the Board's work program, the budget, and the business plans of departments. There is also a need to clarify how specific Board discussions, as well as their timing, relate to the Fund's priorities.

We welcome the increased attention in the program on policy development and review issues, notably in the biennial review of surveillance, the review of the Guidelines on Conditionality, and the Fund's role in low-income countries. It is important that Directors continue to have the opportunity to provide guidance in the design of the structure and content of key papers in this area, at an early stage of their preparation, including through informal discussions with staff. This work should continue to be complemented by the search for ways to make surveillance more effective and improve program design, and to sharpen Fund's work in the traditional core areas, including exchange rate, monetary and fiscal policy. In this connection, we welcome the emphasis of the work program on the work of the IEO; its evaluations will continue to provide critical feedback to improve the Fund's policies and practices.

Multilateral trade liberalization could have received a more prominent place in the work statement, especially given that it is a key element in achieving the priorities set out in the Spring Meetings. Developing countries cannot reap the full benefits of a recovery in the industrialized countries unless tangible progress is made toward the phasing out of trade restrictions and agricultural subsidies. We encourage more work in assessing the welfare benefits of trade liberalization at a global level, notably as part of the planned studies on strengthening the global economic recovery. It is also important to strengthen the focus of bilateral surveillance on trade issues, notably through more systematic assessments of the consequences of trade restrictions and subsidies on individual countries' performance. Such assessments will need to be complemented through appraisals,

in the context of multilateral surveillance, of the aggregate impact at a regional or global level of trade restrictions implemented by a number or group of countries. Finally, it is important that the discussions on the Fund's role in low-income countries give adequate weight to the potential benefits of trade liberalization in these countries, as well as in industrialized economies, for facilitating poverty reduction and contributing toward the achievement of the Millennium Development Goals (MDGs).

There are a few other issues that are either missing or which could have been given more weight in the work program, in particular:

- the need for an evenhanded approach across the membership in the Fund's work in surveillance and crisis prevention, and on strengthening surveillance in systemically important countries;
- a substantive review of the issue of voice and representation, aimed at enhancing the capacity of Executive Directors from developing and transition countries to participate effectively in decision-making in the Fund, and to promote the practice of consensus building in reaching Board decisions;
- a discussion of ways to better align the Fund's priorities for improving the Fund's work in the traditional core areas, including as identified by the IEO, with the Fund's budget constraint, to ensure that these are not crowded out by initiatives in other areas; and
- well-rounded discussions of budget reforms, including an assessment of the impact of new budgetary procedures and cost saving measures on the quality of staff's work, taking into account the views and concerns of all departments.

Mr. Bennett submitted the following statement:

Key Points

- We broadly agree with the proposed work program.
- We are pleased to see that governance again figured prominently in many aspects of the work program and that the staff is making increased use of third-party governance indicators.
- Good governance is a key determinant of sustainable growth and the new framework for debt sustainability in low-income countries will give governance greater prominence. The Fund's efforts to promote good governance have had a positive impact.
- We believe that there is scope to increase the staff's effectiveness in promoting good governance. We propose that the staff take stock of

efforts to improve governance and distill the lessons from experience into a practical guide.

We would like to thank the Managing Director for a well-articulated work program. We are in broad agreement with what he has proposed. We especially appreciate that the staff will be giving consideration to modalities for the Fund to signal the appropriateness of policies in low-income countries in the absence of a financing need.

We are pleased to see that governance again figured prominently in many aspects of the work program. We look forward to the June paper on the investment climate. We understand that the biennial review of surveillance will examine the relationship between the egregiousness of governance problems and the extent to which they were flagged by the staff. We are also aware that the Research Department is actively examining governance and institution building.

In addition, we welcome the increased use of third-party governance indicators in the staff reports. To take examples of reports that were discussed in the last two weeks, Uzbekistan and Georgia referred to Transparency International's Corruption Perceptions Index, while the Republic of Congo referred to the World Bank's indicators.

The emphasis on governance in the Fund's work is appropriate since it reflects the recognition that good governance is a key determinant of sustainable growth. Moreover, the Fund's efforts have had a positive impact, for example, in the case of Angola, which is discussed in an editorial in today's New York Times.¹ Looking forward, the new framework for debt sustainability in low-income countries will give governance greater prominence. In this context, we would like to reiterate the position that we took when the work program was discussed in November 2003: the Fund's work program would benefit from a systematic analysis of governance issues.

The principals in the 1997 Guidance Note on Governance, limiting the scope for rent seeking and preferential treatment, promoting the transparency of public institutions and capacity building through technical assistance, remain appropriate. Nevertheless, we believe that there is scope to increase the staff's effectiveness in promoting good governance. We propose that the staff take stock of efforts to improve governance and distill the lessons from experience into a practical guide.

The stock-taking exercise could take a number of forms. One approach would be to use the governance indicators developed by Transparency International, the World Bank and others. The information from these indicators could be used to assess how governance has evolved for a particular country over

¹ See "Angola's Elusive Oil Riches", New York Times, June 15, 2004, p. 22.

time or across countries in a particular region in an effort to determine what factors led to improved (or poorer) governance.² Moreover, governance can be measured across a number of different aspects. For example, the World Bank indicator examines voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption. By examining these aspects and their interplay, these could be important lessons for sequencing of reforms.

The stock-taking exercise could also bring together work on governance done by academics, other institutions, as well as the experience of Fund staff, which may not be well known across the institution. Again, the idea would to determine what has worked in improving governance, what has not and why.

The second step would be the collation of best practices into an “evergreen” manual for promoting good governance. The collective wisdom on governance matters would be reviewed as subsequent country experiences are digested. The manual would provide the staff—many of whom are macroeconomists with limited expertise on governance issues—with a ready guide of approaches that could be taken with a particular country case.

We want to emphasize that the Fund is already very much involved in governance and that this is appropriate given the macro-critical nature of governance problems in many countries. What we are asking for is a more systematic understanding of country experiences to make Fund advice, program design, and technical assistance on governance issues more effective.

Mr. Al-Turki submitted the following statement:

I am in broad agreement with the Managing Director’s concise and well focused statement on the work program. I also appreciate the Secretary’s helpful supplementary note outlining details for the work ahead. The program rightly centers on the Fund’s role in fostering multilateral efforts to help ensure durable and balanced growth worldwide. Continued vigilance on selectivity in setting priorities, rationalization of the Board’s meeting schedule, and sensitivity to the staff’s work pressures is critical to ensure effective functioning of the Fund. In this regard, the decline in the average duration of Board meetings over the past two years is encouraging.

² The Fund has already done some research on governance in the past, much of this has been theoretical in nature. For example, IMF Working Paper/00/1, *Improving Governance and Fighting Corruption in the Baltic and CIS Countries: The Role of the IMF*, noted that “Unfortunately, definitive conclusions cannot be drawn about whether the successful implementation of these programs actually lowered corruption, particularly in the absence of a reliable measure of corruption in these countries.”

That said, it remains essential to further improve the distribution of the workload. Moreover, it is important to minimize changes in the scheduling of Board meetings and to provide sufficient notice when changes are unavoidable. The circulation period for Board documents should also be strictly adhered to and requests for waivers of circulation period should be limited to very special circumstances. In that connection, I look forward to concrete results from the ongoing efforts for a more efficient implementation of the work program that the Secretary has highlighted in his supplementary note.

The Outlook for the Global Economy and Financial Markets

The multilateral surveillance framework, including the periodic World Economic and Market Developments (WEMD), the World Economic Outlook (WEO), and the Global Financial Stability Report (GFSR), is working well. Efforts are still needed, however, to further improve the integration of multilateral surveillance results with bilateral country consultations and programs. The key here is to focus on the various policy complementarities. In particular, it is important to highlight the international implications of policies followed by systemically important economies.

I strongly endorse the stress on trade issues since increased world market access for developing country exports is critical for the success of these countries. The proposed review of trade reforms under Fund-Supported Program should focus on conditions under which unilateral trade liberalization is advisable for a developing economy. This is especially important in the context of the recent decision to establish the Trade Integration Mechanism. I also look forward to the seminar on recent developments and issues in regional trade arrangements.

Strengthening Fund Surveillance and Crisis Prevention

I welcome continuation of the efforts to enhance the quality, impact, and evenhandedness of surveillance. In this connection, I endorse the proposed focus of the biennial review of surveillance. Exploring ways to heighten the impact of Fund surveillance on policy actions in member countries is particularly important. Here, I remain of the view that enhancing the effectiveness of surveillance depends first and foremost on the Fund being viewed as a trusted advisor and not as an inspector or adversary.

Regarding the several proposed studies related to surveillance and crisis prevention, I look forward to the seminar on issues and gaps in financial sector regulation. I also welcome the proposed informal seminar on the institutional and operational preconditions for successful implementation of a floating exchange rate regime.

Fund Facilities, Instruments, Program Design, and Conditionality

The work agenda on the above items is extensive. In completing this ambitious and important work in a timely manner, streamlining the proposed work with emphasis on minimizing duplication is essential. Here, focus on the interactions between the design of Fund-supported programs and the review of the 2002 Guidelines on Conditionality is warranted. I also welcome the staff's efforts to elicit the Board input on these issues during the preparation phase of the papers.

Turning to financing facilities, I look forward to the papers on precautionary arrangements, review of access policy, and charges and maturities. These are all important, sensitive, and interrelated issues. All these topics could, indeed, have a direct impact on the Fund's liquidity, financial risk, and income position. Therefore, it would be useful if these topics could be discussed within a short time period from each other.

The Fund's Role in Low-Income Countries

The work agenda on the Fund's role in low income countries is appropriately ambitious in the context of the international effort to meet the Millennium Development Goals (MDGs). It is important to reflect on the progress so far with a view to the next steps that are appropriate for the Fund. The IEO report on the PRSP/PRGF should provide useful lessons in that regard. I also look forward to the discussion on debt sustainability in low-income countries. The outcome of that discussion could have a bearing on our discussions on PRGF financing and instruments, and HIPC topping-up issues.

The proposed seminar on aid, aid effectiveness, and financing modalities for MDGs should provide useful insights for the preparation of the paper on the design of PRGF-supported programs. The paper on assessing the capacity to track poverty-reducing spending in HIPC countries is also important. It is equally important, however, to ensure that neither the country involved nor the multilateral organizations are spending too many resources on trying to track poverty reducing spending. This spending will reduce the available resources for poverty reduction itself.

Strengthening the Framework for Crisis Resolution

The work on strengthening the framework for crisis resolution is another area of priority. In this regard, the work on issues related to reaccess to capital markets and to renegotiating debt to private creditors are important. I also look forward to the paper on a standard for insolvency and creditors rights and to the lessons that could be drawn from the IEO's report on the role of the Fund in Argentina.

Fund Governance and Other Policy Topics

I look forward to the IEO's report on the Fund's role in providing technical assistance. I also endorse the proposed work on Fund governance and the Fund's finances and financial structure.

Mr. Daïri submitted the following statement:

We support the thrust of the work program, in particular for the period up to the Annual Meetings. In our view, this period remains a transitional one during which the emphasis should be on the implementation and finalization of agreed reforms and policies, while allowing the Managing Director to reflect on his vision for the institution for the period ahead.

We continue to attach importance to strengthening the global economic recovery through promoting a balanced and sustained growth across the membership and reducing vulnerabilities. We are satisfied by the proposed program detailed in Section A as it offers an adequate coverage of developments in the global economy and in financial markets. We agree with Mr. Shaalan and Mr. Kanaan that the issue of trade liberalization warrants further discussion and a more proactive role for the Fund. We look forward to the seminar on regional trade agreements.

As part of the work on strengthening Fund surveillance and crisis prevention, we look forward to the forthcoming Board discussions on the biennial review of surveillance. It is encouraging that the review will address the important issues of quality, effectiveness, and evenhandedness of surveillance. We would like to know from staff if the seminar scheduled for September on financial sector regulation will cover the new Basel II accord.

We note that work on a new standard and associated ROSC on insolvency and creditors rights is already under way and we would appreciate staff elaboration on how the process was initiated. In this connection, we note that this proposal will be discussed in October 2004, while the review of standards and codes is planned for 2005. Without prejudging the importance of such standard, we prefer to allow the Board to review the standards and codes initiative and assess, at that time, the usefulness of adding a new standard. We propose, therefore, to postpone the discussion on the new standard until the general review of standards and codes.

We look forward to the forthcoming Board discussions on the design of Fund-supported programs, the review of the 2002 Guidelines on Conditionality, and the continuation of the work on precautionary arrangements.

We continue to attach high importance to the Fund's role and contribution in helping low-income countries make decisive progress towards achieving the MDGs and debt sustainability. The Board discussions on the role of the Fund in low-income countries has been helpful in clarifying the work priorities in this important area. What is important, in the period ahead, is for the Fund to secure the financing of PRGF/HIPC and to continue to contribute to a candid assessment of the implementation of the MDGs and exploring potential means of mobilizing financial support for their financing. We look forward to Board support for an extension of the HIPC Initiative and to the discussion of the IEO report on the evaluation of the PRSP/PRGF.

We continue to see a need for concrete progress with regard the issue of quotas, voice, and representation. Both the IMFC and the Development Committee have reiterated their calls on the Bretton Woods Institutions to examine these issues further and to present progress report at the Annual Meetings and we consider that an early consideration by the Board of these issues is important for the sake of the good governance of the Fund.

The issue of consistency between the work program and staff resources requires continuous monitoring. This is important to ensure that priority activities are carried without excessive pressures on the staff, while avoiding bunching in the Board work. We share the concerns expressed by Mr. Callaghan on the issue. We also agree with Mr. Shaalan's and Mr. Kanaan's view on the need for observing the minimum circulation period for key policy issues.

Mr. Ondo Mañe submitted the following statement:

We thank the Managing Director for his well-focused and concise statement, and the Secretary for his informative supplementary note. We broadly concur with the work program, which reflects well the priorities set by Governors at the last IMFC Meeting. The three broad strands that you have identified cover well the core issues for the coming months, and should contribute to the efforts of the membership to sustain the ongoing global recovery, and, in particular, assist the lower income countries to progress towards the Millennium Development Goals.

I will give my views on the topic of Fund's Role in low-income countries, before commenting on the other topics in the work program.

The Fund's Role in Low-Income Countries

As the last two IMFC Meetings have stressed, the Fund has a very important long-term role to play in helping the low-income countries meet the Millennium Development Goals (MDGs). Both its technical assistance and its financing will be critical in this effort. In this regard, we look forward to the paper on PRGF financing and instruments. We note that the paper will consider "how to

finance PRGF operations beyond 2005, with options for mobilizing supplementary resources as the need rises.” It is our view that the amount of resources available under PRGF are already too low, and that considerations should be given to raise their level. Efforts should be made to obtain additional contributions from donors and creditors. But we think that considerations should also be given to an allocation of SDRs that could be used to finance the PRGF Trust Fund. Countries that may not need the additional SDRs, due to their strong balance of payments positions, could make their shares available for use by PRGF-supported countries. A constant and reliable flow of resources is of critical importance to the low-income countries in developing their medium-term framework. We hope that the staff will give careful thought to these factors in their paper.

On the PRGF program design, we note that this review which has been mentioned in the last two work programs, will again be delayed and that it is now proposed for December 2004. We would appreciate staff’s explanations for this further delay. We would like to point out that although the PRGF is one of the more successful instruments that we have had in the recent past to assist the low-income countries, it has weaknesses that have been identified with experience. Moreover, the Fund held two seminars in Dar-es-Salam and Dakar on PRGF-related issues. We are of the view that we have enough material to proceed with this review which has been expected by a large number of the membership. This review had been promised for more than a year, and we think that it is time to deliver on the promise. The review will help to clarify our policies, as well as the relationship between the Fund and the members concerned. We, therefore, hope that every effort will be made to bring the review date forward, so that we could have a discussion before the Annual Meetings.

On this review, we again call on staff to give careful considerations to the views of the authorities who have had to implement these programs. Improving program ownership, achieving fiscal sustainability, meeting the MDGs, aligning the PRGF with the PRSP, developing a comprehensive technical assistance program, and establishing an exit strategy are some of the objectives that the review should address. Other objectives to be included are identifying sources of growth and achieving a level of public and private investment that can boost competitiveness and increase the level of consumption that can be an interlink to achieve higher levels of growth and sustainable development.

More broadly, we are of the view that the IMF and other IFIs should develop a comprehensive package to meet the MDGs, and that this package should be internalized by the authorities so that they can better take into account all relevant factors in their decision-making process.

We look also forward to the discussions of the IEO report on the evaluation of the PRSP/PRGF.

The review should also address the problem of “stop-and-go” regarding Fund programs, and which cause major problems to the countries, as the external finance from donors are linked to Fund programs. We welcome the papers on post-program monitoring under the PRGF, subsidizing natural disaster assistance, as well as the set of papers on PRGF/EFF blending and low-access PRGF arrangements etc. We regret that the paper on the signaling role of surveillance, where Fund financing is not necessary, and which has been requested by the IMFC will only be ready in November. We hope that management and staff will make every effort to move the presentation of the paper to before the Annual Meetings.

On the paper on debt sustainability in low-income countries, as we noted last time, careful considerations need to be given to the debt situation of countries that are reaching the completion point, and are still faced with a difficult debt situation. With the experience gained, it may be useful to review our debt strategy in the context of the HIPC Initiative. In that context, we are encouraged by the recent G-8 summit meeting where the Head of States of the G-8 countries pledged “to support debt sustainability in the poorest countries through debt relief and grant financing,” and we also welcome their commitment “to extend the sunset date of the HIPC Initiative until December 31, 2006.” We would appreciate comments from the staff on the ways these recommendations will be integrated in our ongoing work on debt sustainability, and how all the eligible countries can reach the completion point in two years.

We again call for attention to be given to the public domestic debt of many of these countries, and which act as a major constraint to economic activity. We would recommend that a framework be put in place that will help these countries address their domestic obligations as well.

In the recent past, we have had cases of PRGF/HIPC-eligible countries that could not make full use of the subsidized PRGF financial resources or other concessional financial resources because this would worsen their debt ratios. As grants had not been forthcoming, the lack of financial resources has made it very difficult for these countries to implement fully their adjustment programs. We hope that in the review of debt sustainability for low-income countries, this issue will be looked at carefully, and that a more flexible approach will be recommended for Board consideration.

We welcome the seminar on aid, aid effectiveness, and financing modalities for the MDGs, and we hope that it will provide valuable inputs for the paper on PRGF financing and instruments.

The Outlook for the Global Economy and Financial Markets

We are of the view that our bilateral and multilateral surveillance exercises should continue to be the main instruments for monitoring and

promoting economic and financial policies that are conducive to sustainable global growth. As noted in the Managing Director's statement, the IMFC underscored the critical importance of open markets for supporting broad-based global economic growth and prosperity. In this regard, it will be important that we ensure effective surveillance of systemically important countries, and that their policies, including trade policies, are well assessed in staff papers.

During the last WEO discussions, staff committed to a more comprehensive analysis and coverage of Africa in future WEO papers. We look forward to it.

Strengthening Fund Surveillance and Crisis Prevention

We welcome the proposed papers that will be presented to the Board with a view to enhancing the impact and effectiveness of the bilateral surveillance exercise. Individual country's circumstances, policy spillovers, and institutional issues should generally get more attention, but for developing countries it will also be important to give attention to identifying sources of growth, improving fiscal sustainability, and development of institutions, together with identification of the type of technical assistance required.

We place high importance on the proposed seminars on financial sector regulation and balance sheet approach, which should contribute to enhancing our surveillance exercise. We note that a paper on the investment climate in member countries, drawing on the work of other institutions in this field, will be circulated for information. We are of the view that this can be an important paper for many developing countries. The paper should also look at constraints to investment, including institutional, legal, and judicial framework, and other structural weaknesses, which inhibit investment in many countries. We would also suggest that the paper be a background paper to one of the surveillance papers, thus giving the opportunity to Directors who so wish to express their views on the subject.

Fund Facilities, Instruments, Program Design, and Conditionality

We place a high importance on the work to improve program design and conditionality. The experience of the last few years, including dealing with financial crises, together with work done by the staff and the IEO, and outside the Fund, have indicated the need to review our approach to these two critical subjects. We look forward to Board papers that will give careful consideration to the views expressed in all these studies, as well as the views expressed by our authorities in coming with recommendations. In the recent past, the Board has repeatedly emphasized the need for ownership and pragmatism in the design of programs, and we expect to see these reflected in the proposed staff papers. Such issues as fiscal sustainability, meaning the design of a framework that will enable the countries to achieve fiscal sustainability over the medium term should be an important element of the program design. By fiscal sustainability, we mean a

budget that will enable the country to meet all its obligations: meeting all the expenses on goods, services, salaries, social expenditure, capital expenditure, building of infrastructure, maintenance expenses etc., as well as the servicing of the external and domestic debt. The objective should also be for the countries to achieve fiscal sustainability without external budgetary support over the medium term.

We would also point out that on conditionality, it will be important that conditionalities are not linked, so that when one performance criterion is missed, then the country does not find itself in the position where it also misses several others.

Careful consideration need to be given to the specificity of each country in the design of structural reforms. In many cases, a gradual and flexible approach that is well-timed will increase the chance of success, and will even reinforce the reforms in other areas.

We note that Board discussions on the review of access policy, including access under the PRGF, will now take place after the Annual Meetings. We are of the view that this review should be part of the broader discussions on the review of program design and conditionality, and should be taken at about the same time as the other papers on these topics. As regards the PRGF, we continue to call on management to make every effort to find ways to increase the amount of resources available under this facility, and to propose higher access levels for these countries, whose access to other sources of financing are limited.

On the other issues, we broadly concur with the proposed work for the next few months. We would, nevertheless, emphasize that on quotas, voice, and representation, we expect the report to give attention to the issue of increasing the voice of sub-Saharan countries in the Bretton Woods Institutions.

To conclude, we would like to reiterate our request that review of the PRGF and all related issues be undertaken before the Annual Meetings, so that a comprehensive package that include technical assistance and training of local staff, can be constituted. This will help guide our relations with this important group of the membership, and at the same time enable these countries to have a clear picture of that relationship and the assistance that they can expect.

Mr. Misra submitted the following statement:

Key Points

- We are broadly in conformity with all the thrust areas.
- The work program reflects a shift in the overall perception of the Fund in favor of promoting global development and strengthening financial stability. This is a welcome development.

- We would be keen on following the Fund initiatives in achieving the MDGs and in the success of the HIPC Initiative.
- Among the program countries, Argentina stands out, and finalizing a viable program should continue to receive attention.
- We appreciate the method of eliciting informally the views of Executive Directors on vital policy issues.
- For enduring changes in policy areas, IEO reports should lay the foundation.
- Informal reviews of cyclical developments, including changes in governments, should be brought before the Board at more frequent intervals.
- Issues of governance in the Fund and voice and representation and also the issues of Fund resources and liquidity position would require attention.

We are broadly in conformity with all the thrust areas of the work program, which has been prepared concisely and pointedly focusing on essential follow-up from the IMFC deliberations. We particularly appreciate the recognition of inter-linkages of different agenda items.

The strength of the Fund is its remarkable resilience in handling a series of crises since the last decade. While crisis prevention and resolution still remains an important issue, in the process of changing environment, the Fund's image should, of course, not stop with being a "crisis manager". In this context, the overall thrust of the present work program reflects a shift in the overall perception of the Fund about its primary role of promoting global development and strengthening monetary and financial stability. This is a welcome development. This is also an opportune time for addressing medium-term structural issues when the world economy is in the firm threshold of a favorable cycle for the next two-three years. Issues relating to internal organization also needs to be addressed side-by-side.

Among the main issues highlighted in the paper, we would be particularly keen on following the Fund initiatives in achieving the MDGs in low-income countries. These initiatives will indicate the extent to which the Fund has been able to operationalize a broader development agenda by moving away from its traditional role of supporting balance of payments difficulties in member nations.

We would also like to reiterate our earlier position on the HIPC Initiative. While direct intervention for reducing poverty in debt-burdened countries is most

welcome, it should not imply non-allocation of funds to countries who have improved on various indicators, but still require assistance.

Among the program countries, Argentina stands out and is watched by the entire world community. Given the historical background and the involvement of the Fund on a prolonged basis, the issues before finalizing a viable program for Argentina should receive continued attention. The Fund cannot simply afford to abandon its efforts or loosen its hold—a failure at this stage would not only set a bad precedent, it also has potential contagion effects in an otherwise congenial world economic environment.

It is encouraging that the Fund review of biennial surveillance will address the long awaited program design issues and conditionality review also is being further taken up. We particularly appreciate the method of eliciting informally the views of Executive Directors on vital policy issues before coming out with detailed papers for decisions. This process should be strengthened and further streamlined so that maximum benefit is reaped.

There is a growing transparency in the Fund's internal operations as evidenced from the enhanced role of the IEO in help improving various operational and policy areas. For enduring changes in policy areas, including conditionality, the IEO reports already available and also the forthcoming reports before the Annual Meetings should lay a clear foundation. These reports should not be brushed aside as post-mortem exercises and purely as research reports. Unless serious efforts are made to examine each of the recommendations, however challenging the process is, the purpose of creating the IEO will be defeated.

Strengthening of surveillance is being addressed as an issue for a long time. The major problem here is not one of evenhandedness on the part of the staff, but it is one of difficulties in creating the desired impact on members. This is particularly so and much greater for industrialized countries. With increasing market integration, regional and multilateral surveillance have gained more significance in identifying potential areas of vulnerability besides major and systemically important individual economies. In our view, informal reviews of cyclical developments, including changes in governments due to elections, should be brought before the Board at more frequent intervals. This would make the surveillance, an ongoing process of monitoring and identifying potential vulnerabilities quickly for policy actions—whether at the country, regional, or global level.

Issues of governance, particularly in the context of the debate on quotas, voice, and representation and the related issues of democratic deficit should continue to receive emphasis, and an early conclusion to these efforts would strengthen further the cooperative principles underlying Fund's role as a multilateral institution.

Issues of Fund resources and liquidity position also would require a deeper examination in improving the Fund's credibility.

Mr. Bischofberger and Ms. Wolff-Hamacher submitted the following statement:

Key Points

- We broadly agree with the proposed work program.
- We concur with those Directors who see merit in establishing a closer connection between the work program and the framework for budget and planning.
- In our view, the discussion on further work on crisis resolution deserves a more prominent role in the work program.
- The discussion on precautionary arrangements should be complemented by a discussion on exit strategies, including non-borrowing program relationships.
- As always, the implementation of the work program needs to be based on a clear division of labor between the Fund and, especially, the World Bank. This is particularly important in the areas of governance, trade, financial sector regulation, and achievement of the MDGs.
- We strongly support the Secretary's continued commitment to work for a adherence to the minimum circulation period and avoidance of "bunching".

We broadly welcome the proposed work program of the Executive Board. The program proposed by the Managing Director is again ambitious, and it reflects the main issues that were agreed at the last IMFC meeting. Notwithstanding our agreement in general, we feel that some issues should be added to the work program, while in other areas some streamlining might be possible.

We agree with those Directors who see merit in establishing a closer connection between the work program and the framework for budget and planning. In addition, some Directors have proposed that, going forward, the work program should take a more strategic approach, including for an extended period of time. We believe these proposals are also worth considering, but we should also keep in mind the possible implications for the work of the IMFC.

We regret that a review of the framework for crisis resolution has not been included in the list of major policy areas. The proposed work program names three major policy areas for review: surveillance, conditionality, and the role of

the Fund in low-income countries. While some work on crisis resolution is being proposed in section E, we would have welcomed a more prominent role for this topic. In this context, we also propose to advance the informal seminars on reaccess to capital markets and renegotiation of debt to private creditors to before the Annual Meetings. This would provide the possibility to discuss these important issues during the Annual Meetings.

We expect that the staff in the discussion on precautionary arrangements with exceptional access also deals with the question of a possible increase in the credit risk to the Fund (in addition to dealing with the potential impact on creditor and debtor behavior and on the Fund's liquidity, as mentioned in paragraph 13).

The discussion on precautionary arrangements should be complemented by a discussion on exit strategies. The term "exit strategy" has received considerable attention in recent months, including in the discussion on members with pre-existing high exposure to the Fund and in cases of prolonged use of Fund resources. However, we feel there is still no sufficiently succinct definition of what exactly constitutes an exit strategy, for example as opposed to a scheduled program expiration. We believe that a thorough discussion in the Board on exit strategies during the discussion on precautionary arrangements would be appropriate. Moreover, the term "exit strategies" should be explicitly mentioned in the published version of the work program in order to signal to the public that the Fund is dealing with this important issue.

The discussion on exit strategies should also include consideration of non-borrowing program relationships (which could also be discussed during the biennial surveillance review and during the continued discussion on the Fund's role in low-income countries).

We agree with Mr. Bennett that good governance is a key determinant of sustainable growth. It will be difficult to operationalize good governance, but Mr. Bennett's proposal that staff take stock of efforts to improve governance and distill lessons from experience into a practical guide deserves further consideration. We encourage staff to draw on the experience of other institutions, in particular the World Bank, when dealing with the issue of good governance.

Also in other areas the implementation of the work program should be based on a clear division of labor and responsibilities between the Fund and the Bank:

First, we agree that open markets are critical for supporting broad-based global economic growth, and the Fund can be proud of a good track record in helping to establish open markets. However, trade issues constitute an important case for the need to adhere to a clear division of labor. In this context therefore, we wonder whether it would be sufficient to provide the document on recent developments in regional trade arrangements to the Board for information only.

Second, we welcome the Fund's increased focus on capital market issues. Again, however, we feel that at least some issues of the planned seminar on "financial sector regulation" will fall into the core responsibilities of other institutions (Bank, Basle). Therefore, the staff should draw on the experience of these institutions.

Third, the Fund clearly has an important role to play in helping to achieve the MDGs. While we welcome the planned joint Fund-Bank paper on aid, aid effectiveness, and financing modalities for the MDGs, we would expect that the Bank assumes the role of the lead agency on this issue.

We strongly support the Secretary's continued commitment "to remind staff of the importance of adhering to the minimum circulation periods for all Board papers" and the continued effort "to avoid undue bunching of the Board calendar". Both are essential for a thorough discussion of policy and country issues.

Mr. Le Fort submitted the following statement:

Key Points

- The work program is comprehensive, but like the previous ones, it lacks a strategic assessment of the key challenges facing the Fund and the priority work to adequately confront them.
- Regarding surveillance and crisis prevention, the proposed work to refine the Fund's diagnose in areas such as financial risks and liquidity management is relevant.
- In view of the need to diminish the risk of capital account crises, I see merit in the forthcoming discussions on the implementation of floating exchange rate regimes and debt management.
- The next discussion on precautionary arrangements is crucial to fill a vacuum in the Fund's toolkit to provide insurance in an environment characterized by large and volatile capital flows.
- A discussion on ways to correct the existing distortions in the quota structure continues to be an important absence in the work program.

Once again the work program of the Board presents a heavy and quite varied agenda for the next twelve months. I agree that the proposal addresses key issues for the Fund to carry out its role of ensuring international financial stability. This work program, like the previous ones, includes discussions to confront each and every issue that is considered relevant for the Fund. However, as well stated by Mr. Callaghan in his preliminary statement, this one also lacks a strategic

assessment of the key challenges facing the Fund and of the priority work to adequately confront them. Every program considered will most likely have defenders within the Board, but without an initiative to prioritize, resources will be thinly spread and effectiveness may be seriously affected.

Regarding surveillance and crisis prevention, I concur with other Directors that the Fund should continue to refine its diagnosis in areas such as financial risks, mismatches of assets and liabilities in different sectors, and liquidity management. These will contribute to confront vulnerabilities and will enable a better grasp of the impact of potential currency realignments or liquidity squeezes in the economy in general, and in the financial system in particular. In this regard, I think the announced informal seminar on the balance sheet approach this summer, which will be based on case studies, will shed more light on the generation of financial crises. I also expect the September seminar on financial sector regulation to be an adequate complement of balance sheet analysis and liquidity management in addressing financial vulnerabilities. At the same time, I encourage the staff to take into consideration the comments made by Executive Directors on these issues during the preliminary discussions recently held.

Consistent with this chair's call for greater exchange rate flexibility as a way to diminish the risk of capital account crises, I look forward to the December seminar on the institutional and operational preconditions for successful implementation of floating exchange rate regimes.

Also, the note on investment climate, announced for this month, would respond to an increasing concern on this matter in surveillance work, and is becoming an important part of precautionary arrangements, including in this constituency. Given its growing importance, in my view, this could be a first step towards the elaboration of a wider framework, in collaboration with other multilateral institutions more directly concerned with this area.

I also see that there are two other papers that address important issues faced by emerging economies: in the first one, on debt management, I hope to see particularly an instrumental approach to decreasing vulnerability by lengthening the profile and foreign-currency share of debt. The second, on trade reforms under Fund-supported programs since 1990, should inform countries, including in this constituency, that are actively engaged in trade liberalization.

I would like to underscore the next discussion on precautionary arrangements, which is crucial to fill a vacuum in the Fund's toolkit, namely, on how to provide insurance to countries with consistent policies in place, in the current environment characterized by large and volatile capital flows. An increasing number of countries can be considered in this category, and therefore it is essential for the Fund to create instruments geared towards this objective. On crisis resolution, the papers on sovereign debt restructuring, the Fund's role in Argentina, re-access to capital markets, and renegotiation with private creditors

are all of great concern to this chair, and therefore I look forward to those Board discussions.

The next review of Standards and Codes in mid-2005 should take steps to provide the membership with streamlined codes that are reflection of best practices rather than theoretical conceptions without practical application. One essential instrument still missing is an accepted international standard for dealing with Public-Private Partnerships, as discussed in the recent meeting on Public Investment and Fiscal Policy. This would be key for countries that are working on ways to increase investment in infrastructure as a way to enhance growth and competitiveness.

Regarding collaboration with low-income countries, the September paper should deal with strengthening the PRGF framework, and especially on concrete ways to mobilize supplementary resources. It is equally important to favor initiatives directed at accelerating multilateral trade opening, particularly in the agricultural sector, and to push for initiatives directed at meeting the targets for Official Development Assistance.

Finally, on governance, we will continue to support the consideration of ways to enhance the voice and participation of emerging and developing countries, in order to ensure a participation in decision-making more in line with their current role in the global economy. In this regard, a discussion on ways to correct the existing distortions in the quota structure continues to be an important absence in the work program.

Mr. Wang submitted the following statement:

This year's discussion on the work program of the Board has special significance. This is not only because of the interesting timing as the Fund heads towards its 60th anniversary with a new Managing Director, but also for the fact that, at this particular juncture, when the future of the Bretton Woods institutions is heavily debated—what the Fund is doing and is set to do is under even closer scrutiny by the international community.

The work program in front of us is comprehensive and ambitious. It covers all the major issues identified by the Fund's membership at the 2004 Spring Meetings. We appreciate the three major policy areas—surveillance, conditionality, and the Fund's role in low-income countries as this institution's priorities which deserve the Board's special attention in the coming 6-12 months.

We are pleased to note that the Managing Director has emphasized the importance of consistency, while adjusting our work to meet the challenges in today's changing world. This further demonstrated the high professionalism and credibility of this diversified institution. And we are of the view that no matter

what procedures or strategies are applied in planning the work, the Fund has to adhere to its mandates as articulated in the Articles of Agreement.

The Managing Director rightly stressed the importance of continuing with the ongoing efforts to strengthen Fund surveillance as one of the core tasks ahead. The two-pronged approach, endorsed by Directors in March, is the right direction to take for the biennial surveillance review in July, and we believe that there is room for further enhancing the impact and effectiveness of surveillance by improving the policy dialogue with members and procedures for surveillance as we already suggested. We notice that there will be several seminars in the coming months in the area of crisis prevention which are welcome; however, we need to be cautious in getting these things done prematurely. One example is the seminar this summer on the balance sheet approach to be applied to emerging markets; the Fund needs to rethink the timing for this discussion.

The Fund's role in the low-income countries, HIPC's, and debt issues deserves to be continuously included in the work program as part of this year's priorities. The Fund, as one of the leading international financial institutions, should devote more attention to poverty alleviation which remains one of the severe challenges to so many. The Board is obligated to provide significant input into the reports on these issues before the Annual Meetings.

It is appropriate to continue to include trade issues on the Fund's agenda. Given the importance and the increasing challenges in multilateral and regional trade, the Fund should continue to advocate trade liberalization and help its members to gain full advantage of the opportunities it provided in line with the new Trade Integration Mechanism. The seminar planned for later this year on this issue is welcome news.

The issue of quotas, voice, and representation has been on the Board's program on many occasions and this year it deserves real and substantive progress when the report is due for discussion before the Annual Meetings. We stress that more attention needs to be paid to strengthening the developing countries' role in the work and decision making of the Bretton Woods Institutions.

The work program and the Fund's budgeting should be brought closer together when future work program is designed. The issues of what should be included as a priority item in the work program and how the budget can better facilitate those mandates, or should the work program be adjusted to fit the set budget in order to safeguard the zero budget increase remains to be rectified. But if the budget comes first, we then have to sacrifice certain future priorities such as that which transpired last year when some FSAP programs had to give way to the AML/CFT project for which we should have tried to find a better solution. Nevertheless, we need to better balance the two factors to ensure that the Board, and the Fund as a whole, follow a well-established procedure. As a matter of fact, this issue was raised by many Directors during the FY 2005 Budget discussions.

Now would be a good opportunity, as warranted, to try to integrate the work program and the budget and make the two processes (work program design and budgeting) more interactive and practical.

We concur with Mr. Callaghan on the Board seminar issue for which arrangements of such seminars need to be improved in terms of priority and urgency. Board seminar has been a useful vehicle for preliminary and flexible discussions on certain key issues facing the Fund before they evolve into established policy issues. But as Mr. Callaghan pointed out, that which needs to be brought to the Board and the rationale for holding these seminars is yet to be made clear, and hopefully in this way the Board could be well informed and the Board's time better utilized.

Lastly, there might still be some room for an evenly distributed schedule for Board meetings. It is not unusual that, not just for this year, the Board schedule tends to be tight before the recess and the Annual Meetings. This year's Article IV consultation discussions on China and Japan are on the same day in July, and the discussion on the United States will take place just one week before. It would be better if they could be more evenly spaced to allow more time for each item's thorough consideration, so that we could avoid the "concentration risk".

Mr. Usman submitted the following statement:

We thank the Managing Director for a comprehensive work program, which clearly gives the direction of the Fund's policy agenda for the period leading to the Annual Meetings and beyond. We are also thankful to the Secretary for his continuous effort to ensure a smooth and streamlined Board calendar, especially ensuring strict adherence to the established procedures, including the need for departments circulating papers to meet the minimum circulation period. Although there has been considerable progress in this regard, there is room for further improvement.

The priorities set out in the work program appear to be broadly in line with the objective of ensuring that member countries' policies are supportive of the strengthening global economic recovery. In this connection, the strong importance given to providing policy advice and decisions on Fund financial assistance to member countries is appropriate as it will give Executive Directors greater opportunity to continuously review progress on the implementation of these policies, especially in the areas of Fund surveillance, use of Fund resources, and technical assistance to member countries, which are all critical in ensuring that member countries become more supportive to overall global recovery.

The priority given to strengthening the effectiveness of the Fund's surveillance is welcome, given that it is fundamental in ensuring stability of global financial markets, a key aspect towards sustaining global recovery. This is

particularly so given the growing global insecurity. It is, therefore, our hope that the planned papers on WEMD/ Financial Markets update, the Global Financial Report, and the WEO for September 2004 will reflect on developments and give proposals on measures to facilitate greater contribution by financial markets to the sustainability of global recovery. In this context, we welcome efforts that have recently sharpened the surveillance in countries with systemic and regional importance. However, it is expected that measures to bring in new perspectives will be implemented during the period. This includes the need for these reports to gradually expand their coverage to developments in low income countries, which despite their markets having limited systemic or regional impact, their infancy and high vulnerability to domestic as well as global shocks clearly calls for more attention.

The Fund' effort to improve the design and conditionality of programs is a much welcome initiative, and we hope that the objectives of Fund-supported programs together with the main analytical frameworks will take into consideration the need for the Fund to remain involved in low-income countries and assist them to achieve a high and sustainable level of growth, which is consistent with the attainment of the MDGs and poverty reduction. We welcome efforts aimed at streamlining conditionality of Fund-supported programs, especially measures aimed at resolving the conflict between increased ownership and the need to ensure adherence to Fund policies and priorities. The question has been to what extent have Fund policies and programs, including PRGF-supported programs, been directed towards solving actual challenges facing low income countries. Are the resources attached to these programs adequate in meeting the objectives of poverty reduction, including the objective of achieving the MDGs? In this regard, we expect that the IEO report on the experience with PRSP and PRGF to be presented to the Board in July 2004 will shed some light on these important issues, and enable improvements in the design as well as content of these important programs.

The need for the Fund to play a more active role in promoting multilateral trade cannot be over-emphasized, given the critical importance of open markets in supporting global economic prosperity. We are encouraged to note in the work program that the Board is scheduled to discuss the implementation of the new mechanism on trade integration, including financial support to members. This is expected to be followed by a seminar to review recent developments and issues on regional trade arrangements. These discussions should give due importance to the need for a more balanced global trade, particularly emphasizing the need for greater access by developing countries to markets of industrialized countries. Issues related to subsidies to the agricultural sector need also to be taken aboard of this agenda.

The planned reports on the progress made on the implementation of HIPC Initiative and debt issues is certainly welcome, and we look forward to discussing in September 2004 the paper on debt sustainability in low-income countries.

We appreciate the Fund's efforts to provide technical assistance to member countries, despite budgetary limitations. These efforts have been an important ingredient towards building institutional capacity in recipient countries, but still a number of areas, such as promoting donor coordination, could be improved. We hope that the forthcoming IEO report scheduled for Board discussion in August will bring fresh ideas on how these programs can be improved.

The need for the Fund to continue with its work on quotas and enhancing voice and representation of developing countries, most particularly of the African countries, in the decision making process in the BWIs, is unquestionable. The inclusion in the program of a discussion on these issues before the next IMFC meeting is, therefore, a much welcome step, and we look forward to a positive approach in discussing the issues.

Ms. Jacklin submitted the following statement:

Key Points

- The work program appropriately emphasizes three broad areas of our future work: surveillance, conditionality, and low-income countries. In each of these areas, the Fund's work should have clear objectives and lead to specific actions to improve the Fund's operations.
- The work program should give more emphasis to two other issues:
 - A comprehensive review of the staff salary and benefits structure is needed to ensure that the Fund has the management tools available including to provide appropriate performance incentives to the staff.
 - Specific proposals are needed on how the Fund can support members' economic policies through non-borrowing programs, and not just in low-income countries.
- Looking ahead, the work program itself should be used as a tool for management and the Board to set clear objectives with specific timeframes, rather than just a scheduling document.

We welcome this opportunity to work with you on setting priorities for the Fund's work in the coming months. In our view, the work program correctly highlights the three major areas for our policy focus: surveillance, conditionality, and the Fund's work in low-income countries. But, like Mr. Callaghan, we think the work program could be used more proactively to set clear objectives and priorities, and to be linked to the IMF budget process. I will return to that later.

Three Core Areas

On surveillance, the objectives of the review should be to assess the scope of surveillance (ensuring that the IMF is focused on core areas of its expertise), the integration of the Fund's global, regional, and bilateral surveillance (including the integration of market analyses), the quality and independence of vulnerability and debt sustainability assessments, and the effectiveness of Fund surveillance in fostering country ownership of sound policies. The review should lead to specific actions to improve the impact and effectiveness of our surveillance process in promoting financial stability and economic growth. Making IMF surveillance more effective in our complex environment of globalized markets and an integrated world economy needs to be our overriding policy focus.

We are not convinced that the key to dealing with large and volatile capital flows is through new financing facilities rather than focusing the full range of the Fund's expertise and analytical tools on improving Fund surveillance. The principal challenge of the Fund is to invigorate the surveillance process to foster country ownership of policies to reduce vulnerabilities, enhance financial stability, and foster global growth. In terms of IMF facilities, our goal should be to use our current facilities wisely and achieve successful outcomes.

Assessing current facilities should be the aim of our review of conditionality. Specifically, the objectives of the review should be whether the streamlined conditionality guidelines have been followed, whether we have clarity of program objectives, the extent of ownership of programs, the effectiveness of the division of labor with the World Bank, and the ability of the Fund to measure the effectiveness of conditionality. Again, the review should lead to actionable results, possibly to include adjustments to staff guidance notes, steps to improve collaboration with the World Bank, and better efforts to measure the results of Fund programs.

On low-income countries, the overarching objective of our reviews should be to assess the most appropriate and effective role for the Fund in low-income countries consistent with the character of the Fund and its expertise. The IEO study on the PRGF/PRSP in July will provide important input to our deliberations, followed by critical work in September on the new debt sustainability framework and PRGF financing. As the Managing Director noted in his June 14 remarks in Madrid, we are only one partner among many in helping these countries achieve their longer-term development goals. These interrelationships are increasingly complex, and defining our role correctly is essential.

What is Omitted

Importantly, the work program does not devote sufficient attention to two key priority issues. First, as noted by Mr. Callaghan, the work program omits any

reference to the comprehensive review of the staff salary and benefits structure, as agreed at our recent compensation and budget discussions. This review is needed to ensure that the Fund's compensation system is consistent with modern management practices, including the tools necessary to reward good performers and provide appropriate incentives to the staff.

The second notable weakness in the work program is the follow up on the way that the IMF can support countries' own economic efforts through a non-borrowing program, as called for in the IMFC communiqué. We see this as potentially a key development in strengthening IMF engagement with its members outside of borrowing relationships. What we learn from non-borrowing programs can be used to strengthen the IMF's basic surveillance role. While this issue will be included in various other papers, such as on surveillance and low-income countries, this issue should be discussed as a separate topic in the next few months. The goal should be to establish a new activity to expand the IMF toolkit and significantly enhance IMF policy engagement in support of countries' own programs in cases where the country does not need or want new borrowing from the IMF, and this is not solely related to low-income countries.

Additional Points

Turning to some other issues, we endorse several points made by other Directors. In particular, we concur that the Fund needs to remain focused on its core areas of expertise in both the surveillance and program context. As such, other institutions may have a comparative advantage in looking at detailed questions on trade issues and the MDGs, so the Fund may not need meetings to discuss regional trade initiatives or MDGs. On the Fund's role in governance, we encourage the staff to review governance issues in its upcoming reviews of conditionality and surveillance, particularly to see if our 1997 Guidelines are being implemented effectively in light of lessons derived from the World Bank and others. It is after all the World Bank that has the expertise on governance issues. On financial sector issues, we look forward to the seminar in September drawing on findings of FSAP reviews. This paper should also cover weaknesses in the implementation of financial sector laws and regulations.

Making the Work Program a Management Tool

Finally, I would like to support Mr. Callaghan's broad points regarding the potential for the work program itself to play a much stronger role as a tool for management and the Board to set specific goals and priorities for the period ahead, defining what we aim to achieve and how in a set timeframe. To date, our work programs have not done this. Instead, they have largely been a bureaucratic scheduling tool, divorced from the Fund's budget and lacking specific objectives. A goals-oriented approach would articulate the IMF's role and achievements more clearly, showing our shareholders and the public that we are productive and making a positive contribution to financial stability and growth.

The Chairman made the following statement:

We meet this morning to consider my Statement on the Work Program of the Executive Board. Directors will have also seen the Secretary's Supplementary Note.

I am pleased to have the opportunity to chair this meeting. We all attach much importance to today's discussion, not only because this work program gives us an important tool to shape what we are going to do for the next 12 months, but also because—given the demands inside and outside our institution—we should take the opportunity of the 60th anniversary of the Fund to put forward an updated strategic review of what we are doing. I look forward to Directors' concrete views and suggestions on how to best define our priorities. Although I will have the chance to discuss with Directors at today's lunch the longer-term challenges facing the Fund, I would like this morning to mention five key strategic priorities.

The first is the strengthening of the Fund's multilateral and bilateral surveillance. This should involve a comprehensive look at many aspects of our surveillance, including to what extent we can improve or refine our vehicles for prevention of financial crises.

Second, the Fund is due to revisit the guidelines on conditionality, which were revised in 2002 for the first time since 1979. This is an important effort, continuing what the Board did two years ago, aimed at streamlining and focusing the Fund's attention and support to key areas of policies within its competence. The guidelines are scheduled to be reviewed following the Annual Meetings. However, in the run up to that review, the Board will have many opportunities for looking at some broader-related issues, including the issues of program design and precautionary arrangements, as outlined in the proposed work program statement.

Third, we have devoted considerable effort to carrying forward our consideration of the Fund's role in low-income countries, which has already begun some time ago. There has already been much debate within and outside the Fund on how we can best contribute to the global effort to reduce poverty and achieve the Millennium Development Goals. The Board's deliberation on many aspects of this topic should be used as a clear opportunity to develop and refine our vision on this issue.

In all these areas, the membership has been closely engaged in moving the policy agenda forward, as is clear by the work of this Board and by the IMFC. There are also other groups—such as the G-8, the G-20, the G-24, and our own Independent Evaluation Office—that are working on these issues. I would like to emphasize that management and staff are ready to listen to the Board's discussions and analysis, as well as the messages from civil society.

Let me just mention some other issues apart from these strategic ones that are more related to the Fund's governance and finances. The IMFC has asked us to continue the work on quotas, voice, and representation, and to report on progress at the fall meeting. The Development Committee is expecting reports from the Boards of the Fund and the World Bank. This Board knows that there are close links among all these issues, and the technical level work on quotas and quota formulas has already been carried out and discussed in the Board. How the membership wishes to move forward in the area of quotas, voice, and representation should be made clearer, and I look forward to Directors' views on this. This is clearly one area where I believe improvements are possible and desirable, but the decision of the Board is key.

Another area of governance is improving the internal management of the Fund. The Fund's budget process has undergone substantial reforms in recent years, including the institution of top down dollar constraints on the budget, development of an output-oriented budgeting system, and steps to document and cost main activities undertaken by the Fund. I know that many Directors share the idea that there is still room for further improvement. Management, in close consultation with the Board, will continue to strengthen this process to ensure a more medium-term and strategic focus, better prioritization and systematic costing of all outputs, and development of a more performance-oriented approach to budgeting. Management shares the view that the Fund's internal management should be as modern and streamlined as possible. I look forward to listening to Directors' reflections regarding this issue.

Extending his remarks, Mr. Daïri said that he agreed with Messrs. Martí and Schwartz on the need for the Fund to deepen surveillance by engaging more extensively the authorities in a policy dialogue, which should strengthen ownership of policies, rather than to concentrate on extending the scope of surveillance. He also supported Messrs. Martí's and Schwartz's proposals to postpone the discussion on the IEO Report on the Fund's Role in Argentina to after the Annual Meetings, for the Fund to focus more on growth issues in middle- and low-income countries, and to extend the external audit review to cover all audit arrangements. He agreed with Mr. Callaghan and Ms. Jacklin on the need for greater emphasis on the incentive structure for Fund staff, and with Ms. Jacklin on the need for the Fund to support member countries' policies through non-borrowing programs. Finally, there had been a reference in the Managing Director's statement on the review of the Contingent Credit Lines. What was management's intention regarding the issue?

Extending his remarks, Mr. Solheim reiterated that the link between the work program and the budget, and between the work program and the IMFC meetings, was important. It had been indicated, not least by Mr. Callaghan and Ms. Jacklin, that there were possibilities for substantial improvements in that area. Management's indication that the improvement of the internal management of the Fund would be one of its priorities was important. In that context, the review of staff compensation and benefits should be implemented. Finally, the catalytic effect of the Fund and the involvement of the private sector should be covered when discussing crisis resolution issues in the work program.

The Secretary made the following statement:

We will follow attentively Executive Directors' comments, and reflect on them with management and staff after the Board meeting. As usual, I plan to circulate a follow up memorandum to Executive Directors, clarifying and explaining any other points that we were not able to explain during the meeting today. Some of these will require consultations with staff in other departments. I have some information that I would like to provide in response to some of the points that have been raised by Directors in their preliminary statements in order to facilitate the discussion.

First, a question was raised about the work that is being done on the macroeconomic effects of energy policies and trends. At the upcoming WEMD discussion, the Economic Counsellor plans to share with the Board the work that has been carried out recently by the Research Department in this area, including some estimates of the impact of energy policies and prices on the global economy.

On the study on the investment climate, it is part of the effort to inform the Board on what can be done to promote private sector development, which is an important area of the Fund's work. This initiative arose out of a recommendation made by the Capital Markets Consultative Group.

Third, a question was asked if there is a plan for a general review of Fund facilities. There is no current plan for such a review.

On the integration of multilateral surveillance with bilateral country surveillance, as Executive Directors are aware, several of the topics, issues, and analyses that flow out of the multilateral surveillance, particularly the WEO, the WEMD, and the GFSR, feed into country reports. For example, the discussion on global imbalances is reflected in the policy advice given to certain countries in the Article IV consultation context, such as on the U.S. fiscal deficit, the need for structural reform in Europe, and exchange rate flexibility in China. In addition, I am informed that some of the recent WEO essays—for example, on labor markets in Europe—have been reflected in Article IV consultation discussions with European countries. A recent WEO essay on debt sustainability was also reflected in some of the discussions with emerging market countries. Therefore, there is an ongoing process of integration between multilateral and bilateral surveillance.

A couple of Executive Directors raised a question on the standard for insolvency and creditor rights. At the discussion on standards and codes in January 2001, when the Board agreed on the list of standards and codes, insolvency and creditor rights were defined as one of the areas where there would be work undertaken on a standard. That work is being undertaken, as Executive Directors have noted, mainly by the United Nations Commission on International Trade Law (UNCITRAL) and the World Bank. However, the standard needs to be adopted by both the Boards of the Fund and the World Bank, and the work

program statement refers to that process. The standard has not yet been adopted, but it should come to the Board for consideration shortly.

On the issue of voice and representation, in addition to the IMFC, the Development Committee has asked for a report. In connection with that, the Committee on Governance and Administrative Matters (COGAM) of the World Bank Executive Board, which is the counterpart to the Fund's Executive Board Committee on Administrative Matters (CAM), has been meeting recently to consider how to move forward on various aspects of voice and representation. No conclusions have been reached, and a further meeting is planned for July 2. Fund staff is following closely the developments in the World Bank.

The First Deputy Managing Director (Ms. Krueger) said that, on the status of the review of staff compensation, which some Directors had raised, management was in the process of selecting an external consultant to assemble some of the inputs that were necessary to conduct the review, and to provide reassurance that an objective and independent review would be conducted. The process of identifying the appropriate consultant had taken some time. Once the candidate was selected, work would begin on devising a plan that would be satisfactory to management and the Board.

Mr. Padoan made the following statement:

The work program we are discussing today, with which I broadly agree, offers, as usual, a picture of the large number of issues the Board is called upon to discuss. To some extent, the work program reflects the inevitable inertia implicit on the ongoing Fund commitments in terms of country activities and policy agenda.

Like Mr. Callaghan and Mr. Le Fort, however, I feel that it would have been appropriate to take this opportunity to link more explicitly the work program to the Fund's strategic priorities by linking also the work program more closely to the IMFC communiqué. Several reasons suggest that this should have been the case.

First of all, this year we celebrate the 60th anniversary of the Bretton Woods institutions. As we are all aware, dozens of conferences and events, including some organized with the support of the Fund, are taking place, dealing with the role of the Fund, questioning its activity, and suggesting reforms. While we should not be over-influenced by the external debate, we should also listen carefully to outside criticism, especially when it is constructive and well placed.

Second, strategic reviews of the IFIs have been placed high on the agendas of several shareholders, including the G-7. We should expect that inputs in this direction, directly bearing on how the Fund operates, will be elaborated and presented to the Fund for discussion.

Last, but not least, I have no reason to doubt that you, Mr. Chairman, will soon clarify your strategic vision on the role of this institution and share it with the Board.

Better identifying the Fund's priorities would also clarify the role of specific initiatives that, as such, may appear out of place. To offer one example, we believe, like Mr. Solheim and Mr. Olafsson and Mr. Bischofberger and Ms. Wolff that one the priorities is to assess and strengthen the Fund's crisis resolution strategy. Seminars on debt restructuring issues held in the past clearly fall in this perspective.

Such a clear strategy would also reinforce the image of the Fund as a proactive rather than a reactive institution in the debate on the global financial system. Whatever one may think of the merits of a statutory approach to debt restructuring, its proposal, which originated in the Fund, sparked a very wide debate among policy makers and market practitioners and, to some extent at least, has contributed to important changes in the ways markets operate, including the diffusion of collective action clauses.

Another example of areas where the Fund has to be proactive is surveillance over global imbalances, a point also mentioned by Mr. Martí and Mr. Schwartz. It should be clearly recognized that the economic and monetary relations among major countries and regions are far from balanced. It is matter of debate whether such imbalances will be growing or narrowing down over the medium term. It is an even more relevant question whether the current structure of financial relations, exchange rate regimes, and financial markets are flexible enough to deal with such imbalances in a smooth way. There is no obvious answer to such question.

We need to link more closely our surveillance exercises to such strategic questions by considering their role and weight in surveillance documents, including the WEO, WEMD and Article IV consultation reports of systemically important countries.

On the other hand, further refinements of debt sustainability analysis, its linkage with the balance sheet approach, dissemination of results of ROSCs and FSAP reviews can improve the way markets operate though better and more transparent information—again an example of how the Fund can be more proactive

If the key challenges faced by surveillance and crisis prevention and resolution are clearly spelled out, it will be easier to reconsider whether Fund facilities are appropriate and whether new facilities, including facilities not related to borrowing programs, could be introduced.

Priorities would be of little use if they are not translated into a budget strategy. I agree with those Directors who call for a better link between the Fund work program and the budget process. Also in such a case, a proactive rather than a reactive approach should be followed. I support the proposal to develop a strategy that would help identify ways to link Fund priorities to the budget process in a multi-year program. In such a perspective, the review of staff compensation holds a central place.

Finally I support Mr. Bennett's emphasis on governance issues. However, this is one of the several areas where a more effective division of labor with the World Bank is needed.

Mr. Portugal made the following statement:

First, I would like to thank you, Mr. Chairman, for the proposed work program statement and for your initial remarks, which I share. I agree with the five priorities that you identified for our work program. As you said, we will also have the opportunity over lunch today to continue discussing strategic issues, so I will avail myself of that opportunity later. I will now concentrate on the proposed work program that has been presented to us. I agree with the program and its priorities, but I have a number of specific comments and suggestions.

On a general point, I have noticed that there has been an increase in the number of planned seminars in our work program. Mr. Callaghan raised the point of why certain topics are chosen and how topics are prioritized. I would like to raise a connected issue, which is: what is the function of these seminars? Seminars can be useful to generate an open debate on issues that are at an early stage of consideration, or to discuss informally controversial issues and give guidance to staff. But it is important that we do not use seminars to generate direct policy and operational directives before these are properly discussed in the Board. I hope that the Secretary would confirm that this will be the approach that we will be following with these seminars. This is sometimes not fully respected in some cases.

I have a specific comment on the proposed informal seminar on the balance sheet approach. It is mentioned that the paper would focus exclusively on emerging market countries. I find this an unjustified and inappropriate focus. The staff focuses too narrowly on currency mismatches. There are several other important balance sheet mismatches that should also be considered. We could, for instance, examine countries that are faced with deflation, as the real value of debt would increase in their balance sheets. This would also be a balance sheet mismatch. We could also include countries faced with the bursting of bubbles in asset prices—be they equity prices or housing prices—as the sharp and sudden decline in these prices could have balance sheet implications. There are also countries that have significant multinational companies that operate internationally, which can generate significant externalities and balance sheet

problems. Therefore, it is important that the informal seminar on the balance sheet approach does not focus only on emerging market countries. That would be an unjustified breach to our principle of uniformity of treatment.

Like Mr. Le Fort, I think the paper on precautionary arrangements is important, and constitutes a crucial lacuna in our current toolbox. I hope the paper presents concrete proposals. Ms. Jacklin said that she was not convinced that the Fund should deal with large capital flows by inventing new facilities. I would agree if that were the only approach adopted by the Fund. But I do not see any reason to exclude consideration of new facilities. Good policies and surveillance are equally important. Without good policies, nothing would work. Therefore, I hope that the staff addresses the issues that have been already identified, namely: that we do not have a precautionary facility for capital account crises, that our current precautionary arrangements have been designed for current account imbalances and this usually involves small disbursements that are back-loaded, and that there is not a sharp enough distinction between what is a precautionary program and what is not, which blurs the signaling role of precautionary arrangements. In addition, there are these blackout periods where the Fund resources are not available due to lags in the production of data, so that between a third to a half of the time in which a precautionary arrangement is in force, the resources are not available. These are issues that I hope would be discussed in this paper.

The work program statement mentions that following the discussion on the balance sheet approach, a paper will be prepared on debt management conditionality. I do not see how conditionality could be adequately applied to this area, because debt has to be sold in markets. If we have conditionality regarding either the type of debt to be sold or the maturity of debt to be sold, that could put debt managers in a difficult position, and in fact increase the bargaining power of markets. It is also mentioned that there will be a review of charges and maturities of Fund facilities in general. I would like to ask the Secretary to clarify what the staff has in mind for the discussion in this area.

Regarding low-income countries, I agree with Mr. Ondo Mañe's request in his preliminary statement that the review of PRGF program design be advanced prior to the Annual Meetings, and with his call for an increase in the allocation of resources to the PRGF Trust Fund. He proposes an interesting idea that countries that have a strong balance of payments position could make their share of SDRs available for PRGF financing. In addition, the paper on post-program monitoring, which is proposed for a lapse-of-time basis consideration, could perhaps merit a full Board discussion.

Like Mr. Padoan, I think that governance issues are important and should be considered. However, this is an area where perhaps a better division of labor with the World Bank would be appropriate. I also support the comment by Mr. Shaalan and other Directors that multilateral trade liberalization could have

received a more prominent role in the work program. I agree with them that the Fund should continue its role in advocating trade liberalization and focusing bilateral surveillance on trade issues. I note that there is a planned seminar on regional trade arrangements, which is a good topic to be discussed. Another useful issue to be considered, as Mr. Usman has said, is trade liberalization in agriculture. Perhaps we could also have a seminar on this issue.

Last, but not least, I join Messrs. Callaghan, Shaalan, Dairi, Ondo Mañe, Misra, Usman, Le Fort, and Wang in emphasizing the importance of the issue of quotas, voice, and representation. It is an important omission in the work program that no substantive discussion of this issue is envisaged, and that only a progress report is proposed. I wonder how we will make progress if we do not discuss the issue itself. The Secretary said that the issue is being discussed in the World Bank by a committee that deals with administrative matters related to Executive Directors' offices, but this issue goes much further than just strengthening the capacity of Executive Directors' offices. The IMFC has called on this Board to continue examining this issue, and I think a paper should be prepared for discussion. In your initial remarks, Mr. Chairman, you asked for views about how to proceed on this topic. I realize that there is not enough support for any general quota increase at this stage, and I accept that. But we could at least start the discussion on the quota formulas delinked from any discussion on a general quota increase, so that we would have already solved the problem of the formulas when the time comes for a discussion on the quota increase. Discussing the quota formulas separately might make it easier to have the discussion on a general quota increase. That would be my suggestion on how to move forward on this topic.

I will have further comments on more general issues during the lunch.

Mr. Kitahara made the following statement:

I welcome the opportunity to discuss the work program, and to thank you, Mr. Chairman, for your comprehensive and well-balanced statement, as well as your remarks this morning. I broadly share the views expressed therein and will, therefore, limit my comments to the following.

We look forward to the discussion on precautionary arrangements from a broad perspective. We believe that this issue should be discussed from the standpoint of how the Fund should respond to changes in the world financial markets in terms of increasing volume of international capital flows and their volatility, and how the Fund should achieve the objectives of the Contingent Credit Lines of preventing crises and facilitating the adoption of sound policies.

We understand that a review of charges and maturities of Fund facilities was raised as an issue to be discussed in the context of the Fund's income position, as well as that of exceptional access policy. Therefore, the Board should review the whole structure of the Fund's facilities and not just that of the

Supplementary Reserve Facility. We also think that the review could be discussed comprehensively in conjunction with the review of the Fund's finances and financial structure since these issues are linked closely.

On PRGF financing, our understanding of the Board's conclusion last March is that further examination of the projected demand for PRGF resources is needed, as well as discussion on how to mobilize supplementary resources in order to finance future PRGF operations. We welcome a further discussion on debt sustainability in low-income countries before the Annual Meetings. On HIPC topping up, scheduled for consideration in late summer, we would appreciate management's clarification of any specific topics to be discussed.

We would like to know from what standpoint the staff is involved in the preparation of a joint Fund-Bank staff paper on aid, aid effectiveness, and financing modalities for the MDGs, for which a seminar is scheduled in September. We believe that these issues should be discussed mainly at the World Bank.

Moreover, while the Board is supposed to discuss these issues in a seminar format, a paper on the investment climate in member countries will only be circulated for information. We believe that the investment climate is related more closely to the Fund's core areas of ensuring macroeconomic stability and achieving sustainable growth, even though other institutions might have a comparative advantage and expertise. We therefore would question whether a fair balance is being struck in the treatment of these two papers.

We believe that the discussion on how to signal the Fund's assessment of members' macroeconomic policies and on the strengthened process of surveillance should not be limited to cover only low-income countries. Rather, it would be appropriate for the Board to consider these issues more generally, so that they cover emerging market countries following the discussion on precautionary arrangements and the biennial review of surveillance.

My final comment concerns quota and governance issues. Difficult as it is to build a consensus required for any move, I join others in emphasizing that work should continue on quota issues, because they relate to the very foundation of this organization. Following the mandates from the IMFC and the Development Committee, the Fund needs to put in practice every measure to improve its decision-making process once it is agreed. At the same time, the fundamental principles of the Fund's governance and the feasibility of possible measures should always be taken into consideration.

Mr. Zurbrugg made the following statement:

Mr. Chairman, thank you for your proposed work program. As other colleagues have stated, it adequately reflects the wide range of issues our

institution is expected to cover. As you noted in your statement, the Board will spend most of its time dealing with country issues, either in the form of surveillance or program-related activities. This constraint makes it even more important to plan and prioritize our more strategic work. The fact that we continue to be in a—what I would call—consolidation phase in terms of new initiatives gives us significant scope to tackle some fundamental issues more in-depth than otherwise would have been possible.

Before going into the proposals, I would like to make a general remark. An important factor in ensuring that this Board can perform its role adequately in implementing this ambitious work program is providing sufficient time to consider the issues. I note that the Secretary has added in his supplementary note that the total amount of hours we spend in this Board is decreasing or is on a decreasing trend, but again the important thing for multi-country constituency, such as the one I represent, is the observation of circulation periods, as well as appropriate sequencing of Board dates. I very much appreciate the efforts that are being made to improve on both of these aspects.

Turning to the work program, I particularly welcome the strong emphasis on the design of Fund-supported programs. In several previous policy discussions, colleagues have suggested that the question of program design be tackled more fundamentally. We are all aware that this issue continues to remain a hotly debated topic in the general public. I have three specific comments in the area of program design.

First, I hope that the staff can also consider some of the other ideas that are being discussed in academia, other institutions, and by stakeholders. As you, Mr. Chairman, mentioned, it is important that this institution listen to stakeholders and civil society in general. If there is any way that we can incorporate or discuss issues that are being raised in the public domain in such a comprehensive discussion that we will have on program design, this should be done.

One example that is interesting to many of my constituents is the idea presented not only at a recent seminar for Executive Directors, but also in papers, by Mr. Rodrik regarding, for example, the distinction between pro-market and pro-business reforms, stressing the different areas that could be important for triggering growth. This is an issue that many of my constituents look at carefully. I wonder if this angle could provide new insights to Fund advice on structural reforms. In this context, the planned information note on the investment climate will also serve very well as background information.

Second, I hope that the staff paper will also contain a thorough analysis of how to better integrate inflation targeting into Fund programs. We now have some experience in inflation targeting and program conditionality, but the current approach of comparing inflation performance with targets is backward-looking and not well-integrated into a financial programming framework.

Third, and last on this issue, is the treatment of governance issues. This has clearly become an important feature in many Fund programs. I fully recognize that the mandate of the Fund is precisely defined, but, like Mr. Bennett, I think his proposals to consolidate and bring forward our work in this area would be very much appreciated.

On the issue of charges and maturities of Fund facilities, this topic has significant repercussions on the financial soundness of the Fund, and this is an aspect that this chair is following closely and, I have to say, with some concern. Given that our compromise on charges and maturities expires at the end of the year, I wonder if the discussion could have been scheduled somewhat earlier than as proposed in February, this particularly because I think it would be optimal if we could have a discussion on the review of access policy and maturities and charges as close together as possible, given the intrinsic links that exist between these two issues.

Moving on to precautionary arrangements, I can be quite brief. I continue to be clearly in the camp of those who think that the demise of the Contingent Credit Lines does not leave a vacuum that needs to be filled. I think we have had a couple of discussions on this issue, and colleagues have made their opinion clear again today. I do not want to underestimate the staff's capacities, but, honestly speaking, I do not see how they can come up with anything entirely new.

On low-income countries, I welcome the well-structured sequence of papers, and particularly look forward to the results of the IEO evaluation, which will give us further insights of how we can better tailor our activities in this important area.

Last, on the concrete work on a framework for crisis resolution, like others I was a bit disappointed, but I am happy that it was not completely excluded from the work program. Maybe at least the planned seminar on the design and modalities of sovereign debt restructuring could be updated to a formal Board discussion, as it is not only an academic issue. I also hope that the planned paper on debt negotiations with private creditors will revisit the Fund's lending into arrears policy, which is clearly an area where there is some ambiguity not only within this institution, but also among market participants.

Finally, like Mr. Callaghan, I note that the review of staff compensation is not mentioned in the work program. I listened closely to the remarks by the First Deputy Managing Director, and I hope that the review can proceed in an expeditious fashion.

Mr. Lushin made the following statement:

We support the work program as proposed in the Managing Director's statement. Our comments on the substance of the proposal are as follows.

On multilateral surveillance, we think that in addition to its already established means, such as the WEO, the GFSR and WEMD, more emphasis could be placed on regional surveillance. The specific modalities of this surveillance could be considered separately, but we think that in the beginning we could launch WEMD-like sessions devoted to regional economic and market developments. During these sessions (that may be called REMD), regional departments will provide once a year a special survey of economic and financial developments in their respective regions. This may not require much additional effort from the staff, but could be very useful in bringing stronger regional prospective into both multilateral and bilateral surveillance.

We welcome further discussions on precautionary arrangements, access policy, as well as charges and maturities of Fund facilities that are all included in the work program. Indeed, currently there is much confusion in this broad area about the existing rules and their application that needs to be addressed expeditiously. The only concern we have is about the time frame of the proposed Board meetings. All the above-mentioned issues are closely inter-related and, in our view, should be considered as a single package. But according to the proposal on the work program, we will have a meeting on precautionary arrangements in July, access policy will be considered in December, while a review of charges and maturities is scheduled for February next year. We wonder how, under these circumstances, we will manage to ensure consistency and coherence across decisions taken in each of these areas. We note that similar concerns have been expressed by Messrs. Solheim and Olafsson and also by Mr. Zurbrügg.

With regard to the Fund's role in low-income countries, we are looking forward to discussing a paper on HIPC topping up issues. We hope that this paper will be considered by the Board before any new topping up country case comes to the Board in order to avoid confusion that we have had when discussing Niger and Ethiopia. We also attach high importance to a paper on the Fund's role in providing appropriate signals about low-income countries' macroeconomic policies to donors and other IFIs in the absence of a need for Fund financing.

Turning to Fund governance issues, we are pleased to see a review of the Fund's finances and financial structure put on the Board's agenda, as has long been requested by many Directors. We also look forward to a review of the staff compensation system, which has also been requested by many Directors and which, as we understood from Ms. Krueger's comments, is currently under preparation.

Finally, Mr. Chairman, on quotas and representation issue, we agree completely with your point that the technical work in this area has already been completed by Fund staff, in particular with regard to new quota formulas. The lack of progress in this area, therefore, is entirely due to the differences that still exist among the Board members. Without attempting to narrow these differences there is not much sense in calling upon the staff and management to move the

quota formula issue forward. Another Board meeting on a new quota formula could be included in the work program, of course, but we do not see what additional papers on this issue can be prepared by the staff on top of their quite informative documents that are already available.

Mr. Alowi made the following statement:

I thank the Managing Director for the comprehensive work program that is fairly ambitious. In this regard, I join other Directors in stressing the importance of close adherence to the minimum circulation period for all Board papers so as to avoid undue bunching of the Board calendar. While I appreciate the deliberate effort made by the Secretary's department, I am concerned with the relatively heavy workload schedule for September. I also agree with others that there is a need for a more strategic approach in developing the work program, and that the work program needs to be linked to the budget process and departmental business plans.

Turning to the specifics of the proposed program, I broadly concur with the items proposed. However, I would like to comment on two issues.

Like many Directors, I believe that Fund governance needs to be given more emphasis, so that the voice of emerging market economies and other developing countries would be fairly listened and responded to. The longstanding issues of quota distribution that should reflect the economic realities today, and the voice and participation of developing countries have to be addressed seriously and promptly. We note that there is no item on the program agenda in this area despite the commitment to provide a progress report to the IMFC. While I note the Secretary's information on the World Bank's Committee work on voice and participation, I would like to know what the Fund itself is doing in this area. I agree with Mr. Portugal that a paper on this issue should be prepared and discussed at this Board before the Annual Meetings.

On the second issue, we support the proposed program on Fund facilities, instruments, program design, and conditionality. In particular, I join the Managing Director in stressing the need to continue to adapt Fund financing facilities to the new environment of large and volatile capital flows. In this regard, we look forward to the staff paper on precautionary arrangements, and the establishment of a new facility designed for the prevention of capital account crises is essential. The provision of timely and sufficient financial support by the Fund is essential to prevent contagion and to maintain market confidence. I also support the views expressed by Mr. Portugal previously on precautionary arrangements.

Lastly, I would like to express my support for suggestions made by some previous speakers. I support Mr. Shaalan's and Mr. Kanaan's suggestion to do more work in assessing the welfare benefit of trade liberalization and to strengthen the focus of bilateral surveillance on trade issues, as described in

paragraph 6 of their statement. On low-income countries, I support Mr. Martí's and Mr. Schwartz's call to make an assessment on the interaction between poverty reduction and GDP growth. I also agree with Mr. Padoan that a strategic review of the Bretton Woods institutions should be elaborated upon and, more importantly, discussed at the Board.

Mr. Kremers made the following statement:

I would like to thank you, Mr. Chairman, for the work program, which looks quite comprehensive. I have no policy suggestions to add.

I would like to focus on the issue of linking better the work program to the budget and of setting priorities in a medium-term and more strategic perspective, which has been addressed by many Directors. I support the points made by Messrs. Callaghan, Wang, and Solheim, Ms. Jacklin, and others on this topic, and I also appreciate your remarks, Mr. Chairman, at the beginning of our meeting this morning.

It must be noted that all of these comments were also made—and much more elaborately—in April when we discussed the budget. The question is how do we move forward, and here, the work program is somewhat lacking. It mentions in paragraph 27 that we will only discuss in the Budget Committee in November a progress report on ongoing budget reform. I do not think that is enough. What we need, in my view, is a discussion on a concrete plan, with a specific target and end date, taking into account all the comments that have been made in April and today again. Therefore, I would suggest to move forward and set up a working group, including maybe management, staff, and some Board members, to prepare a paper that we could discuss in the Board amply before November, with the aim of moving to a multi-year budget by, say, next year.

Mr. Kiekens made the following statement:

Management's statement on the work program is an exhaustive and possibly even an exhausting list of policy papers under preparation and scheduled for Board discussion.

Having read this list of 7 pages, I missed its general direction and the broader vision underlying it. For sure, as other Directors have said, all the pieces of the puzzle are probably present, but they are not put together in such a way that the overarching picture, and our policy priorities are clear and visible for those inside our institution and those outside.

I agree that we cannot deal with an important policy issue in one single all-encompassing staff paper and one Board meeting. We need to have a closer look at all the different aspects of such issues, as for instance the Fund's role in low-income countries or Fund financial support to its members.

But even though such a closer look at specific aspects of a major subject is always welcome, we must avoid spreading that subject over too many different papers and Board meetings; otherwise the link between the different aspects might get lost. We could lose the overview and the general strategic direction. Here are some concrete examples:

A summary paper on the design of Fund-supported programs will be presented to the Board in July (para.12). At the same time, staff is working on the review of the 2002 Guidelines on Conditionality (para.12). Para. 20 mentions another paper on the design of macroeconomic programs supported by the PRGF for discussion in December this year. I also wonder whether it is useful to separate the design and modalities of sovereign debt restructuring (para. 21) from issues arising in the context of members needing to renegotiate debt to private creditors (para.23).

Another risk of a piecemeal approach is that the Board could consider issues in a wrong sequence. For instance, para. 17 proposes to consider subsidizing natural disaster assistance already this summer, and on a lapse-of-time basis. When the Board discussed last March the role of the Fund in low-income countries over the medium term, several Directors supported the idea of funding this subsidy from the PRGF Trust. I cannot accept such a new, additional burden for the PRGF resources before we have reached a comprehensive solution for the funding of PRGF operations and the remaining HIPC assistance, including for Sudan, an item that comes up later today in the Board. However, financing of the PRGF operations is only scheduled for September, i.e. after summer. Moreover, I am very skeptical that we can or should adopt a decision on subsidizing natural disaster assistance on a lapse-of-time basis.

I was very dissatisfied with another recent decision taken on a lapse-of-time basis, namely the decision on providing additional debt relief under the HIPC Initiative framework at the completion point, known in bureaucratic jargon as “topping-up”. Be that as it may, we have now started to implement a policy of topping-up in the cases of Niger and Ethiopia. It would be unfair to deny the upcoming cases the same topping-up opportunities as for Niger and Ethiopia. I wonder, therefore, what the content of another paper on HIPC topping-up issues can be (para. 18), unless it is to rationalize, ex post, the ad hoc decisions taken in the two instances I have just mentioned.

On the topic of crisis resolution, a paper on “issues arising in the context of countries needing to renegotiate debt to private creditors” is scheduled for next spring. It is indicative that staff suggests a new euphemism for what is, so far, a failed policy, namely “lending into arrears”. I believe indeed that a review of our lending into arrears policy is needed, and I suggest that staff take much inspiration from what the New York Federal Reserve Bank President had to say on this subject last Thursday before the Bretton Woods Committee. In that speech, Chairman Geithner has argued for more ambitious Fund policies that would

facilitate more credible debt restructuring, as well as strengthening the Fund's financial instruments and improving the surveillance frameworks.

For me, the single most important item on our work program is the review of surveillance, for the Fund's primary mandate is surveillance of its members' economic, monetary and exchange rate policies. It is this mandate that gives the Fund's responsibilities a "unique nature", as your fellow countryman, and our former distinguished and very much missed colleague, Manuel Guitián, has so convincingly demonstrated in his pamphlet "The Unique Nature of the Responsibilities of the IMF", published in 1992. I continue to consider this essay as one of the best written on the mandate of the Fund. I recommend its reading to you, Mr. Chairman, and to the other Board members in preparation of our upcoming review of surveillance.

The objectives of this review should be to assess the scope of surveillance, the integration of global, regional, and bilateral surveillance, the quality of vulnerability analyses, including the sustainability of external and public debts, and foremost, the effectiveness of fostering country ownership and sound policies. Making the Fund surveillance more effective should be our primary policy objective.

Other topics, on which the Fund should make progress, are a better articulation of its financial role and how to secure its financial viability.

On the Fund's financial role, conflicting viewpoints are being advanced outside the Fund, as well as inside the Fund. Several external observers argue that in today's integrated world economy, with its huge capital flows and extended imbalances, the Fund's financial means have become marginal and even meaningless. However, others argue that the Fund is financially overstretched with an excessive concentration of its loan portfolio in only 3 to 5 countries. These observers consider that the Fund should limit its lending. Some even believe that it would be better to restrict the financial means available to the Fund for lending purposes as the most effective way to avoid irresponsible lending operations by the Fund and moral hazard on the part of financial markets.

Within the Fund too, there is a growing sentiment to restrict as much as possible the Fund's relations with countries to surveillance and technical assistance. Lending to countries, even on a precautionary basis, should be avoided as much as possible. Today, several Directors advanced the idea of a "non-lending program". One Director even suggested the establishment of a new facility for such non-lending program.

These are confusing ideas. A "non-lending program" is nothing else but surveillance by the Fund over the consistency and adequacy of a country's policy intentions (or its program) and how well they are implemented and reaching the economic objectives or targets. There is nothing truly novel in this idea. It is

simply a more focused surveillance, which is certainly a positive development. However, I am skeptical about the expectation that such “non-lending program” can be as effective a disciplining framework as a lending facility.

It is indicative that the idea of a non-lending program is advocated primarily by those Directors that have not had the benefit of having followed a Stand-By Arrangement with countries in their constituency.

The conflicting views within the Fund on its lending task are also clear from the divergent proposals on the need for reform of the Fund’s lending instruments. Several Directors argue in favor of a new precautionary facility to deal with the threat of capital account crises. In other words, they favor a new type of contingent credit line (CCL) with high access and on precautionary basis. Other Directors however, are very reluctant to even consider the idea of high access under any program, and in particular for precautionary arrangements.

On the subject of lending facilities, the proposed sequence of different Board discussions might not be optimal. During the summer, the Board is scheduled to discuss precautionary arrangements; the issue of access will be considered in December; and only in February of next year will the Board review the charges and maturities of lending operations. I would favor a more comprehensive review of the Fund’s lending instruments. The main difference between the supplemental reserve facility (SRF) and the Stand-By Arrangement (SBA) is the maturity and the rate of charge. We should not discuss piecemeal adjustments in the SRF to allow precautionary access under this facility, before concluding whether the distinction between the SRF and the SBA makes sense. Indeed, today the Fund charges the highest interest rate for its lending with the shortest maturity, i.e. on SRF-operations. This is an anomaly. It should be corrected, probably by abolishing the SRF altogether.

Finally, let me come to the issue of the financial viability of the Fund. I wonder, Mr. Chairman, whether you have examined the financial strength of the Fund before accepting to become Managing Director. I guess you did not. I must tell you that the Fund’s finances are potentially in a shaky situation. This is not because there is a serious risk of default by the Fund’s creditors. The true reason is that the founders of the IMF in 1944 have created a financially weak institution when they denied it the authority to levy fees from its members to finance its many services. The Fund is primarily a services providing institution, through its surveillance and its technical assistance. But the only significant source of income for the Fund, allowed by the Articles of Agreement, is the margin in its lending transactions. This is a narrow income base which can even significantly shrink if we can realize the ambition of those Directors who want to limit Fund lending, including by avoiding exceptional access as much as possible. In those circumstances the Fund’s income could fall short of its expenditures. I am therefore pleased that the Managing Director finally accepted to schedule a discussion in the Board on the review of the Fund’s finances and financial

structure early next year. For this topic, your statement clarifies that is was included in the work program "at the request of Executive Directors". I hope that this clarification does not signal a reluctance of the staff to deal with this subject in a substantive manner.

Mr. Duquesne made the following statement:

I broadly agree with the proposed work program. I share many of the comments expressed by colleagues, so I will be brief.

First, like many, we believe that the work program should be more forward-looking and develop clearer priorities for the institution. It should also be more integrated in the budget process, so that we establish links between our strategic priorities and resource allocation within the Fund. It is important for us, the staff, and the rest of the world that we lay out a clear, structured, and prioritized nature of what we intend to do during a given semester to fulfill our mandate. I am aware of the complexity of this task, but I believe this should be our common objective with regard to the work program. Let me do the exercise for myself. If I had to say what is the key priority for the next six months, I would say low-income countries and the HIPC Initiative, so that we develop the instruments those countries need and ensure the financial sustainability of our assistance to them. This is clearly for me the priority of the second semester of this year.

Second, with regard to our last discussion on the budget, I was pleased by the comments made by Ms. Krueger at the beginning of this meeting on the review of staff compensation and benefit. I would like to know at some stage what are the channels through which management intends to inform the Board on the results of this review. Let me also say in passing that the Board of the World Bank, in discussing compensation yesterday, decided to undertake a similar review. This is another area in which there is a need to improve coordination with the World Bank.

Third, I share Mr. Bennett's analysis and emphasis on the role of the Fund on governance. During our 2003 discussion on international standards, we proposed that Bank and Fund staff examine further how to elaborate a ROSC on public governance based notably upon the OECD convention on committing bribery of foreign public officials in international business transactions. Recent programs and Article IV consultations, as well as the instructive ex post assessments, have clearly underscored the importance of improving public governance and fighting corruption for financial stability and economic growth. Therefore, the stocktaking exercise proposed by Mr. Bennett could be a good starting point in this respect.

Fourth, turning now to the governance of the Fund itself, which is among our priorities, I regret, like Mr. Callaghan, the omission of any substantive

reference to follow-up work on quotas, voice, and representation, apart from the usual progress report prior to the Annual Meetings. But I understand from your initial statement, Mr. Chairman, that we will deal with that topic in depth, and that is a good point.

In addition, like Mr. Martí and Mr. Schwartz, Mr. Daïri, and others, I am in favor of a review of our overall audit structure, which goes beyond reflecting only on the external audit. I am not convinced that a complete externalization of the Board in this process is a widespread and recommended practice in the corporate world. I therefore support the proposal to drop the word “external” in the title of the proposed seminar, so that we can focus on the general audit structure of the Fund. Like Mr. Martí, we think there is a need to think about interactive workings of the Board, the Audit Committee of the Board that we would like to create—there is no Audit Committee of this Board—and internal and external auditors. That will allow us to discuss more in-depth the financial structure of the Fund referred to by Mr. Kiekens a moment ago.

Finally, I share the disappointment of Mr. Solheim and Mr. Olafsson and others on the limited scope devoted to crisis resolution issues. I would add that I do not see much more scope for discussing crisis prevention issues, apart from the discussion on precautionary arrangements. I would also like the IEO report on the Fund’s role in Argentina to be scheduled sooner rather than later. To postpone it again when external observers are waiting for it would be counterproductive. I also agree with the concern of Messrs. Solheim, Shaalan, and Zurbrügg on the bunching and the increasing frequency of changes in the Board agenda. I am pretty aware of the difficulties encountered by the Secretary, but I have the impression that the situation has deteriorated compared to an already unsatisfying situation a year ago. Like many colleagues, I am not in favor of the multiplication of informal meetings, especially seminars.

Mr. Scholar made the following statement:

Thank you, Mr. Chairman, for your statement on the work program. We are generally happy with it. I just have one comment on process and one on content.

On process, many Directors have talked about the need for a strategic approach to the work program and a link to the budget. I fully endorse that, although I am not sure that the work program necessarily needs to be the instrument to do that. I have a complementary, but slightly different, perspective.

It seems to me that what matters is not so much the work program, but the work—that is what we are judged on. One of the oddities of this Board is that the work program always proceeds on a six-month cycle. The last month of every cycle is largely focused on preparing for the upcoming meetings, and the first month of each cycle is a rather dead period as we wait for the next work program

to be prepared. If there is anything that leads to bunching, it is this six-month cycle, which I think is more mythical than real. The idea that we need a change of direction every six months is not borne out by the facts. Therefore, we need a strategy linked to the budget, but I do not think we need one every six months. I would see the annual budget discussion as more the place for that. If I would change one thing with the work program, it would not be to make it longer, but to make it earlier, so that we would have more of each year devoted to working on the work program. If we had a medium-term framework, that would be possible.

On the content of the work program, we were happy with it. I just want to support Messrs. Shaalan, Daïri, Ondo Mañe, and Usman, and many others on quotas, voice, and representation. We need to report on this issue not just to the Development Committee, but to the IMFC as well. There is parallel work going on in the World Bank, as the Secretary told us, and eventually this will be combined in a report from us and from the Bank Board to the Development Committee. But we need to deal with the issue here as well, and I was grateful, Mr. Chairman, for your remarks at the beginning of the meeting.

Mr. Ondo Mañe made the following statement:

First of all, I would like to thank you, Mr. Chairman, for your introductory remarks at this meeting. I would like to raise two issues.

The first is the issue of quotas, voice, and representation. The Secretary will know that when we discussed this issue two years ago, the position of less developed countries was that we have to look at the issue in two important areas. One was administrative capacity and technical support for sub-Saharan African chairs. It was also agreed when we discussed the communiqué of the IMFC that the issue of technical support to sub-Saharan African countries should be separate from the issue of voice and representation. There was clear opposition from other Ministers to put in the communiqué the issue of technical capacity to sub-Saharan Africa. It was agreed that in the difficult post-September 11 environment, we should make the needed effort to avoid putting on the table issues that can be seen in the public domain as being divisive within the Fund. When we are discussing this issue of voice and representation, two times we mentioned there was an analytical trust fund, with two or three advisors from sub-Saharan African chairs. I do not think that this an example of progress in addressing the issue of voice and representation, and I do not accept that it be represented as such.

On the quota formula, it needs to be improved. When we request for a paper, it is to improve the existing quota formula, and to address the inequities of a system that have been in existence for 50 years. Obviously some countries will lose some of their power. A quota formula does not have to be static. What we request is to develop a quota formula that will accommodate the new realities of the present economic situation.

The second issue I want to comment on is the issue related to the role of the IMF in low-income countries. I suggested in my preliminary statement that a comprehensive package of action is needed. I have here a statement delivered by the former Managing Director in Maputo. Everyone agreed that the PRGF is the best way in which this institution can cooperate, at least with African countries. We do not understand why, one year after, we have to continue to review the design of the PRGF when we said a year ago that it was the best way to cooperate with low-income countries. Last year we had a workshop in Dar es Salaam, and this year we had another in Dakar. Why do we discuss an issue and then only come back with proposals after one year? Maybe the ministers who supported the strategy then will no longer be there. Therefore, I would like to get a clear answer on why we cannot complete reviewing the design of the PRGF within a definite time frame.

The Chairman remarked that the Secretary would prepare a follow-up memorandum for Executive Directors clarifying points raised during the discussion and incorporating Directors' suggestions, as appropriate. He concluded the meeting by noting the Board's approval for the publication of the work program, with the appropriate amendments reflecting the discussion.

APPROVAL: August 24, 2004

SHAILENDRA J. ANJARIA
Secretary

Secretary's Department Calendar Management System
Calendar of Executive Board Meetings
5/28/2004 - 10/29/2004

Friday, May 28, 2004

Report by Ms. Krueger on travel to the WTO meeting in Geneva [Ref: 2822]

Gabon--Request for Stand-By Arrangement(EBS/04/60, 05/17/04 and Cor. 1, 05/20/04 and Cor. 2, 05/27/04 and Sup. 1, 05/26/04) [Ref: 2633]

Report by Mr. Kato on travel to the OECD Meeting in Paris and to China [Ref: 2816]

United Arab Emirates--2004 Article IV Consultation(SM/04/163, 05/07/04 and Cor. 1, 05/26/04; SM/04/166, 05/14/04) [Ref: 2609]

Monday, May 31, 2004

Official Holiday [Ref: 1810]

Wednesday, June 2, 2004

Confiscation of Funds by Israel in Banks in Ramallah (West Bank) - Fund Jurisdiction (FO/Dis/04/30, 03/31/04) [Ref: 2632]

Switzerland--2004 Article IV Consultation(SM/04/165, 05/12/04) [Ref: 2578]

Papua New Guinea--2004 Article IV Consultation(SM/04/172, 05/20/04; SM/04/173, 05/20/04) [Ref: 2595]

Informal Seminar on the Review of the 2002 Conditionality Guidelines--Issues Note [The discussion will not call for Gray statements from Directors or concluding remarks] - Board Committee Room(SM/04/174, 05/21/04) [Ref: 2759]

Thursday, June 3, 2004

(10:30 a.m.) **Informal Executive Directors Seminar--Presentation by Prof. Dani Rodrik on Issues of Growth Policy (Meeting Hall B)** [Ref: 2474]

Friday, June 4, 2004

Turkmenistan--2004 Article IV Consultation(SM/04/168, 05/19/04; SM/04/170, 05/20/04) [Ref: 2636]

Djibouti--Poverty Reduction Strategy Paper and Joint Staff Assessment(EBD/04/41, 05/06/04 and Cor. 1, 05/07/04; EBD/04/44, 05/13/04 and Sup. 1, 05/18/04) [Ref: 2508]

Georgia--Request for a Three-Year Arrangement Under the Poverty Reduction and Growth Facility (EBS/04/58, 05/14/04 and Cor. 1, 05/27/04 and Sup. 1, 05/27/04) [Ref: 2570]

Monday, June 7, 2004

Serbia and Montenegro--Third Review Under the Extended Arrangement(EBS/04/65, 05/24/04) [Ref: 2755]

Uzbekistan--2004 Article IV Consultation(SM/04/176, 05/25/04 and Sup. 1, 05/25/04; SM/04/177, 05/25/04) [Ref: 2610]

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Secretary's Department Calendar Management System
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Wednesday, June 9, 2004

Rwanda--Second and Third Reviews Under the Three-Year Poverty Reduction and Growth Facility Arrangement, Request for Waiver of Performance Criteria, and Request for Additional Interim Assistance Under the Enhanced HIPC Initiative(EBD/04/46, 05/21/04; EBD/04/47, 05/21/04; EBS/04/66, 05/26/04) [Ref: 2726]

Peru--Request for New Stand-By Arrangement(EBS/04/67, 05/26/04) [Ref: 2611]

Thursday, June 10, 2004

(2:30 p.m.) **Pension Committee--Performance of the Staff Retirement Plan and the Retired Staff Benefits Investment Account for Calendar Year 2003 (Board Committee Room)**
(RP/CP/04/6, 05/14/04) [Ref: 2810]

Friday, June 11, 2004

Bolivia--Third Review Under the Stand-By Arrangement, Request for a Waiver of Applicability, Modification of Performance Criteria, and Augmentation and Extension of the Stand-By Arrangement [Ref: 2442]

Congo, Rep. of--2004 Article IV Consultation and New Staff-Monitored Program
(EBS/04/59, 05/17/04; SM/04/175, 05/24/04) [Ref: 1895]

Monday, June 14, 2004

Bulgaria--2004 Article IV Consultation and Ex Post Assessment of Longer-Term Program Engagement(SM/04/169, 05/19/04; SM/04/179, 05/28/04) [Ref: 2569]

Bahrain--2004 Article IV Consultation(SM/04/167, 05/17/04; SM/04/171, 05/20/04) [Ref: 2673]

Zambia--Request for a Three-Year Arrangement Under the Poverty Reduction and Growth Facility
(EBD/04/49, 05/25/04; EBD/04/50, 05/25/04) [Ref: 2780]

Tuesday, June 15, 2004

(11:30 a.m.) **Agenda and Procedures Committee (Board Committee Room)** [Ref: 2325]

Wednesday, June 16, 2004

Statement by the Managing Director on the Work Program(BUFF/04/92, 05/25/04) [Ref: 2566]

Informal Country Matters Session (APD/MCD) [Ref: 2460]

(2:30 p.m.) **Briefing by the External Audit Committee** [Ref: 2524]

Friday, June 18, 2004

World Economic and Market Developments/Financial Markets Update [Ref: 2134]

Monday, June 21, 2004

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5/28/2004 - 10/29/2004

Mozambique --Request for New Poverty Reduction and Growth Facility, Poverty Reduction Strategy Paper Progress Report and Joint Staff Assessment(EBD/04/43, 05/13/04) [Ref: 2561]
Wednesday, June 23, 2004 Mali --Request for a Three-Year Arrangement Under the Poverty Reduction and Growth Facility (EBS/04/64, 05/24/04) [Ref: 2521] Pakistan --Eighth Review Under the Poverty Reduction and Growth Facility [Ref: 2743]
Monday, June 28, 2004 Kyrgyz Republic --Fifth Review Under the Poverty Reduction and Growth Facility [Ref: 2749]
Wednesday, June 30, 2004 Colombia --Third Review Under the Stand-By Arrangement [Ref: 2630] Senegal --Second Review Under the Poverty Reduction and Growth Facility, Poverty Reduction Strategy Paper, and Joint Staff Assessment(EBD/04/39, 05/04/04; EBD/04/40, 05/04/04) [Ref: 2620] Ghana --Second Review Under the Poverty Reduction and Growth Facility, Request for Waivers of Performance Criteria, PRSP Progress Report, and Completion Point Under the Enhanced HIPC Initiative [Ref: 2622] Jordan --Third and Final Review Under the Stand-By Arrangement [Ref: 2674]
Friday, July 2, 2004 Costa Rica --2004 Article IV Consultation [Ref: 2157] Dominica --Second Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Financing Assurances Review [Ref: 2601]
Monday, July 5, 2004 Official Holiday [Ref: 1811]
Wednesday, July 7, 2004 IEO: Fund's Experience with PRSPs and PRGF [Ref: 1775] Zimbabwe --2004 Article IV Consultation; and Review of Overdue Financial Obligations [Ref: 2512] Tonga --2004 Article IV Consultation [Ref: 2531]
Friday, July 9, 2004 HIPC Initiative Sunset Clause [Ref: 2618] West African Economic and Monetary Union - Recent Economic Developments and

Secretary's Department Calendar Management System
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Regional Policy Issues [Ref: 2734]
Monday, July 12, 2004 Poland--2004 Article IV Consultation [Ref: 2540] Lesotho--Sixth Review Under the Poverty Reduction and Growth Facility and Ex Post Assessment of Longer-Term Program Engagement [Ref: 2568]
Wednesday, July 14, 2004 Informal Country Matters Session (AFR/EUR) [Ref: 2461] Precautionary Arrangements--Further Considerations [Ref: 2619] Albania--Fourth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Financing Assurances Review [Ref: 2547]
Friday, July 16, 2004 Biennial Review of the Implementation of the Fund's Surveillance and of the 1977 Surveillance Decision [Ref: 1760] Solomon Islands--2004 Article IV Consultation [Ref: 2597] Democratic Republic of Timor-Leste--2004 Article IV Consultation [Ref: 2598]
Monday, July 19, 2004 Tajikistan--Third Review Under the Poverty Reduction and Growth Facility [Ref: 2549] Cape Verde--Fourth Review Under the Poverty Reduction and Growth Facility [Ref: 2729] Bangladesh--Second Review Under the Poverty Reduction and Growth Facility [Ref: 2735]
Wednesday, July 21, 2004 Kazakhstan--2004 Article IV Consultation [Ref: 2783] Informal Seminar on The Contingent Claims Approach to Corporate Vulnerability Analysis: Estimating Default Risk and Economy-Wide Risk Transfer [The discussion will not call for Gray statements from Directors or concluding remarks] - Board Committee Room [Ref: 2809]
Friday, July 23, 2004 United States--2004 Article IV Consultation [Ref: 2292] Liberia--Review of Overdue Obligations and Staff Report on Economic Conditions and Economic Program for 2004/05 [Ref: 2731]
Monday, July 26, 2004

Secretary's Department Calendar Management System
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Euro Area Policies [Ref: 2294] San Marino--2004 Article IV Consultation [Ref: 2580]
Tuesday, July 27, 2004 (2:30 p.m.) Committee on Executive Board Administrative Matters (Board Committee Room) [Ref: 2807]
Wednesday, July 28, 2004 Japan--2004 Article IV Consultation [Ref: 2538] China--2004 Article IV Consultation [Ref: 2600] Austria--2004 Article IV Consultation [Ref: 2560]
Friday, July 30, 2004 Program Design Issues [Ref: 1897] Sweden--2004 Article IV Consultation [Ref: 2581] Tanzania--2004 Article IV Consultation and Second Review Under the Poverty Reduction and Growth Facility [Ref: 2676]
Wednesday, August 4, 2004 Chile--2004 Article IV Consultation [Ref: 2675] Jamaica--2004 Article IV Consultation [Ref: 2159]
Friday, August 6, 2004 Czech Republic--2004 Article IV Consultation [Ref: 2542]
Monday, August 9, 2004 Board Recess--August 9-20 [Ref: 2341]
Wednesday, August 25, 2004 Fiji--2004 Article IV Consultation [Ref: 2498]
Monday, August 30, 2004 Global Financial Stability Report [Ref: 2135] Guinea--2004 Article IV Consultation and First Annual Progress Report of the Poverty Reduction Strategy Paper and Joint Staff Assessment [Ref: 2730]

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Calendar of Executive Board Meetings
5/28/2004 - 10/29/2004

Netherlands--2004 Article IV Consultation [Ref: 2553]
Wednesday, September 1, 2004 Thailand--2004 Article IV Consultation [Ref: 2605] Russian Federation--2004 Article IV Consultation [Ref: 2526]
Friday, September 3, 2004 The Fund's Role in Low-Income Countries: Follow-up on Instruments and Financing [Ref: 2656] Eritrea--2004 Article IV Consultation [Ref: 2740]
Monday, September 6, 2004 Official Holiday [Ref: 1812]
Wednesday, September 8, 2004 World Economic Outlook/World Economic and Market Developments [Ref: 2133] Cambodia--2004 Article IV Consultation and Ex Post Assessment [Ref: 2599]
Friday, September 10, 2004 World Economic Outlook--Conclusion [Ref: 2651]
Wednesday, September 15, 2004 PRSP Progress Report [Ref: 2131] HIPC Progress Report and Topping-Up Issues [Ref: 2132]
Friday, September 17, 2004 Debt Sustainability in Low-Income Countries--Framework and Operational Issues [Ref: 2613] Seminar on Making the Case For More Aid, Aid Effectiveness, and Financing Modalities [Directors are welcome to submit Gray statements and there will be concluding remarks] [Ref: 2235]
Wednesday, September 22, 2004 Draft Report of the Managing Director to the International Monetary and Financial Committee on the IMF's Policy Agenda [Ref: 2129]
Saturday, October 2, 2004 International Monetary and Financial Committee Meeting [Ref: 2494]

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Secretary's Department Calendar Management System
Calendar of Executive Board Meetings
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Sunday, October 3, 2004 Development Committee Meeting [Ref: 2752]
Monday, October 4, 2004 Annual Meetings [Ref: 2493]
Tuesday, October 5, 2004 Annual Meetings [Ref: 2778]
Monday, October 11, 2004 Official Holiday [Ref: 1813]
Wednesday, October 13, 2004 Estonia--2004 Article IV Consultation [Ref: 2644] Ireland--2004 Article IV Consultation [Ref: 2678]
Friday, October 15, 2004 Australia--2004 Article IV Consultation [Ref: 2594]
Monday, October 25, 2004 Germany--2004 Article IV Consultation [Ref: 2685]

Pending: date to be determined
Malawi--Second Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, Request for Waiver of Performance Criteria, and Rephasing of the Arrangement (EBS/04/51, 04/08/04 and Cor. 1, 04/14/04) [Ref: 2520]

X: New

Z: Moved or Rescheduled

Table 2

Secretary's Department Calendar Management System

Additional Items

May 2004 - October 2004

Item Title/Country	Work Prog Week Of	Date Now Scheduled	Dept(s)	Ref
<i>Items for Lapse-of-Time Consideration</i>				
Financial Transactions Plan for the Quarterly Period June-August 2004	May 04		FIN	2176
SDR Designation Plan for the Quarterly Period June-August 2004	May 04		FIN	2178
Committee on Administrative Policies-- Amendments to the Estate Tax Safety Net Policy	Jun 04		HRD	2706
Quadrennial Review of the Procedures for Adjusting the Annual Education Allowances Ceilings--2004	Jun 04		HRD	2707
Extension of Post-Program Monitoring to PRGF Amounts Outstanding	Jun 04		PDR	2761
Period for Consent to Increases in Quotas Under the Eleventh General Review of Quotas--Further Extension	Jul 04		FIN	2173
Review of the Medical Benefits Plan Finances	Jul 04		HRD	2708
Financial Transactions Plan for the Quarterly Period September-November 2004	Aug 04		FIN	2177
SDR Designation Plan for the Quarterly Period September-November 2004	Aug 04		FIN	2179
Review of the Fund's Strategy on Overdue Financial Obligations	Aug 04		FIN	2255
Integrated Disability Program	Oct 04		HRD	2709

Table 2

Secretary's Department Calendar Management System

Additional Items

May 2004 - October 2004

Item Title/Country	Work Prog Week Of	Date Now Scheduled	Dept(s)	Ref
<i>Papers to be Issued for Board Information and Background</i>				
Guidance Note on the Coverage of Financial Sector Issues in Article IV Consultations	May 04		PDR/MFD	2767
Information Note on the Incidence of Prolonged Use	Jun 04		PDR	1883
Periodic Report on Assessments of Standards and Codes	Jun 04		PDR	2240
Investment Climate - Concept and Selected Issues in Surveillance	Jun 04		PDR	2617
Role of the Fund in Low-Income Member Countries: Instrument and Financing - Guidance Notes	Jun 04		PDR	2769
Quarterly Report for HQ2 Building Project	Jul 04		TGS	2181
A Valuation of Debt Restructuring	Jul 04		ICM	2189
Assessment of Recent Developments in the Establishment of Investor Relations Offices	Jul 04		ICM	2190
The Fund's Income Position for FY 2004--Actual Income	Jul 04		FIN	2717
Subsidization of Emergency Assistance for Natural Disasters	Jul 04		PDR	2760
Implementation of the Trade Integration Mechanism - Staff Guidance	Jul 04		PDR	2768
Semi-Annual Update of the Status of Safeguards Assessments	Aug 04		FIN	2299
PRGF-HIPC Financing Update	Sep 04		FIN	2170
The Fund's Liquidity Position--Review and Outlook	Sep 04		FIN	2298
Mid-Year Report on Recruitment, Retention, and Diversity	Sep 04		HRD	2710
Proposed Fourth Amendment of the Articles of Agreement for a Special One-Time Allocation of SDRs--Status Report	Sep 04		FIN	2718
Quarterly Report for HQ2 Building Project	Oct 04		TGS	2679
Review of Program Experience in Post-Conflict Countries	TBD		PDR	1756

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Table 2

Secretary's Department Calendar Management System
Additional Items
May 2004 - October 2004

Item Title/Country	Work Prog Week Of	Date Now Scheduled	Dept(s)	Ref
Board Committees				
Pension Committee--Performance of the Staff Retirement Plan and the Retired Staff Benefits Investment Account for Calendar Year 2003 (Board Committee Room)	06/07/04	06/10/04	HRD/INV	2810
Agenda and Procedures Committee (Board Committee Room)	06/14/04	06/15/04	SEC	2325
Agenda and Procedures Committee (Board Committee Room)	Jul 04		SEC	2326
Committee on the Rules for the 2004 Regular Election of Executive Directors	Jul 04		SEC/LEG	2811
Committee on the Budget--FY 2004 Budget Outturn--Review (Board Committee Room)	07/19/04	07/22/04	OBP	2128
Committee on Executive Board Administrative Matters (Board Committee Room)	07/26/04	07/27/04	SEC	2807