June 27, 2001
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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 00/90

10:00 a.m., September 5, 2000

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Executive Board Attendance

H. Köhler, Chairman

Executive Directors	**Alternate Executive Directors**
	A.S. Alosaimi
A. Barro Chambrier	D. Ondo Mañe
	P. Charleton
	P.R. Fenton, Temporary
A.G. Carstens	H. Oyarzábal
	J.R. Suárez, Temporary
R.F. Cippà	W. Szczuka
B. Esdar	W.-D. Donecker
	R. von Kleist, Temporary
A.M. Jul	A.G. Zoccali
	O.A. Hendrick, Temporary
R. Faini	H. Vittas
K.-T. Hetrakul	
V. Kelkar	A.G. Karunasena
W. Kiekens	J. Prader
	T. Elkjaer, Temporary
K. Lissakers	
J.-C. Milleron	G. Bauche
	M. Daïri
	S. Rouai, Temporary
J.P. de Morais	
	L. Palei, Temporary
S. Pickford	S. Collins
M. Portugal	J.C. Estrella, Temporary
A.S. Shaalan	
G.F. Taylor	
Wei Benhua	Jin Qi
	E.J.P. Houtman, Temporary
Y. Yoshimura	M. Yanase, Temporary

S.J. Anjaria, Secretary
A.S. Linde, Acting Secretary
Z.R. Ahmed, Assistant
C.E.L. Andersen, Assistant
G. Nkhata, Assistant
S. Soromenho-Ramos, Assistant

Also Present

IBRD: P. Bocock, K. Dervis, D. Morrow, and A. van Trotsenburg, Poverty Reduction and Economic Management Office. African Department: E. Hernández-Catá, Associate Director; A. Basu, Deputy Director; M.T. Hadjimichael, M. Nowak, A. Tahari. Asia and Pacific Department: R. Cardarelli, T.R. Rumbaugh, Y. Sun. European II Department: M. Shadman-Valavi. External Relations Department: T.C. Dawson, Director; G.V. Bhatt, R.R. Brauning, W.W. Camard, M.B. Chatah, R. Chote, J. Starrels. Fiscal Affairs Department: S. Gupta. IMF Institute: M.S. Khan, Director. Legal Department: F.P. Gianviti, General Counsel; R.C. Baban, R.B. Leckow, H.V. Morais. Monetary and Exchange Affairs Department: K.F. Habermeier. Policy Development and Review Department: J.T. Boorman, Director; M. Ahmed, Deputy Director; M. Allen, Deputy Director; B.W. Ames, A. Banerji, A.R. Boote, H.W. Bredenkamp, M. Fisher, K.G. Fitchett, R. Glennerster, J. Hicklin, D.G. Jones, G.R. Kincaid, T.D. Lane, B.J. McDonald, I.C. Medeiros, L. Nielsen, M.L. Parkinson, D.C. Ross, M. Singh, N. Thacker. Research Department: A.K. Swoboda. Secretary's Department: P. Gotur, A. Mountford, B.A. Sarr, T. Turner-Huggins. Treasurer's Department: B. Christensen. Western Hemisphere Department: L.A. Cardemil, A.D.L. Hilaire. Office of the Managing Director: T. Wolde-Semait. Advisors to Executive Directors: J.M. Abbott, M.A. Ahmed, P.A. Akatu, J.A. Chelsky, S.S. Farid, A. Fidjestøl, A.R. Ismael, N. Jadhav, Liu F., M. Lundsager, M.F. Melhem, H. Mori, J. Ntamatungiro, J.L. Pascual, Y. Patel, K. Sakr, J.N. Santos, C.-P. Schollmeier, P.H. Whitehall, I.M. Woolford, F. Zurbrügg. Assistants to Executive Directors: S.A. Bakhache, P.A. Brukoff, R. Burgess, G. De Blasio, R. Djaafara, E. González-Sánchez, F. Haupt, C. Josz, A. Kapteijn, B. Kelmanson, S.K. Keshava, S. Le Gal, Liu Z., W.C. Mañalac, D. Nardelli, K. Ongley, C.A.E. Sdralevich, B. Siegenthaler, Siti Mariam Mohd. Yusof, A. Sutt, O. Vongthieres, I. Zakharchenkov.

1. PROGRESS IN STRENGTHENING ARCHITECTURE OF INTERNATIONAL FINANCIAL SYSTEM AND REFORM OF FUND—DRAFT REPORT AND STATEMENT OF MANAGING DIRECTOR TO INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

The Executive Directors considered a draft report and statement of the Managing Director to the International Monetary and Financial Committee on progress in strengthening the architecture of the international financial system and reform of the Fund.

Mr. Yoshimura made the following statement:

> I welcome the draft report on architecture, particularly your Statement, Mr. Chairman. I am confident this vision of the direction in which you want to lead this institution on the occasion of your first International Monetary and Financial Committee (IMFC) meeting will be taken very positively by all the members of the IMFC. We support the overall direction you describe in your Statement, and would like to comment on several points for emphasis.
>
> First, you indicated that the Fund's activities should be limited to those that fit the core areas of the Fund, namely macroeconomic stabilization; fiscal, monetary, and exchange rate policies; and domestic and international financial sector issues. I have been a strong supporter of this approach and will continue to support it without hesitation. The Fund has strong influence over its members through surveillance and the provision of resources, and there is always strong pressure from the Fund's shareholders to expand its range of activities. This has led the IMFC and the Executive Board to hesitate to limit strictly the Fund's activities to core areas or to prioritize them. However, there is no doubt that too much expansion in the Fund's activities would reduce the effectiveness of the Fund's operations. As you note in your Statement, it is essential that the Fund's activities be constrained to areas where the Fund has a mandate and expertise. Members need to recognize this point when they ask the Fund to enter into new areas.
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> Second, I support the intention to make domestic and international financial issues core issues of the Fund. The financial sector is a center of financial flows. The prevention and management of financial crises are not feasible without dealing with problems in the financial sector. I look forward to further active involvement by the Fund in these issues.
>
> Third, I agree with you that we should actively seek the best possible complementarity with other international institutions. As globalization proceeds, the world increasingly faces problems that cannot be solved by countries individually. A broader role for international institutions is expected. In response to this expectation, the Fund needs to cooperate with other institutions so that it can operate within its expertise and mandate. In this connection, many initiatives are under way with the World Bank. To improve

the operational relationship between the Fund and Bank, the Financial Sector Liaison Committee (FSLC) and the Joint IMF/World Bank Implementation Committee (JIC) were established to improve communications between the two Executive Boards. In addition, a joint seminar of the two Boards as well as a joint dinner of the two Boards with you and the President of the World Bank were held. I hope such efforts will be strengthened.

Fourth, I share your view that technical assistance should be one of the main pillars of the Fund, on par with surveillance and use of Fund resources activities. Technical assistance is necessary for members to transform the fruits of conceptual policy discussions into real economic policy measures with ownership. I look forward to an early discussion on technical assistance policies in addition to discussions on conditionality in order to prioritize them and thereby improve countries' ownership.

Let me now turn to the draft report on architecture.

I appreciate the organized way and fair manner in which it summarizes the progress achieved and the work planned. In general, I support the current draft and will thus limit my comments to two points that I have some difficulty with.

The first is that I do not think it is appropriate that the report does not mention the quota formula review and the issue of correcting underrepresentation in the Board. The report of the Quota Formula Review Group (QFRG) is already finalized and will shortly be published. We already discussed it in a seminar and agreed to examine this issue further. There was also wide support on the need to correct underrepresentation expeditiously. I strongly believe these issues need to be included in the report. I also hope that you will mention these issues in your statement to the IMFC.

My second concern is on the issue of exchange rate regimes. I appreciate the balanced description of the Board discussion to date in the report. In particular, I appreciate the fact that it underscores three important policies: first, that no single exchange rate regime is appropriate for all countries or in all circumstances; second, that the Fund should respect members' choices of exchange rate regimes; and third, that a country's exchange rate regime needs to be supported by credible policies. Having said that, I am somewhat troubled by the explanation in Box 4 that emphasizes hard pegs, such as a currency board, as a viable regime. Specifically, my concern is with the fifth bullet of Box 4. The first sentence of this fifth bullet is reasonable and I agree with it. However, the second sentence that says "very constraining pegs—such as currency boards—can be sustainable" does not explain in a full sense the characteristics of a currency board. My understanding of a currency board is it is to provide a mechanism to force a country to follow macroeconomic policies, especially on monetary policy, adjusted according to the circumstances. There is some sense of automaticity in macroeconomic adjustment in the case of a currency board. This is the main characteristic of a currency board that this sentence fails to describe.

The relationship between the first sentence and the second sentence is also unclear. Is a currency board a special case of the pegs described in the first sentence? If so, is it true that a currency board is especially viable in the case of small economies less open to short-term capital flows or with a dominant trade partner? It appears that there is some inconsistency between the two sentences. I hope this could be corrected when the report is finalized.

Lastly, in order for the Board to take effective guidance from the IMFC, meaningful discussion needs to take place during the meeting. I am confident that the Chairman will take the lead in ensuring the quality of the meeting.

The Chairman noted that the Executive Board had not discussed exchange rate regimes since the prior meeting of the International Monetary and Financial Committee (IMFC). Nevertheless, management felt that it was important to make clear that exchange rate matters were a central issue for the Fund. Consequently, the text on exchange rate regimes was a summary of what the Board had discussed much earlier.

Mr. Collins asked whether the section on exchange rate regimes could be deleted as the Board had not had a discussion on that issue since the time of the last IMFC meeting.

The Chairman observed that if the issue of exchange rate regimes were not mentioned, the public might think that the Fund and the new Managing Director were not concerned with that issue.

Mr. Esdar agreed with the Chairman that exchange rate regimes should be mentioned. It would be helpful to say that that issue would continue to be under consideration, so that the public was aware that the Fund still had unfinished work with respect to exchange rate regimes. In addition, as Mr. Yoshimura had said, the language on currency board arrangements should be clarified.

Ms. Lissakers agreed that it was important to mention exchange rate regimes. However, the language used in Box 4 was passive and did not give the sense that the Fund had gained experience with respect to the issue of exchange rate regimes over the past few years. Furthermore, it did not convey the idea that the Fund had to help its members by giving them good advice in order to help them decide on which exchange rate regime would be most appropriate to reap the major benefits of an integrated financial system at the lowest cost to a member. The Fund was not neutral with regard to the regime a member chose. It also would be helpful to note that the reason a number of emerging market countries had adopted a flexible exchange rate regime was because the crises caused them to move away from pegged regimes, and that the Fund would be examining how those members coped with such a change and whether or not it was beneficial for them.

It remained to be seen whether a currency board arrangement could be sustained over time, although it could be useful to stabilize a situation, Ms. Lissakers remarked.

The Chairman clarified that the report would highlight the importance the Fund placed on the issue of exchange rate regimes and indicate that the Fund would focus even more on that issue in the future.

Ms. Jul agreed that it was important to mention the issue of exchange rate regimes in the report.

Mr. Milleron noted that the issue of exchange rate regimes was very important and that the ongoing work in that area was critical.

Mr. Wei made the following statement:

> At the outset, I would like to join others in appreciation of the draft report and the Managing Director's statement in this report to the IMFC which is comprehensive and well balanced. I agree with his judgment that as a result of the collective efforts of the national authorities and the international financial community, including the Fund, in crisis prevention, "...the world should be better placed today than it was three years ago to deal with the emergence of difficult country situations and manage their regional and systemic implications."
>
> I agree with the challenges and tasks confronting the IMF in the coming years as stated under "The Unfinished Agenda" in the preamble to the Managing Director's Report.
>
> This being said, let me make a few remarks on specific issues in the report.
>
> First, in our recent WEO discussion, Mr. Kelkar and a number of Executive Directors emphasized the importance of enhancing surveillance of the three largest Fund members as "Exchange rate instability and significant misalignment among the key currencies is one of the major concerns of the world economy requiring greater G-3 policy coordination." It seems to me that this should be mentioned in the preamble to your statement.
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> Second, regarding page 4 of the Statement, which reads "especially through changes in the CCL—and to ensure that countries do not come to rely on Fund resources as a regular source of financing": first, not all member countries are qualified to use this facility. Second, by the Fund's charter, member countries have the right to seek financial support from the Fund when they have balance of payments problems.

Third, on “The Unfinished Agenda,” as requested by a number of Directors, we are of the view that the Fund should continue its work on the issues regarding short-term capital flows and HLIs. This should be included in “The Unfinished Agenda.”

Fourth, on page 3, bullet 3, in stating the Fund’s policy on the publication of staff reports and other country papers, “the Board also indicated the Fund should, in principle, encourage the publication of these documents.” However, a few Directors have different views on this position and their views should also be presented in your statement.

Fifth, in paragraph 6 of the Overview, the sentence “The international financial system is built around private capital flows” seems incomplete in the sense that official resource flows are also an important element in the international financial system.

Lastly, on Box 4 on page 23, I would suggest deleting the penultimate sentence “The IMF should not provide large-scale assistance to countries intervening heavily to support an exchange rate peg if this peg is inconsistent with underlying policies.”

Finally, on the issue of quota formula, I am of the same view as Mr. Yoshimura that this is an important issue and should be mentioned in your report.

Mr. Portugal made the following statement:

Both your Statement and the report are very well-written documents that give a good summary of where we are in our work. I particularly welcome your Statement and share the views that you have expressed, particularly those concerning the Fund’s need to concentrate on its core activities and to step up its activities in the financial sector. This report shows that a lot has been achieved in the past three years.

I have three comments to make. The first one is on page 3 of the report itself, regarding the fifth paragraph. The penultimate sentence says that “the Executive Board has encouraged members to adopt policies to foster crisis prevention and crisis resolution,” a thought I entirely agree with. However, it goes on to say, “through, for example, better mechanisms for creditor-debtor communications, collective action clauses, and contingent lines of credit.” As far as I understand it, consensus has not been reached regarding some of them, such as collective action clauses and private contingent credit lines. However, in reading this sentence, it seems that the Executive Board has encouraged members to go for collective action clauses and contingent private credit lines. I wonder if we could make two separate sentences to eliminate that impression, which is not a very accurate description of where we are now.

> I also have a comment on Box 4 on exchange rate regimes on page 23. I agree with you that it is important to have something in the report on this issue, because it is an important issue as well as a core issue for the Fund, and perhaps the idea that you suggest to flag this issue is important and that additional work needs to be done by the Board should be mentioned somewhere. I also agree that this is not the time to discuss substance, but I would like to mention that regarding bullet 2, where we talk about the three major currencies, it is mentioned that other countries will need to adapt to a global environment of exchange rate variability, but that misalignments and volatility in major currencies are cause for concern. Then, in bullet 4, when we talk about small and medium-sized open economies, we say that large exchange rate fluctuations in these economies may have significant economic costs. I think there is, therefore, some imbalance between treating these two things: the misalignments and volatility of the major currencies are treated simply as a cause for concern, but the large fluctuations in other currencies are said to have possibly significant economic impact. I thought perhaps we should have more balance in these two bullets.
>
> My third point is on page 24, paragraph 46, where we describe our recent decision and the Board's view on the pilot project on the voluntary release of Article IV reports. Here, a little bit more balance could be struck, because if I recall correctly, at least one-third of the Board thought that while there would not be any loss of candor, they were concerned that this would happen gradually over time, especially given the detected trend in the rise of requests for deletions, addition, and modifications. Therefore, perhaps these concerns could also be included in this paragraph.
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> Lastly, I would support Mr. Yoshimura's point, which I think was also supported by Mr. Wei, that some descriptive mention to the quota formula issue would be appropriate in this report. It should describe what has happened, that the report has been produced by experts, that there was a Board seminar, and that the issue will be discussed again soon

Ms. Lissakers noted that the report should simply state the policies the Board eventually agreed upon, rather than refer to the various points of views expressed during Board discussions.

The Chairman observed that the report should refer to different points of view on topics on which the Board had yet to take a final decision. However, the report should simply state Fund policy, without describing differing viewpoints, in those areas where the Board had reached a conclusion.

Ms. Jul supported Mr. Portugal's proposal for Box 4, and agreed with Mr. Wei's point that the misalignments in the G-3 countries required greater policy coordination on their part.

Mr. Esdar noted that, regarding the second sentence in the second bullet point in Box 4, members had to be made aware that policy problems could arise if a currency were pegged to a moving target.

Ms. Jul observed that the second sentence in the second bullet in Box 4 did not refer only to countries that maintained a pegged regime. Therefore, it was unclear what the report referred to when it said that "other countries would need to adapt to a general environment of exchange rate variability." How much should those countries be expected to adapt, particularly as the text later said that the large misalignments and volatility in the major currencies that other countries were expected to adapt to were themselves cause for concern?

The Chairman said that revising Box 4 was not as critical as acknowledging that the Fund needed to pay more attention to and do more work on exchange rate regimes.

Mr. Milleron made the following statement:

> We have a very good report that presents a rather fair and balanced analysis. I hesitated on one point, which is perhaps a point of political opportunity: the footnote on page 3 where the various partners are mentioned. I would just like to underline the fact that the G-20 is a different kind of grouping from all the other institutions that are mentioned. If we mention the G-20, we might also have to mention other kinds of groups or subgroups, so perhaps we have to be aware of this difficulty. I would hesitate to keep the G-20 as such here, because it is of a different nature from the others.
>
> On your presentation, Mr. Chairman, I can go along with most of it. Perhaps it is just a question of tone. May I say that it seems to me that you were more proactive on the issue of Fund involvement in poverty issues in the statement you made at the National Press Club (NPC) than in the last section of your Statement, "Are We On the Right Track?" As I read it here, the thought is that the World Bank is responsible for the alleviation of poverty and that the Fund has to cooperate with the Bank. Perhaps you could draw on your statement to the NPC in order to have a presentation that my Minister would prefer. I leave that to you.

The Chairman remarked that his statement to the IMFC would be comprehensive and would present his view of the future role of the Fund, including with regard to poverty, although the core issue for the Fund was the financial sector.

Mr. Milleron noted that the report should also mention that the Fund was concerned about the abuse of the international monetary system and offshore financial centers.

The staff representative from the Policy Development and Review Department noted that paragraph 6 of the report addressed the issue of abuse of the international financial system.

Mr. Milleron replied that there should be more focus on that issue in the report.

Mr. Chelsky made the following statement:

> I thought the MD's Statement was very good. One theme that is raised a number of times is the general thought that all of the Fund's future activities must be to make globalization work for the benefit of all. In fact, and perhaps more importantly, we need to be more proactive to ensure that the opportunities of globalization are accessible to all. We agree fully with the sentiment, but I wonder what we really mean, because I am not sure we know what we really mean, particularly when we say that we need to be more "proactive." We need to be careful that this is not perceived as empty rhetoric. We have just started making this argument, and it is important that we do integrate this concept into our work. Looking forward, it would bode well for the evolution of broad-based support for the Fund. However, the notion of us being proactive with respect to the accessibility of the benefits of globalization clearly goes well beyond social safety nets. It goes well beyond encouraging increased spending on health and education. It has to encompass explicitly a more proactive agenda on promoting good governance in terms of Fund programs. It requires a greater awareness of the distributional impact of Fund programs. However, I think we need to be a lot clearer in our minds on what we mean by that, because people are going to ask us, What is the Fund's agenda to be more proactive in making the benefits of globalization more accessible? I would just suggest that we give more thought to what is behind that very appropriate objective, because we will be asked about that, and I would hate for it to become something that just becomes a mantra without any operational meaning for us. A few years ago, the Fund held a conference on equity and the relationship between equity and economic policy. We had this wonderful conference with church leaders. It ended, everyone went home, and quite frankly I do not think it made one bit of a difference in terms of Fund policy or Fund programs. We put out a nice publication. The next year we did a policy paper on social policy in Fund programs, but I do not think there was even a single mention to anything that happened in that conference on equity. There were no links whatsoever. I would hate to see this sort of conceptual framework go in the same direction as that initiative.
>
> On page 5 in your Statement, I was pleased to see the concept of complementarity with the activities of other institutions, in particular the reference to the World Bank. I would also encourage you to consider being a little more explicit about complementarity with the World Trade Organization (WTO), as we have spoken a bit about the relationship between trade, the trade agenda, and the Fund. It might be appropriate to be a little more explicit on that front.

Briefly on the exchange rate regime issue, without repeating what has been said, first of all, I agree with Mr. Esdar's point about the flexibility between the three major currencies. I also agree with Ms. Jul's comment that the primary responsibility for any decision on exchange rate regimes rests with a country, and while the Fund may want to encourage adjustments when there are misalignments between the major currencies, the responsibility to adapt still rests with members. Therefore, the point that Mr. Esdar made is basically factual and not a Fund endorsement of a laissez-faire attitude toward the major currencies. Rather, it is an acknowledgment that the first line of responsibility rests with members themselves.

On page 38, the staff presents the matrices on exchange rate regimes. I was actually a little disappointed that under the section on the Executive Board's view, all it says is that the Board had diverse views on the merits of fixed and floating regimes in liberalized financial markets. I think we have moved well beyond that point. I wish the staff could have picked up some of the material in Box 4. Probably the most appropriate language is in the second to last sentence in that box, which was "the Fund should not provide large-scale assistance to countries intervening heavily to support an exchange rate peg if this peg is inconsistent with underlying policies." Unlike Mr. Wei, we do not think this is even remotely controversial. I would be enormously surprised if any member were to suggest that we provide large-scale assistance to support exchange rate pegs when there were inconsistent underlying policies.

Lastly, on Mr. Milleron's point on the G-20, I certainly do not agree. We should really avoid getting into a ranking and hierarchy with respect to international bodies. I do not know how we would characterize the Financial Stability Forum (FSF), and I also do not know how we would come up with criteria to encompass the various subgroups, such as the Organisation for Economic Cooperation and Development (OECD). More importantly, the G-20 is a different kind of organization, and I think that is actually a good thing. It has, as a different kind of organization, a comparative advantage that has the potential to be enormously complementary to the Fund's objectives. This is the point that the First Deputy Managing Director has acknowledged and mentioned a number of times, that when the Fund has an issue where it is difficult to break through a political impasse, a forum that has a lot of the major members of the Fund and is not burdened with the pressures of a decision-making forum often provides another way of helping to forge a consensus around issues that are relevant. Therefore, we need to acknowledge that it is a different sort of organization, but let us not get into the world of competition. Rather, let us try to look at the complementarity between these fora.

Mrs. Hetrakul made the following statement:

I thank you, Mr. Chairman, for your comprehensive statement and report to the IMFC. Real progress has been made in strengthening the architecture of the international financial system over the past three years since the financial crises that began in Asia. With the introduction of the various initiatives, in which the Fund has been instrumental, both the domestic and international financial markets are now indeed more resilient. But, Mr. Chairman, as you said, there is no room for complacency and the agenda remains unfinished. Here I would like to emphasize a few of the points you have mentioned in the statement.

First, while the world has experienced remarkable growth in the past decade, reflecting the technological advancements in an increasingly globalized economy, efforts should be intensified in ensuring that the developing countries are not left further behind. I agree with you, Mr. Chairman, that globalization must work to the advantage of all. Further assistance should be channeled to developing countries, especially in the area of capacity building, so that they could benefit from further engagement with the global economy. In this regard, I agree on the need to improve the effectiveness of TA and to remain responsive to new and increasing demands for TA needs in the period ahead.

Second, Mr. Chairman, you have rightly underscored in your statement the importance of ensuring that the Fund's activities are well prioritized and focused in areas where the Fund has a mandate and expertise. Given that the issues associated with the work on the international financial architecture are complex and interrelated, it is somewhat inevitable that the Fund will face an increasing demand for its attention and resources. It is, therefore, important for the Fund to remain disciplined, concentrating on its core responsibilities, and to remain cooperative, working closely with other institutions.

Third, I would support Mr. Wei's comments on the need to address the issue of short-term capital flows and highly leveraged institutions.

Turning to the draft report, we find it to be well balanced and concise. We have just a few comments. I join Mr. Portugal, Ms. Jul, and Mr. Wei in their comments on Box 4 on exchange rate regimes, which highlight the concerns of small and open economies over the large misalignments and volatility in the three major currencies. These countries would have to adjust to an environment of exchange rate volatility. While the importance of adopting the appropriate exchange rate policies could not be overemphasized, I wonder if more could be done to reduce the volatility in the major currencies, which could prove destabilizing for the international financial system. Like Mr. Wei, I wonder whether you could also add this concern in your statement.

Finally, I support Mr. Yoshimura's comments on the quota formula review and the underrepresentation of developing countries.

Ms. Lissakers made the following statement:

First, a general comment, which is that the report lacks drama. It could in its general presentation in the overview highlight a little more the dramatic shifts in thinking, policy, and response by this institution in the past couple of years. This is, after all, the millennial report to the Annual Meetings. Mr. Abbott—who was my advisor in 1993-1994, departed, and has now come back—said that there has been a revolution over the past few years, and that should be brought out more in the report; that we have taken on board the experience of the crises; that we do not all agree on everything, but that we have tried to keep in mind the lessons learned from the past when we carry out our work on issues, such as exchange rate regimes, private sector involvement, and vulnerability assessments; and that we have responded to the demands of the public for greater transparency and policymaking, both by member governments and by the institution. We also have taken on board the evaluation results, for example, on reforming the Enhanced Structural Adjustment Facility into the Poverty Reduction and Growth Facility, have embedded more poverty reduction and a much closer interaction with the Bank, and have hugely expanded our work on financial sector stability, as you highlight in your statement. Therefore there is a better, more comprehensive story to tell rather than just saying we have done a little bit of this and that. Thematically we could do better and should do better, because we have done a lot. That is what you could stress in your statement and in the report itself, and the agenda going forward should be presented in a more coherent and forceful way.

There are a couple of references to data and publication, which seem to be a little too accommodating of the go-slow approach, as the report seems to accept too easily that it can take decades for countries to be in compliance with international standards and codes. We know this presents a huge challenge for a lot of members, but it is essential, and we are going to work very supportively through technical assistance, which the report and others emphasize, to really help every country observe international standards and codes so that they can reap the benefits of globalization. That is another area where a more proactive tone could be used.

Similarly, on the issue of exchange rate regimes, I am not arguing that we should try to construe consensus on exchange rate regimes where there is not one, as the report has to be honest. In fact, there is a lot of disagreement. However, what troubles me most about Box 4 is the last bullet, which suggests that we still think "the tail should wag the dog"—that is, that the exchange rate regime should dictate policy. That implies that the only thing

> that matters is consistency of macroeconomic policy with the exchange rate regime. It is possible to have a macroeconomic policy that preserves an exchange rate regime but ends up driving the economy into a slow growth trajectory for decades. It impairs the opening of trade, and it sets a country up for financial crisis. We have to say that we want an exchange regime that is consistent with strong growth, poverty reduction, and financial stability economic policy, and that is what should drive the exchange rate regime, not the other way around. Some reformulation of that would be particularly important.
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> I agree with Mr. Milleron's comment on financial abuse, and we have to mention the Financial Action Task Force (FATF), because our summing up of the Board discussion said we were going to work more closely with the FATF.
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> On the quota formula review, I think we need, as Mr. Yoshimura said, to say something about what we have done and what we are going to be doing going forward.
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> I have several other specific points in various paragraphs on which I will just send a note to the staff and copy everybody and not take everybody's time this morning.

Mr. Kapteijn agreed with Ms. Lissakers that the revolution in the Fund's work over the past few years should be mentioned in the report. The report would need to be comprehensive given Ministers' and the public's interest in the Managing Director's vision.

Mr. Milleron was most likely concerned with the several references to the G-20 contained in the report because no other groups or fora were mentioned as frequently, Mr. Kapteijn said. It would be appropriate to strike a better balance in the references to those groups and fora.

Mr. Esdar made the following statement:

> I do not have any problems with the report. This combination of having your Statement in the beginning gives a kind of political direction to the report. The report has a little bit more bureaucratic assessment of our work than in the past, and the discussion of where we stand is reasonable even if it is a little bit on the long side. However, on Ms. Lissakers's point, indeed, I think there is a possibility to cast the report in a little more aggressive perspective. But, you will also make a statement to the Annual Meetings and to the International Monetary and Financial Committee (IMFC), which will provide a little more room to be a little bit more outspoken and probably a little bit less balanced than these reports have to be.

On the exchange rate issue, indeed, maybe that is the only part where your Statement could be formulated a little more aggressively to say it is crucial for countries to make the right choice with regard to the exchange rate system because that is the basis for growth and for stability.

I have two or three minor points, which I will convey in the traditional way by e-mail.

I have only one additional point, on private sector involvement. I noted that the section on private sector involvement will be added after we have the summing up of that discussion. I also expect that paragraph 5 will be somewhat adjusted in light of that discussion. In our view, it is crucial to mention that when it comes to the Fund's catalytic role, public money is and should be available only in a very limited way.

Mr. Collins made the following statement:

I am happy with the shape of the report as it stands. I take Ms. Lissakers's point that it is in some sense a millennial report to the Annual Meetings. However, I have tended to look at it as a fairly mechanical repetition of what we have done in the last six months. Nevertheless, one can take a broader view of it, and you need to judge, Mr. Chairman, how you want to balance that against the statement that you want to make to the Annual Meetings and to the International Monetary and Financial Committee (IMFC).

On page 13, the reference to the three-module approach to offshore financial centers (OFCs) should be made clearer to explain that they are not successive modules, but rather are alternatives, or at least the second and third modules are alternatives. The first one is probably essential for all of them. As it stands now, it appears as though all three modules will be done for every OFC, and I do not think that is what was intended.

On page 18, the first bullet says, "the IMF is preparing assessments in the areas of data dissemination and fiscal transparency." I am surprised there was no reference to monetary transparency or to the monetary code, as work has been under way in this area for some countries.

On page 24, of course we have not finalized the summing up on transparency, but I am still concerned that the last bullet uses the same language in relation to Poverty Reduction Strategy Papers (PRSPs), that there is a presumption in favor of publication, as it does in relation to letters of intent and so on. I thought that in terms of gradation, PRSPs have to be published. There is no ambiguity about it; if they are not published, they cannot be considered as PRSPs. It is necessary to make that clearer. The presumption in favor of publication is true for letters of intent, but not for

PRSPs; let us use the language honestly. It should be made clearer, and we may need people to agree to that adjustment in the summing up.

Finally, on the exchange rate regimes debate, to be absolutely clear, I have no objection to including what is in here, if we can get consensus around what is in Box 4. But, if we cannot, it might be better to drop the box and perhaps strengthen the three paragraphs we have in the report and add Ms. Lissakers's points that we have learned lessons and are beginning to apply them.

Mr. Shaalan made the following statement:

Like others, I very much welcome your Statement and generally support its contents. I have one proposed change and some other comments. The proposed change is on paragraph 11, which states that promoting growth for highly indebted poor countries (HIPCs) would require liberalization of trade by both developing and developed countries. Trade liberalization is good for everybody, but to put it in the context of just HIPCs may give the impression that it is more important for them than for others.

On some other points, I would side with Mr. Yoshimura on the references to the quota formula review. The whole world knows that we have been doing that, so we might as well put something in the report on that.

Under "The Unfinished Agenda" heading in the Statement, there is a reference to further work on capital account liberalization. If I may say, the Statement is somewhat stale on that issue as we have been saying that for a long time and we keep repeating it. To my knowledge, we have not made much headway in that direction yet.

On the second and fourth bullets in Box 4, we would agree with those who see the need for more balance between bullet 2 and bullet 4.

On transparency, we would agree with Mr. Portugal for better balance in paragraph 46.

Mr. Kelkar made the following statement:

We very much welcome and very much are in agreement with your Statement in which you outline your vision. Like Mr. Chelsky, I can welcome the sentence that says, "we need to be more proactive to ensure that the opportunities of globalization are accessible to all, and to provide assistance to our most disadvantaged citizens." That really brings out the new paradigm for the Fund. I am grateful to you for this very important contribution as part of your vision.

There are one or two ideas that I thought I would mention for consideration to be added to your Statement. One is that the role of the Fund should also be to enhance the security of national economies from the downside risks of globalization. Another is that the role of the Fund should be to enhance the economic security of national economies. As Mr. Wei mentioned, the Fund should promote greater coherence and coordination in the economic policies of the major economies, because that is a very important determinant of the global economy and the security of the global economy.

I also agree with Mr. Wei and Mrs. Hetrakul that perhaps you may also want to note that the Fund continues to work on issues related to highly leveraged institutions and offshore financial centers. The very last meeting of the International Monetary and Financial Committee asked us to look specifically at the Financial Stability Forum's Working Groups' reports, so we should mention what we have done.

I also agree with the points made by Mr. Chelsky and Mr. Shaalan regarding the trading system and the need to mention it in the report. One lacuna that I want to bring to your attention, which was discussed in the Board when we discussed international capital markets, is the potential vulnerability identified when we discussed derivative markets, particularly over-the-counter derivative markets. It was considered one possible important development in international capital markets that could be a possible source of instability and threat, and we did discuss it and it could perhaps be added to the report.

I also agree with Mr. Yoshimura that a suitable mention about quota issues should be included in the report, because it was discussed and is a work in progress.

Mr. Alosaimi made the following statement:

This is a very good report, and I welcome that the report and your Statement appreciate the achievements made so far, while at the same time acknowledging the differing institutional challenges facing members.

I have two minor comments. First, on the exchange rate, I agree with the comments made by Mr. Portugal and Mr. Yoshimura on this issue. On publication, I share the views expressed by Mr. Portugal and Mr. Wei.

Mr. Taylor made the following statement:

Mr. Yoshimura began the meeting by saying that your Statement had the right orientation and that has been a constant theme in the remarks this morning, and I concur with that view. As Mr. Collins said, I am happy with the shape of the report. It is a stocktaking of what we have done lately and that is all it needs to do. I have a half dozen small points.

First, any documents designed for Ministers are always better if they can be shorter, and that would apply to this document. The length given to standards and the two long paragraphs on OFCs is pretty excessive.

On exchange rates, the important thing is to indicate the intention to return to this fundamentally important issue in the period ahead. We have to continue to discuss the issue and that is the important thing.

On quotas, as many others have mentioned, it is an issue before us and it should be referred to in the report.

On transparency, the important thing that I feel is not captured is the need to review the policy in the future in light of the concerns that a number of us, if not all of us, but a number of us have about the risks to candor and confidentiality. I would like the text reviewed with that in mind. I do not think it is appropriate to foreshadow an early move away from the policy that we have just established.

On the references to the G-20, I agree with Mr. Chelsky.

Mr. Daïri made the following statement:

Like other Directors, I welcome this discussion and thank the Managing Director for a concise and well-written report. I have a few comments and suggestions.

Paragraph 14 of the draft report refers to the key areas of general consensus. However, the reference to monitoring in the second and third bullets does not reflect the consensus of the Board. I share Mrs. Hetrakul's views on this issue.

I also agree with Mr. Guzmán-Calafell's suggestion to refer to the voluntary nature of subscription to standards. On paragraph 20, I agree with Mr. Yoshimura's comments on capital account liberalization and capital controls. Furthermore, I believe it would be useful to indicate that further work is needed on the issue of capital controls in view of the methodological flaws identified during our Board discussion. On paragraph 21, I support Mr. Taylor's proposal to add a reference to herd behavior and highly leveraged institutions. On modifications of bond contracts, I share the views expressed by Mr. Portugal. I also agree with Mr. Guzmán-Calafell on the need to point to the risks for emerging market borrowers of including the proposed contractual provisions in debt instruments. We believe these provisions should be introduced only if there is general agreement including regulators in major capital markets. We take note of the Chairman's response to Mr. Guzmán-Calafell, and I would suggest including it in the report as a matter of clarification.

On paragraph 31, we believe that more developments are needed on the issue of a temporary stay of credit litigation, including possible reference to Article VIII 2(b). On paragraph 37, during the discussions of the CCL, some chairs expressed concern that the eligibility criteria may be too restrictive to allow members to avail themselves of this facility, and a reference to this issue would be warranted.

Mr. Kapteijn noted that, in reference to the third bullet in paragraph 32, the Fund had yet to endorse a core group of standards deemed critical for economic and financial stability. Prioritizing a group of standards could imply that the Fund was placing less emphasis on other standards, which could cause misunderstandings with other standard-setting institutions.

Mr. Ismael made the following statement:

I would like to thank the staff for the comprehensive paper prepared for today's discussion. The draft report gives a good description of the main points on which progress has been made since the last Annual Meetings in strengthening the international financial system, and outlines the areas in which further work is needed. The report properly focuses on the Fund's responsibilities in the ongoing globalization, while pointing out not only the benefits of economic and financial globalization, but also the risks associated with it. It also emphasizes your statement on the role of the Fund at the center of the international financial system and the challenges that this role entails.

The Fund appears to be on the right track in addressing these challenges. The report accounts for the work done or under way in identifying and in monitoring a wide range of external and financial vulnerabilities. This work should strengthen the Fund's surveillance activity, and the early detection of such vulnerabilities should help in the prevention of financial crises. The report focuses on a number of initiatives and outlines the strengthening of Fund collaboration with other international financial institutions in key areas of interest for the stability of the international financial system. These are very important initiatives. However, I think that the report should emphasize more the fact that, to be effectively implemented, this progress will have to take into account the weak institutional capacity in a number of member countries, particularly in developing countries. Technical assistance will be critical to the effectiveness of the various initiatives.

I welcome the indication in paragraph 10 of the report that the Fund has a responsibility in the ongoing efforts to reduce poverty, together with other international organizations. Of course, each organization, including the

Fund, will have to draw on its own areas of expertise. I would have liked to see this Fund's role reaffirmed in the Statement of the Managing Director. As presented in the statement, it appears as if the World Bank has the primary role in the area of poverty alleviation. I strongly believe that (i) there can be no poverty reduction without strong growth; and (ii) there cannot be growth without economic and financial stability, which falls into Fund's primary responsibility. I hope that the Fund's role in poverty reduction will be better stated in the separate report to the IMFC. However, I welcome the commitment in the statement that the Fund will continue to provide financial assistance to its poorest members on concessional terms, through the PRGF. I welcome the section on exchange rate and the broad principles outlined in Box 4. I also support those who would like to see more balance between bullets 2 and 4 in Box 4.

Finally, over a small point, I appreciate the effort to design a simple and transparent rule for the publication policy at the Fund. However, I think that bullets 2 and 4 of paragraph 46 are contradictory. In fact, the publication of Joint Staff Assessments of the PRSP does not fall into the general rule set in bullet point 2 that only documents stating national authorities' policy intentions will be presumed to be published. Joint Staff Assessments are staff reports that not only state national authorities' policy intentions, but also make an assessment of the authorities' policy intentions and implementation plans. I hope we can find a way of eliminating this apparent contradiction.

Ms. Jul made the following statement:

I just wanted to mention, as all speakers have, that we welcome your Statement as well as the report, and we are in general agreement. I just want to emphasize two or three issues.

One, we support Mr. Chelsky's comments that on page 5 in your statement a reference to the need for coordination with the World Trade Organization and the trade issue aspect, which was also mentioned by Mr. Shaalan, should be included in the report.

In paragraph 32, the second bullet is not clear on what we have decided on the issue of standards. It says that the demand for technical assistance is likely to increase, and we will need to provide it in the new areas as well as the old areas. However, it is not clear what the implications are of all of this.

On paragraph 29, which is the one referring to international standards and codes, more can be said on what we are doing, especially vis-à-vis helping to inform the private sector. In addition, the need to prioritize the implementation of international standards and codes should be cited. The way I see it is not that one set of standards would be more important than others, but within a category of standards, there may be a need to find the ones that would have a higher rate of return and to implement them first. It is true that the lists of standards and codes are enormous. At last count, we are probably approaching 100.

On paragraph 20, there is a reference to the need to focus on the financial sector, particularly in emerging market countries. Perhaps there should be some small reference or some reference that the issue of the highly leveraged institutions, such as Long-Term Capital Management (LTCM), has also underscored the need to focus on the financial sector, not necessarily solely on what is going on in emerging markets.

In terms of paragraph 40, the reference to the rapid accumulation of foreign-currency denominated debt is a point we have made many times, especially as we may be seeing a large accumulation of debt. However, we may be double counting because we are not taking into consideration net asset positions and there may be countries lending and borrowing at the same time, and so if you just look at each country separately, you probably get a worse picture than if you see the net positions.

Finally, I just wanted to welcome the emphasis on the need for the Fund to focus on the core issues and support Mr. Yoshimura's request that there is reference to the work being done on reviewing the quota formulas.

Mr. Kiekens made the following statement:

This is a good Statement and a good report, which I agree with. Directors have made very useful comments to improve it even further. Therefore, I would like to limit myself to only one observation.

Ms. Lissakers wanted to see a bit more drama in the report. I think you will take that suggestion for your address to the Annual Meetings. However, I fear that on one paragraph, readers that are not well informed can too easily draw conclusions that there will be a dramatic change in conditionality. It is on page 5, the last bullet point. This whole page is drafted extremely carefully and skillfully, and if you read it as an informed reader it is perfect. Nonetheless, the uninformed reader can too easily draw wrong conclusions, I fear, from the last bullet point. In the whole page, you point to the need for a more focused Fund and the need to assess how new initiatives fit into the core business of the Fund; all of this is well taken. You conclude, and I read, "efforts are under way to streamline and simplify the policy conditionality associated with Fund financing, in order to ensure that it is focused on the issues that matter most to the success of countries' programs." What should be clear, at least in the understanding of what this means, is that noncore structural reforms with a bearing on the core business of the Fund, which means macroeconomic stability, cannot simply be deleted from conditionality.

> If we see that structural distortions are the driving force, for example, in a pension system that is highly in deficit, then it needs to be addressed under our conditionality. Readers could too easily believe that we are now making a dramatic simplification of our conditionality. The reality, I fear, will be that we need to simplify it, but we should have a correct interpretation of that, and we will discuss that, of course, in the future.

Mr. Daïri said that he supported Ms. Jul's proposal to make a reference in the report to highly leveraged institutions. He also supported the proposal of Mr. Yoshimura to include a reference to the work done regarding the quota formula review.

The Chairman, in response to Mr. Kiekens's comments, noted that misunderstandings could always occur, no matter how well the report was written. In any event, the statement to the IMFC would clearly and comprehensively explain his vision as it related to Fund conditionality. It would be important to balance the need to include structural reforms in conditionality and the need for ownership on the part of authorities. Policies should be developed that would benefit a country—particularly the poor—given the restraints facing that country. They should not be developed to please domestic constituencies in developed countries.

His statement to the IMFC would also elaborate on what the mandate of the Fund was, the Chairman said. In his view, the Fund should be a facilitator, a supporter, and a true partner of members.

More emphasis could be placed on how much the Fund had accomplished in the past few years, the Chairman remarked.

Box 4 on exchange rate regimes should be deleted from the report, the Chairman suggested. However, the report should note that Fund would be placing even more focus on that issue in the future.

Ms. Lissakers noted that the membership would need to feel that the policies the Fund promoted were consistent with their interests. Otherwise, support for the Fund would decline.

The staff representative from the Policy Development and Review Department noted that the report served to inform not only Ministers and the Fund membership, but also the public. For that reason, it would be better if the report were comprehensive.

The staff would attempt to emphasize even more the changes that had occurred in the Fund's work over the past few years, the staff representative said.

Mr. Taylor's point that the risks to candor and confidentiality should be mentioned in the section on transparency would be incorporated, the staff representative continued.

Mr. Portugal's concerns regarding the section on private sector involvement would also be looked at again, the staff representative remarked.

The section on international standards and codes was lengthy because it covered a broad range of issues that were cross-referenced in other policy issues, the staff representative explained.

A reference to the work of the Financial Stability Forum could be added in one of the appendices, including the follow-up work on short-term capital flows and highly leveraged institutions, the staff representative said.

There was a reference in an appendix to the work on quotas, the staff representative noted. However, another reference could be added to the main text of the report.

The staff would examine the issue of whether the references to various groups and fora were balanced, the staff representative remarked.

Another staff representative from the Policy Development and Review Department, in response to a comment by Mr. Collins, said that the report noted that the staff would not recommend Board endorsement of a PRSP if it were not published.

The staff prepared assessments against the Code of Good Practices on Transparency in Monetary and Financial Policies, the staff representative remarked in response to another comment by Mr. Collins. Those assessments were carried out in the context of the Fund/Bank Financial Sector Assessment Program (FSAP), and the FSAP was mentioned in the report. However, the staff would attempt to clarify that point in the revised draft.

The text in the report regarding the link between surveillance and standards and codes closely followed the language contained in the last summing up on that topic as well as the language contained in the last IMFC communiqué. Nevertheless, the staff would examine that language again.

Regarding the section on standards and codes, the report was attempting to point out a number of issues that the Board would have to address in its next discussion of that topic, the staff representative explained. The staff was not trying to imply that some standards were better than others, but rather that a few of them were critical to the Fund's work. The staff would also look carefully at that language.

The report was intentionally vague on the issue of what implications the work on standards and codes would have on technical assistance (TA), the staff representative said. The work on international standards and codes would increase the requests for technical assistance in that area. The Board would eventually have to decide what the priorities were in terms of TA provision vis-à-vis the existing requests for TA and requests related to international standards and codes.

The staff representative from the Policy Development and Review Department noted that it would be appropriate to delete Box 4 rather than try to fine-tune the language.

Mr. Yoshimura noted that some Directors, including himself, had requested that the Board discuss the issue of highly leveraged institutions by the end of 2000.

The Chairman replied that that point would be mentioned in the report.

The report was both a stocktaking exercise and an opportunity to explain how the Fund should operate in the future, the Chairman said. The report should not, however, become a kind of policy paper.

The Fund would need to become more focused and would have to prioritize competing policies, the Chairman remarked. Members should be encouraged to implement Fund advice and maintain ownership over their programs.

The text of the report would be revised and presented again to Board members, the Chairman noted. Directors would also have the opportunity to discuss it again in the Board if they wished.

2. PRIVATE SECTOR INVOLVEMENT IN RESOLVING FINANCIAL CRISES—STATUS REPORT; AND STANDSTILLS—PRELIMINARY CONSIDERATIONS

The Executive Directors continued from Executive Board Meeting 00/89 (9/1/00) their consideration of a status report on private sector involvement in resolving financial crises (EBS/00/127, 6/30/00). They also had before them a staff paper on involving the private sector in the resolution of financial crises—standstills—preliminary considerations (EBS/00/179, 8/24/00), and a statement by the Managing Director (BUFF/00/139).

The Chairman made the following summing up:

> Executive Directors agreed that good progress has been made in developing a framework for involving the private sector in forestalling and resolving financial crises, and welcomed the convergence of views on many topics evident in the discussion. They agreed that valuable experience has been gained with securing the involvement of the private sector in the resolution of individual cases, with lessons learned by debtors, private creditors, and the official sector. This experience has highlighted the strengths, as well as the limitations, of the tools currently available to the international community for securing concerted private sector involvement. Notwithstanding the recent progress, Directors concurred that more needs to be done to operationalize policies in this area, in order to strike the right balance between the clarity needed to guide market expectations, and operational flexibility anchored in a clear set of principles needed to allow the most effective response to each crisis situation. They also considered it important that the official sector discuss the implications of the emerging framework openly with the private sector and, in this connection, welcomed the recent establishment of the Capital Markets Consultative Group. In this

context, Directors welcomed the Managing Director's statement and his intention, based on the discussion, to report to the IMFC.

Prevention

Directors stressed that prevention remains the first line of defense against a financial crisis. They noted that the adoption of consistent macroeconomic and exchange rate policies, sound debt management, and effective supervision over financial systems are all critical elements of a policy framework designed to manage and reduce vulnerabilities and the frequency and severity of crises. Directors emphasized that the primary tool available to the Fund in support of prevention is surveillance. They noted that, beyond the traditional policy areas, surveillance is now focusing on improving the environment for private sector decision making through measures to improve the transparency of members' policies, the development and strengthening of standards, and the assessment and reduction of members' vulnerability to financial crises. Directors emphasized the value to borrowing countries of establishing regular procedures for a dialogue with their private creditors. They called on the staff to follow up on this matter in Article IV consultation discussions with emerging market countries, and to report back to the Board on progress in this area.

Resolving Balance of Payments Difficulties

Directors agreed that, despite the adoption of preventive measures, members may at times face serious stresses in their external accounts. In some cases, a member may be able to address these stresses through the prompt adoption of corrective measures without financial support from the official community. In other cases, a member may complement the adoption of corrective measures with an arrangement with the Fund. In yet other cases, the difficulty in financing its external accounts may become severe, and the member may face a loss of access to international capital markets, at least on terms broadly consistent with a return to external viability and sustainable growth. In such circumstances, the member needs to work with all its creditors to ensure continued financing. However, Directors noted that if this is not successful, concerted private sector involvement may be required to achieve an orderly resolution of the crisis.

Directors agreed that, under the suggested framework for involving the private sector, the Fund's approach would need to be a flexible one, and the complex issues involved would require the exercise of considerable judgment. They called on the staff, in bringing program documentation to the Board, to be clear about the financing that is expected to come from the private sector for the member's program. In cases where the member's financing needs are relatively small or where, despite large financing needs, the member has good prospects of regaining market access in the near future, the combination of strong adjustment policies and Fund support should be expected to catalyze private sector involvement. In other cases, however, when an early restoration of market access on terms consistent with medium-term external sustainability is judged to be unrealistic, or where the debt burden is unsustainable, more concerted support from private creditors may be necessary, possibly including debt restructuring. Directors agreed that the assessment of a member's prospects for regaining access to international capital markets in the near future was a critical element of the framework. They broadly agreed on the factors that would be relevant to making this judgment; these include the characteristics of the member's economy, including the profile of debt service and debt stock, and the strength of the fiscal accounts and the financial system; previous levels of market access and market indicators; the strength of macroeconomic and structural policies; the authorities' commitment to sustain the implementation of the reform program; the level of reserves and availability of financing; and the stage of the crisis and experience with creditor-debtor relations. Directors called on the staff to continue its work on the analytic issues involved, with a view to strengthening the ability to assess both the pace and magnitude of a resumption of market access by countries emerging from crisis.

A number of Directors favored linking a strong presumption of a requirement for concerted private sector involvement to the level of the member's access to Fund resources. These Directors noted that a rules-based approach would give more predictability to the suggested framework for private sector involvement, while limiting the risk that large-scale financing could be used to allow the private sector to exit. Many other Directors, however, stressed that the introduction of a threshold level of access to Fund resources, above which concerted private sector involvement would be automatically required, could in some cases hinder the resumption of market access for a member with good prospects for the successful use of the catalytic approach to securing private sector involvement. They also noted that a trigger of this sort could increase the volatility of international capital markets at a time of tension. Some Directors pointed to the presumption of continued private sector involvement in financing the balance of payments of members drawing on the Supplementary Reserve Facility.

While there remain differences among Directors, I believe, nevertheless, that there has been welcome progress toward a convergence of views concerning the circumstances in which the use of Fund resources would be conditioned on action to secure private sector involvement. All Directors agreed that Fund operations should, to the extent possible, limit moral hazard, and that the availability of Fund financing is limited. Directors also agreed that reliance on the catalytic approach at high levels of access presumed substantial justification, both in terms of its likely effectiveness and of the risks of alternative approaches.

Directors acknowledged that the range of tools available to ensure a reasonably orderly and timely involvement of the private sector was limited. Most Directors stressed the importance of promoting the use of existing tools, including through the introduction of collective action clauses in international sovereign bonds issued by both industrial and emerging market members, and the use of contingent lines of credit. Directors noted that, in some cases, it may be possible to reach collaborative agreements with banks and other specific creditors for the maintenance of exposure or agreements on the restructuring of international sovereign bonds. In other cases, however, it may not be possible to contain capital outflows without using additional measures, the possible negative effects of which on the country itself, and on other countries, would need to be considered.

Directors encouraged the staff to examine issues concerning the process of debt restructuring and the relative treatment of different types of debt against the background of the principle that no one category of private debt should be regarded as inherently senior relative to others in a similar position. Some Directors noted that the treatment of sovereign bonds in a restructuring compared with other types of long-term credits, including the claims of Paris Club and other official bilateral creditors, required further consideration. Directors noted that decisions adopted in this area could affect the willingness of long-term private investors to hold emerging market sovereign debt.

Standstills

Directors welcomed the opportunity to have a preliminary discussion of issues associated with the possible use of standstills, and considered the staff paper to be very helpful as a first step. They noted that, as there is little empirical evidence concerning the effects of standstills, the staff's analysis and this discussion were inevitably somewhat speculative. Directors noted that the term "standstill" covers a range of techniques for reducing net payment of debt service or net outflows of capital after a country has lost spontaneous access to international capital markets. These range from voluntary arrangements with creditors limiting net outflows of capital, to various concerted means of achieving this objective.

Directors agreed that, when creditors are reasonably homogenous and have an interest in maintaining a long-term relationship with the borrower, voluntary agreements to contain private capital outflows may be feasible. This might be the case when exposure is predominantly due to commercial banks or suppliers, particularly if these creditors are satisfied that their commercial interests would be protected through a standstill. They concluded that, since the interests of nonbank investors who hold sovereign claims tend to be less homogeneous, it may be more difficult to secure agreement on voluntary standstills when payments due on such indebtedness are significant.

Directors underscored that the approach to crisis resolution must not undermine the obligation of countries to meet their debt in full and on time. Nevertheless, they noted that, in extreme circumstances, if it is not feasible to reach agreement on a voluntary standstill, members may find it necessary, as a last resort, to impose one unilaterally. Directors noted that, while a standstill limited to payments on sovereign obligations might be sufficient to stabilize the balance of payments, there could be a risk that this action would trigger capital outflows. They recognized that if a tightening of financial policies and appropriate exchange rate flexibility were not successful in stanching such outflows, a member would need to consider whether it might be necessary to resort to the introduction of more comprehensive exchange or capital controls. More generally, Directors recognized that exchange or capital controls would need to be tailored to the specific characteristics of the individual member, with the feasibility of imposing controls rapidly depending upon the existence of an established control infrastructure. All Directors emphasized that controls were no substitute for strong adjustment policies and should be considered only in exceptional circumstances.

Some Directors thought that, in some circumstances, a standstill could serve the best interests of both the member and its creditors; even so, they stressed that, as a general rule, a standstill should be maintained for the shortest possible period. These Directors noted that a standstill may be a useful tool for halting runs and could provide a breathing space to enable a member to put in place corrective policies, and—if necessary—to negotiate a restructuring agreement that would help pave the way toward a return to medium-term viability. Some Directors noted that bond exchanges had successfully followed some recent standstills. Many Directors, however, warned that the threat of a standstill could precipitate outflows and thus be destabilizing.

Some Directors noted that the use of standstills could cause concern about debtor moral hazard. Other Directors considered, however, that a compulsory standstill would still impose such significant costs on the member, including in the form of lost output, that the argument was not compelling. Directors stressed that the rights of creditors needed to be protected in a standstill.

Directors stressed that the imposition of a standstill by one systemically important country could lead to substantial spillover effects on the external accounts of other emerging market countries. They noted, however, that the strength and duration of these effects would depend on circumstances in the international capital markets and the relative importance of the transmission mechanisms, which are likely to vary over time.

Directors agreed that the impact of the imposition of a standstill in the medium term would depend on both the nature of the standstill and the risk preferences of investors. The imposition of exchange or capital controls is likely to reduce the availability of private capital over the medium term because of the reevaluation by both domestic and foreign investors of the extent of default and transfer risk. However, to the extent that the corrective policies adopted by a country and the extent of its cooperation with creditors indicate that the future resort to a standstill would be less likely, this effect may dissipate over time.

Most Directors considered that the appropriate mechanism for signaling the Fund's acceptance of a standstill imposed by a member was through a decision for the Fund to lend into arrears to private creditors. Under the established policy, the Fund can lend in such circumstances when it is essential for the success of the member's adjustment program and the member is making a good-faith effort to reach orderly agreement with its creditors. Some Directors favored an amendment to Article VIII Section 2(b) that would allow the Fund to provide a member with some protection against the risk of litigation through a temporary stay on creditor litigation. Other Directors did not favor such an approach, and noted that in recent cases, members' ability to reach cooperative agreements with private creditors had not been hampered by litigation. Irrespective of the actual mechanism applied, some Directors considered that Fund support of standstills could help reduce financing costs by assuring creditors that standstills are being implemented as part of an orderly and comprehensive approach to crisis resolution. These Directors were of the view that greater clarity and predictability in this area could lead to more stable capital flows to emerging markets. Other Directors expressed a concern that Fund endorsement of standstills could increase the price and reduce the availability of private capital flows to emerging market economies.

Some Directors noted that a clear framework for the circumstances in which a standstill would be invoked could encourage capital markets to limit the buildup of vulnerabilities. On the other hand, some Directors noted that a move toward a clearer framework for imposing a standstill could provide an incentive for creditors to position themselves to be the first to exit through a shortening of maturities of their instruments. Investors may also develop complex financial structures that could frustrate the efforts to impose a standstill.

Directors noted that the complex operational issues that standstills raise warranted further consideration.

In sum, I believe that Directors agree that these staff papers and the discussion, which draw on our recent experience and build on the guidelines provided to us in the April IMFC Communiqué, represent a very useful step toward the refinement of our strategy for private sector involvement. This discussion has also highlighted a number of areas in which further work is required. In the period ahead, our work program in this area will include:

- The promotion of a constructive dialogue between members and their creditors;
- The strengthening of the basis for assessments of the pace and magnitude at which countries in crisis can regain market access;
- The strengthening of the basis for assessments of medium-term viability, and whether or not there is a need for debt restructuring;
- Further work on debt restructuring, and in particular, the relation between the treatment of Paris Club and private sector claims; and
- Further work on assessing the extent of moral hazard.

3. INITIATIVE FOR HEAVILY INDEBTED POOR COUNTRIES AND POVERTY REDUCTION STRATEGY PAPERS—PROGRESS REPORTS; ENHANCED INITIATIVE FOR HEAVILY INDEBTED POOR COUNTRIES—REVIEW OF IMPLEMENTATION; AND POVERTY REDUCTION STRATEGY PAPERS—PROGRESS IN IMPLEMENTATION

The Executive Directors considered a joint note by the President of the World Bank and the Managing Director of the IMF to the Development Committee and International Monetary and Financial Committee on progress in the implementation of the Initiative for Heavily Indebted Poor Countries (HIPC) and the Poverty Reduction Strategy Papers (PRSPs) (EBS/00/183, 8/30/00), together with papers, prepared jointly by the staffs of the Fund and the World Bank, on the review of implementation of the enhanced HIPC Initiative (EBS/00/166, 8/14/00; and Cor. 1, 8/28/00) and on the progress in implementation of PRSPs (EBS/00/167, 8/14/00). They also had before them a background paper on key features of PRGF-supported programs (SM/00/193, 8/17/00).

The Chairman said that he and the President of the World Bank had drafted a joint statement on an enhanced partnership for sustainable growth and poverty reduction. It essentially stated that the Bank and the Fund were fully committed to working together, not only in the financial sector area, but also on securing sustained growth and, on that basis, poverty reduction. That statement would be circulated to Directors later that day.

The staff representative from the World Bank made the following statement:

> The World Bank Board met this morning on the same papers that are now before the Fund Board. The Bank Executive Directors expressed a strong appreciation for the two progress reports; many Directors particularly supported the candid discussion in the reports.

The reports on the PRSP and the HIPC Initiative are closely interlinked, and thus the discussion was as well. There was quite a bit of debate on what would happen if the first I-PRSP were approved and supported by the Boards and the first decision point was approved, but then there was no full PRSP after a year. The proposal in the report is to not rush the full PRSP and the completion point—in terms of policy formulation, the quality of programs, and the participatory process, which may take some more time than one year in many cases—and instead to have the authorities prepare a brief progress report associated with a joint staff assessment. While supporting this proposal, many Directors stressed that such a progress report should contain enough information to warrant the continuation of the HIPC Initiative process.

There was some concern that rushing to decision points before end-2000 could affect the quality of the PRSP process. Directors suggested that some progress was needed both on the part of the authorities as well as the staff in establishing and strengthening the policy analysis of pro-poor growth and the set of issues related to poverty reduction in the policy context.

While there was a strong desire that there be a significant track record before reaching the decision point for most countries, Directors considered that there should be some flexibility in cases where there was a prior track record, a strong commitment on the part of the authorities, and an urgent need for debt relief.

Directors also expressed concern about the impact of recent terms of trade changes, including the rise in the price of oil and the drop in many commodity export prices, on HIPC countries' debt sustainability and the ultimate success of the HIPC Initiative. The staff responded that, for those countries where decision points were upcoming, the staff would incorporate the most recent information on terms of trade into the analysis. The staff also stressed that in the enhanced HIPC Initiative framework there is the possibility at the completion point to look again at whether fundamental changes occurred in the economic environment in terms of trade export prospects, for example, and to adjust the debt forgiveness amounts on a case-by-case basis. This is possible within the existing framework and does not require a fundamental change in policy, although it was stressed that it should only take place when there are fundamental changes that are largely outside of the control of the authorities.

It was also generally agreed that, while the HIPC Initiative was a key instrument for supporting highly indebted countries, it is not the only instrument, and the overall framework of assistance thus needs to take into account the changes in the external environment between now and the anticipated completion points.

There was much debate on the sunset clause, with some Directors fully supporting the staff recommendation for abolishing it, but still much concern that that should not signal a more forward and open-ended process. In the end, the World Bank President proposed, subject to consultation with the management and Board of the Fund, that an extension of the clause would be more desirable than giving it up altogether. An extension of one to two years seemed to have broad support among Directors. There are quite a few HIPC-eligible countries that, owing to conflict and other factors, have not yet been considered. Maintaining the original sunset clause would mean abandoning any possibility of considering them beyond the end of 2000.

Caution was urged regarding financing; in fact, some Directors felt that the staff had been slightly too optimistic about financing in the reports, and many Directors stressed that, while no major problems are expected for 2000, the overall financing of the HIPC Initiative still requires much support from shareholder governments.

Access to the developed country markets was stressed as another productive and desirable way to help HIPC countries, beyond debt relief and concessional assistance.

Several Directors expressed interest in updating the country timetables that had been made available at the time of the 2000 Spring Meetings. The staff of both institutions are working on that. There was also a feeling that such schedules should be put on the Bank's website and shared with the public at large to show how the institution is dealing with the upcoming cases and what the expectations might be. The staff said that that would be done. At the same time, it cautioned that making too much detail available regarding both the policy measures expected and the precise dates might actually be counterproductive to reaching PRGF and other agreements that were needed for as many countries as possible to reach their decision points.

Finally, there was much encouragement and support for Bank-Fund cooperation and a strong relationship between the heads of the two institutions. The Bank staff thanked the senior management of the Fund for its support, especially for the work of the Joint Implementation Committee.

Mr. Shaalan made the following statement:

At the outset we would like to thank the staff for a well-written and pointed set of reports. We very much appreciate the candidness of draft joint note of the Managing Director and the World Bank President on progress under the HIPC Initiative and PRSPs. It is well balanced and appropriately reflects the pressing operational and financing issues, which need to be addressed as we move forward.

The paper on the key features of PRGF-supported programs is most helpful. It represents a move in the right direction in terms of articulating the respective roles of the Fund and the World Bank in the design and implementation of country programs aimed at enhancing growth prospects and reducing poverty. We very much appreciate the renewed focus on Fund core issues in the design of country programs. Gray areas clearly remain, and some may in fact always be present. However, we are hopeful that as we move forward and gain more operational experience, particularly after the inception of the Bank's Poverty Reduction Support Credit, more of these gray areas will be cleared.

In discussing ways in which policies are intended or are likely to contribute to the promotion of growth and reduction of poverty, the Fund staff should indeed draw upon World Bank staff sources. Fund staff should avoid duplicating and carrying out analysis of issues that fall within the World Bank staff expertise and rely directly on Bank documentation in areas where the Bank takes the lead. PRGF programs should indeed minimize on structural reforms conditionality as these can be more appropriately dealt with in the context of World Bank lending operations. Fund conditionality should be confined to areas within the Fund's mandate and existing expertise, particularly those relating to the fiscal area. In general, we agree that Bank and Fund structural conditions should be more selective and a justification for their inclusion in programs should be presented. In selecting those key measures for inclusion in program conditionality, two criteria should be considered. In addition to the central importance of those measures to the success of the program, the staff should take into account the difficulties that are likely to be faced by the member country in implementing those measures. Those difficulties can be owing to administrative shortcomings and/or to sociopolitical considerations. It may be useful for the staff to report on the feasibility of implementing those measures within the envisaged time frame and the obstacles that are likely to arise in the process.

Greater flexibility in accommodating higher budget deficits should be sought with due caution. Here we would like to underscore the importance of attaching the highest priority to maintaining a stable macroeconomic environment and a sustainable debt situation. Furthermore, in deciding on the allocation of credit between the private and public sector, one can think of instances where the public sector can justifiably draw on private sector resources. In general, however, it is essential that public sector borrowing does not hinder the private sector ability to access credit.

On the review of the implementation of the enhanced HIPC Initiative, we would like to comment on the pace of implementation and the desired approach as we move forward. The main objective of the HIPC Initiative is to provide timely debt relief to our poorest members while ensuring that the freed resources are effectively used to finance much needed social and priority sectors. With the availability of interim relief, a case can now be more convincingly made for speeding up the process of reaching the decision point without undermining the other objectives of ensuring that the recipient countries make progress toward achieving a higher living standard. In fact, as has been argued before, the availability of debt relief resources (or a fraction thereof) at the time of the decision point will facilitate the task of advancing the reform agenda. Clearly, the country still has to prove its willingness and ability to advance needed reforms in order to reach the completion point and receive the rest of the relief. This argues for a significant acceleration of the process of reaching the decision point.

We are encouraged with the flexible approach followed so far in the assessment of countries' track records. However, we believe there is still room for speeding up the process and bringing more countries to the decision point before the end of the year 2000. While eliminating or sharply compressing the track record requirement may constitute a leap of faith in some cases, the period following the decision point presents another opportunity (perhaps a better opportunity, particularly given that some of the financing constraints would have been relaxed with interim assistance) to judge the country's adherence to sound policies and commitment to implement needed reforms. It is worth noting that in cases of serious deviations from agreed policies, interim relief can be suspended, thereby avoiding a waste of HIPC Initiative resources. Another issue that needs to be borne in mind when making judgments on compressing the period leading to the decision point is that of equality of treatment between members. Here we would appreciate the staff's views on whether they envisage situations where this issue will arise and how they intend to handle it.

Regarding the conditions to reach the completion point, we would like to emphasize a point that we raised above and repeatedly in the past, namely setting realistic policy requirements and objectives to trigger the completion point. Those requirements should be achievable within a reasonable period of time (less than two years) without stretching the implementation capacity of the government while avoiding social and political difficulties. It may be counterproductive to provide debt relief while creating societal and political rifts. Furthermore, we believe it is best to avoid to the extent possible setting specific targets that can very well be influenced by factors outside the authorities' control. Specifying steps that would lead to achieving these targets may be more reasonable.

On the sunset clause, most of the seven countries which still have to meet the HIPC entry requirement will likely require significant debt relief and it is not yet clear how long it may take these countries to meet the entry requirement. It would therefore seem reasonable to suspend the sunset clause instead of resorting to more extensions.

On the issues for discussion, the report on the progress with PRSPs, we find no good reason to press country authorities to produce a PRSP with the aim of meeting some deadline. Quality over speed ought to be maintained in this case and we believe that the proposed use of a progress report with an up-to-date JSA would provide an appropriate alternative on which to base continued access to concessional resources from the Bank and the Fund. We can also generally go along with the proposal to provide more guidance to the staff on the content of JSAs.

Regarding the financing of the Initiative, progress has been made in securing the necessary financing needed for the Fund's participation. However, the overall financing requirements have not been fulfilled. In fact, The Fund's ability to commit resources beyond late 2000 is not assured. Furthermore, aside from the ongoing depletion of IDA resources which will require funding around 2005, the ability of other multilateral development agencies to provide necessary relief to HIPCs remains in question as we meet today. This is cause for concern, and a redoubling of efforts is required to fill the financing gap.

With regard to publication, we can go along with the consensus.

Mr. Cippà made the following statement:

Let me start by thanking the staff for preparing a comprehensive paper for today's meeting. We have had a number of country discussions since the Spring Meetings and now is the right time to sit back and analyze the progress under the HIPC Initiative achieved so far.

Regarding the assessment of the pace of implementation, I think that we have found a good balance between speed and quality. However, the staff is certainly right when saying that the touchstone is yet to come when we will have to assess countries with more mixed performances. I very much appreciated the background note on the timetables for individual countries provided in the April progress report (EBS/00/60, annex 1). That is the reason why I missed a similar table this time. Such a table would have been helpful in providing an overview of the outstanding issues for debt relief in individual countries. We put considerable importance on such information because we continue to believe that speed is not the only indicator—even not the most important one—for assessing progress of the HIPC Initiative. At least as important as speed are strong and credible commitments of HIPCs to follow sound economic policies, to implement measures to fight poverty, and to improve governance. We must be aware that giving in to the pressure of pushing through a high number of countries regardless of questionable track records might easily result in violating our original intentions. I fear that lowering agreed standards by making too many compromises with regard to governance problems and the macroeconomic preconditions is likely to undermine the credibility of the initiative. We should not forget that the initiative was thought to ensure a definite exit to a country's debt problem and to ensure the effective use of debt service savings in the fight against poverty. While I fully support the aim of speedily delivering debt relief to as many countries as possible, I feel that sacrificing these basic principles of the HIPC Initiative in order to meet the arbitrary end-2000 deadline would be too high a price.

As to the question of track record interpretation, I would strongly regret a further relaxation. By watering down the requirements for the track record up to the decision point, early participants who have delivered a strong and long track record would be treated worse, in retrospect, than later participants. Moreover, ensuring that resources are used efficiently requires that a number of preconditions be in place before debt relief can be granted. One of the most important preconditions, in my view, is the existence of a continuous track record under a PRGF arrangement leading up to the decision point. I would agree that a short gap between the expiration of one PRGF arrangement and the approval of a successor arrangement should be allowed. However, by accepting long periods of interrupted Fund and Bank support or less than a three-year track record we would set regrettable incentives, not only for countries with mixed, but also for those with strong performances. As this chair has underscored in the relevant discussion, we felt very uneasy with the recent decision to skip the requirement of a one-year track record immediately preceding the decision point in the case of Malawi.

Although we only have limited experience with floating completion points so far, I am encouraged by their apparent ability to shorten the interim period to less than three years. As to the categories of conditionality, maintaining a stable macroeconomic position and continuing with Fund and Bank programs was rightly set as a main condition for all countries. There was also considerable variety in key structural reforms, reflecting different circumstances. While I generally support this approach, we should nevertheless be cautious to avoid treating members differently. Furthermore, I continue to believe that we should not overload the reform agenda and identify just a few, most crucial areas. More often than not the required measures should also include measures to improve governance. As to social sector conditions, I welcome the fact that some specific measures were usually set up while the required preparation of a PRSP, at the same time, ensures the development of more comprehensive policies.

I must confess, however, that discussions of retroactive cases were at times somewhat unsatisfying because the Board did not have the possibility of altering completion point conditions presented in the staff report. Only in cases of preliminary documents, i.e., prior to the decision point, could the Board influence completion point conditionality. I would welcome procedures that would address this issue. I would also suggest having another review of floating completion points after one year. By then, we should have more experience allowing us to assess whether or not they come up to the expectation of accelerated pace of reform and improved ownership.

Turning to the sunset clause, I am somewhat hesitant to suspend it. Two years ago, this chair—and others—reluctantly agreed to give a second chance to seven countries. Thereby, we extended the time frame for qualification to four years. However, as staff notes, the incentive did not work. Permanently suspending the sunset clause would mean making a step in the direction of turning the HIPC Initiative from a one-time window of opportunity into a permanent facility. Establishing a permanent option of debt relief would send a wrong signal and would not, in the end, be in the interest of debtor countries, either. However, we acknowledge that these countries do have a debt problem, including, in some cases, protracted arrears to multilateral creditors. Nevertheless, I would be ready to support an additional extension of the sunset clause, rather than suspending it altogether.

While acknowledging that these countries have a debt problem, including protracted arrears with international creditors in some cases, I do not consider it appropriate that these countries qualify for the HIPC Initiative through the back door. I would favor approaches that are based on existing procedures and encourage these countries to adopt a Fund-supported program at the earliest possible stage. (We should also take into account that debt relief in these countries is no panacea, as their problems seem to be more deep-rooted.)

Finally, let me say that I am very concerned about the financing of the enhanced HIPC Initiative. We have to take note of a further, though modest, upward revision of costs. More seriously, shortfalls in resources could emerge as soon as late 2000, if the remainder of the profits from gold revaluation is not released. I strongly encourage the United States to proceed with the necessary legislation. Regarding the bilateral cost for individual countries, I appreciate the detailed information provided by staff. I nevertheless wonder how much of Paris Club and non–Paris Club debt has been secured already. We also welcome the progress achieved in finding a solution for the Inter-American Development Bank, which should at least partially address the participation of the Latin American and Caribbean subregional development banks, too. However, bilateral donors still have to secure their pledges. I encourage them to do so as soon as possible so that we can provide interim assistance to Honduras. The situation in Africa, however, is far more complex, although an agreement has been found for the near-term countries. We would appreciate some further views by the staff on the likelihood that a financing package can be achieved that would fully resolve the African Development Bank's participation in the Initiative.

Turning, finally, to the review of PRSP implementation, I think I-PRSPs have served their purpose of introducing flexibility for early PRGF and HIPC cases well. While some countries have presented I-PRSPs that have gone well beyond the basic requirements, it is clear that others still have a long way to go in the formulation of a full PRSP. This is proving to be a demanding task, one which will likely require a certain amount of time. In order not to dilute the content and the participatory character of the PRSP process, I agree with the proposition as set out in paragraph 32, i.e., that authorities could provide a short report to the Boards indicating the progress achieved so far. I also agree with the suggestions for the staff guidance in assessing the PRSP process. I would, however, caution against applying too rigid an approach, given that the high degree of country ownership that will be necessary for a successful implementation of the PRSP framework requires flexibility.

Ms. Lissakers made the following statement:

The following is a joint statement of U.S. views. We recognize and appreciate the enormous work by the staff and management of both the Bank and the Fund to translate last year's decisions into concrete action. We have also been impressed by efforts by many participating countries—Tanzania being one example, as President Clinton emphasized during his August visit. However, we have three broad concerns:

Expectations for decision and completion points need to be clarified in a manner that narrows the divide between our shared objective for timely HIPC progress and maintenance of standards that ensure HIPC does in fact contribute to stronger growth and poverty reduction.

The Bank and Fund need to accelerate operational changes in support of the PRSP framework for lending operations.

We need a clearer framework for assessing debt sustainability and the implications this has for the appropriate scale and composition of new concessional operations going forward.

Clarification of Requirements for HIPC Decision and Completion Points. The question of speed versus quality has been and will continue to be a predominant concern in implementation of the enhanced HIPC Initiative. The staff's update on expected timing in Table 5 of the HIPC document is helpful. Given the few cases in which the prospects for a decision point this year have slipped—Côte d'Ivoire, for instance—an update on the earlier report with country by country status would be helpful. This report helped clarify to a broad audience why specific countries had not reached decision points earlier and dispelled many misperceptions that there had been unnecessary delays.

Decision Point/Completion Point Timing. As we shift from the strongest performers to more complex cases, the premium increases on defining what constitutes an acceptable Interim PRSP, the needed track record under PRGF/IDA programs, and expectations for floating completion points.

Tracking and Reporting Savings. The importance of clear standards for I-PRSPs/PRSPs at the decision point is linked to the broader need for greater clarity on our expectations under the new PRSP framework. One of the most pressing gaps in this regard relates to the planned use of HIPC savings. Substantial public interest in this aspect of the program argues for strong due diligence.

We are pleased the staff recognize the need for improving tracking systems but we were disappointed by the lack of specificity regarding next steps and timelines. We have also been disappointed by the presentation on these issues in several decision point documentations, most recently the preliminary document for Zambia and the final report for Mali. We need to see more systematic reporting on the level of expected HIPC savings, both during the interim period and post-completion point, clearer treatment of what the authorities have indicated they will do with HIPC resources, and establishment from the decision point of systems to track how these commitments are being met. We would like a review of the staff plans for addressing this issue going forward, including treatment in HIPC documentation. In our view, it would make sense to have a separate section on this issue as a standard part of all HIPC documents.

Track Record Requirements. A core principle from the start has been that HIPC relief can only be effective in the context of a broadly stable macroeconomic environment and as part of a larger growth and development strategy. Maintenance of a high standard for the establishment of a track record under PRGF/IDA assistance is thus critical. This is particularly true in the most difficult and highest risk cases, many of which have experienced a protracted period without Bank/Fund assistance. In such cases, the establishment of a track record will be most important to the prospects for a durable resolution of debt problems and for effective use of HIPC resources.

In cases where there has been an interruption in Bank/Fund programs, we do not support compression that would prevent us from assessing performance against formal program criteria immediately prior to the decision point. The six-month standard that has existed in recent years was by no means excessive. In fact, as we made clear in the Zambia discussion, we would have been more comfortable with a decision point consistent with this standard.

Floating Completion Points. Structural and social floating completion point conditions in many cases have been targeted and achievable. In some cases, however, these conditions have been less well defined. We are pleased by increasing recognition in the Bank of the need to ensure that determination of these conditions reflects strategic consideration of the key impediments to poverty reduction and growth, and that the Bank can monitor progress in a more systematic way.

Interim relief was specifically designed to mitigate the pressure that existed under the original HIPC framework to rush to completion points. It is critical to get the PRSP process right and not induce a new race for completion points, given the clear risks that this creates for compromising the quality of PRSPs, the credibility of this effort, and the prospects of supporting lasting development results. Similarly, effective implementation of the PRSP is contingent upon strong macroeconomic policy performance, for which a credible track record is essential prior to the completion point. The role of interim relief is ill-understood among advocates of speedier completion points; perhaps greater efforts on the part of the Bank and Fund to educate civil society about the benefit of interim relief would help to head off pressure for excessive speed. In our view, a number of the projected time frames contained in Table V are excessively ambitious and risk unnecessarily raising expectations.

We therefore cannot support suspension of the sunset clause and recommend it be maintained, with provision for case-by-case Board waivers over a one- or two-year period. Otherwise, the staff's proposal would translate HIPC into a permanent program. Predictability about what we are being asked to finance is also of critical importance to this chair.

The staff's update on the costs and financing of the HIPC Initiative is helpful. In terms of U.S. participation, the Clinton administration is actively seeking congressional support. We are requesting a total of $435 million in appropriations for HIPC debt relief through FY2001, including $360 million for the HIPC Trust Fund. We are actively seeking congressional authorization of U.S. support for use of the remaining 5/14 of interest income on profits from the Fund's off-market gold sales for debt relief.

Acceleration of Operational Reforms to Support the PRSP Framework for Concessional Operations. We would highlight three key issues that have emerged from early experience that will need to be addressed in a more systematic manner to support the durability and success of our efforts:

•Clarifying our expectations for PRSPs;

•Supporting PRGF reforms, in terms of both content and conditionality; and

•Operationalizing the PRSP at the Bank.

Clarifying Expectations for PRSPs; Core Content and Growth. We are extremely pleased that the staff plan to deepen guidance on core content for PRSPs. This will provide much greater clarity to HIPC governments, civil society, and other development partners regarding our shared expectations from this initiative and, importantly, will provide a much stronger prospect that we will see comprehensive, well-supported PRSPs on a timely basis. We agree fully with the staff's observation that this in no way conflicts with country ownership. We look forward to updates from the staff that will support early Board discussion and outside comments as work advances in developing guidelines for PRSPs and JSAs.

We certainly concur with the staff on the importance of supporting countries' efforts to move away from a laundry list approach to a more strategic framework for defining, prioritizing, and implementing poverty programs and for understanding the implicit tradeoffs in alternative policy courses. A critical issue—and one not seen covered as systematically as it should be in the interim strategies to date—are strategies for sustained economic growth. We would be interested in hearing from Bank staff on the steps they are taking to increase the profile of growth strategies in their operations.

Participatory Processes. We have been disappointed by the lack of detail in the majority of I-PRSPs on plans for public participation in the development of the full PRSP. The work staff is undertaking to clarify expectations in this area will help, particularly for countries that have had limited participatory traditions. We agree with the importance of full PRSPs documenting key outcomes of the participatory process and with the need for participation in monitoring and tracking poverty-related public expenditures. Timely publication of PRSP-related, HIPC-related, and IFI program documentation will go a long way to support these efforts.

We assume the staffs are encouraging ambitious progress in defining and making a good start on participatory efforts as early in the process as possible (including in advance of decision points) on all the elements of the poverty strategy, including macroeconomic, structural, and sectoral policies. It becomes increasingly difficult to understand a lack of concrete progress in this area by the time of decision points.

Use of I-PRSP as a Transitional Instrument. We need to recognize that some PRSPs may take more than one year to complete following the I-PRSP. We fully support the principle that finalization of PRSPs should not be rushed, and we recognize the risk to the ultimate quality of PRSPs that might arise from rigid rules regarding time frames for completion. However, we also need to establish mechanisms to ensure that the transition period is not extended indefinitely and that countries that fail to make adequate progress in their PRSP efforts do not maintain uninterrupted access to concessional flows.

We cannot support the staff's proposal for a short letter, accompanied by a JSA, as the basis for ongoing concessional operations and interim relief. A fuller update (or more advanced draft of the country document) is needed that demonstrates forward momentum in establishing the PRSP, including implementation of participatory processes. These documents must have clear treatment of the issues around the use of HIPC-related savings.

Evolution of Fund Concessional Operations. The Fund staff paper on Key Features of the PRGF-Supported Programs goes a long way in addressing basic questions regarding how the pace, sequencing, and composition of PRGF programs is being amended to track the priorities of the PRSP. We were pleased by the staff's emphasis on ex ante social impact analysis, an effort which the Bank is expected to lead. The next step will be a more thorough discussion of how the Bank will operationalize this goal. Along with tracking changes in the PRGF, Fund staff do need to be concerned with streamlining conditionality, and we think they have outlined a reasonable course forward on page 6. We would recommend a more thorough Fund/Bank paper discussing the links between PRGF-supported reforms and poverty reduction and country experience for Board review in the near future.

Evolution of the World Bank's Role and IDA Operations. The Bank will need to take the lead in setting the priority social and structural conditions to operationalize the new PRSP framework. We support in principle the concept of a discrete parallel instrument to the Fund's PRGF to address this need, but only if these are grounded in an ex ante fiduciary framework and diagnostic work. Any new lending instrument should be used selectively and only with appropriate safeguards.

A Clearer Framework for Debt Sustainability. While the recent HIPC discussion has focused on increasing linkages between debt relief and poverty reduction, it is important not to lose sight of the basic objective of enhancing prospects for sustainable debt positions going forward. In this context, we see the need for a more fully articulated framework for assessing debt sustainability and its implications for the scale and composition of new lending for HIPCs. Clearer constraints on new public sector borrowing on nonconcessional terms for a period after HIPC debt relief should be considered. As the staff suggest, further restraint on concessional lending may be warranted, including through greater recourse to grant financing. We also will need to find more effective means to support greater selectivity to ensure resources go to countries best equipped to use them effectively.

In the near term, we would like to see more thorough documentation of staff's assessment of countries' borrowing capacity. This should include vulnerability/sensitivity analyses that had been contained in the original HIPC documentation. Full discussion is also needed within HIPC documentation of the risks that the country faces in terms of its growth and trade prospects.

Technical Comments. The aggregate information contained in Table 3 of the HIPC report on the level of savings is extremely helpful, but we were disappointed that the report does not also include the country-by-country presentation that we have seen in the past. This should be included in future progress reports and country-specific HIPC documents.

We found Table V of the HIPC document extremely helpful and believe it should also be included in future progress reports.

A point of clarification related to paragraphs 16 and 51 of the HIPC document. In order to avoid misunderstanding in the published version of this report, we would ask the staff to replace the word “unconditionally” with “irrevocably” when describing debt relief at the completion point.

Mr. Pickford made the following statement:

As the staff of the Bank noted, the collaboration between the Fund and Bank is extremely good, in no small part owing to the personal intervention of the Managing Director and the President of the Bank.

Regarding the issue of how much information is made available, it seems that, especially in the time preceding the Annual Meetings, and given the strong public interest in these issues, it is essential to make clear which countries are likely to go forward with the Initiative and when, and to be clear about the reasons why other countries might not be ready to embark on the process. In many cases, that is because of conflict situations, while in others it is owing to a lack of policy implementation. My own preference would be to go slightly further in terms of detailing the possible timing of decision points, although I realize the dangers associated with raising expectations.

On the HIPC Initiative progress report, the issue of the track record has come up in a number of statements. There is clearly an issue about how to deal with judgments on countries that have less strong—or perhaps intermittent—track records. Appropriate flexibility is being shown on this issue, and we should continue in that vein. It is important that countries have done enough, which requires a judgment as to what is enough. If they have done enough, they should come forward quickly. I understand that The Gambia is now expected to come forward this year rather than next. Madagascar may also be in that category as well. If countries can benefit from debt relief, artificial barriers should not be put in their way. However, beyond the end of 2000, the prospects for the granting of debt relief are going to be more challenging. The country cases will be more difficult, as many of them are affected by conflict. However, when they emerge from those conflicts, the Fund should be ready to provide different forms of assistance, including debt relief, and, in that light, the track records of countries emerging from conflict will need to be considered on a case-by-case basis.

On the issue of the sunset clause, we heard about the discussion this morning in the World Bank Board about extending, rather than abolishing, the clause. An extension of one or two years, if that is acceptable to this Board, would seem to be an appropriate way forward.

Another issue that came up at the Bank Board was the flexibility to respond to commodity price shocks. There is probably sufficient flexibility written into the decision that the Board took a while ago on the calculation of debt sustainability to account for that on a case-by-case basis, but I would be interested in views from other Directors on that.

I also welcome the attention that is being paid to tracking the use of debt relief savings and building up robust, transparent, and accountable budgeting systems. These are important elements in their own right, but they also increase confidence in the HIPC process.

On the financing issues, there is a concern that a number of bilateral donors are not delivering a full share of debt relief under the HIPC Initiative. This is a global initiative, and we encourage those that have not fully participated yet to do so as soon as possible. It is welcome that a number of countries have now announced that they will provide bilateral debt relief over and above the HIPC Initiative requirement, as this also strengthens the Initiative. Similarly, good progress has been made on agreeing on the funding of bilateral costs. Some of the regional development banks in particular face problems, but progress is being made. There is a need to ensure that pledges that have been made—including by the Fund—are adhered to and delivered on.

On floating completion points, I continue to hold to the view that monitorable measures and actions for the completion point should be limited in number and should focus on the key issues for poverty reduction. They should avoid being overprescriptive, as that is likely to lead to lower levels of ownership. Nevertheless, I agree that improved governance—a common feature of many of the completion point conditions—is important. That comes back to the point I made about transparent tracking and budgetary systems. It is entirely appropriate that governance, accountability, and transparency should be common features of these completion points.

On the Bank Board's discussion about the speed with which full PRSPs should be produced, we should not be overly hasty in this regard. It is more important to have a good quality PRSP than to rush it; a rushed PRSP is likely to have insufficient analysis or consultation built into it.

The staff paper talks about requiring four to six actions and conditions for the completion point. In some countries, for example, Mauritania, there have been even longer lists of quite demanding actions, covering a range of areas. Many of these conditions are not measurable or are not under the government's control. It is important to focus more on those conditions that are essential and achievable.

The PRSP progress report is a good report. It is honest, open, and highlights the tensions that Directors recognize are inherent in the PRSP process, especially the issue of speed versus quality. The fact that the report is so open shows that the institutions are listening to the comments being made by outsiders and responding to them.

I endorse the proposals for more flexibility in the PRSP process and for allowing more time to complete a full PRSP if necessary. Where there is a longer gap between the Interim PRSP and the full PRSP, there is a need to ensure that the programs are consistent with the poverty and growth objectives. Many countries have commented that the three-year cycle between the PRSPs is too short. There is a good case for arguing that; we should make sure that the cycle of PRSPs fits in with countries' budgetary and review processes. The issue is not pressing at the moment, but there is a need to think more about it.

I also support the proposal that the JSA by the staff of the Bank and Fund should go further in terms of commenting on the participatory process, and I would endorse the proposals for its publication. The publication of the documents can be an important part of the process of participation and consultation, and thus help the process enormously.

On the content of PRSPs, one issue that comes out clearly is the problems that many countries have because of a lack of data. This is a real priority; the design and monitoring of PRSPs requires good quality data. Until data capacity is improved, one must use whatever statistical systems are available.

I welcome the attention paid in the report to governance, public expenditure management, and the tracking of resources. Another clearly important matter is conflict and security issues, which are critical for economic development and poverty reduction. In such cases, it is appropriate for the PRSP to take that into account.

Finally, I agree with the approach proposed in the staff paper to provide more guidance on the content of PRSPs. Such guidance should be helpful for countries in preparing PRSPs, although, rather than prescriptive, it should be illustrative, drawing on the experiences and the history that has been built up with PRSPs as to what is important and what is not. Giving more clarity at the outset would help countries.

This process and these papers demonstrate that there is effective collaboration between the Bank and the Fund, and it is important to demonstrate in the time leading up to the Annual Meetings that the two institutions are doing everything they can to deliver on this Initiative.

Mr. Morais made the following statement:

We are grateful to the staff for preparing the papers before the Board today, which provide a useful report on the progress being made on the implementation of the HIPC and PRSP initiatives. In particular, we welcome the suggested move toward streamlining some features of these initiatives in order to allow more flexibility for a swifter implementation. The Board's discussion today provides an excellent opportunity for it to make significant progress toward that end, and to make an important contribution to support, through a substantial debt relief mechanism, low-income countries' battle against widespread poverty. The Fund's successive undertakings, while greatly relying on an eligible country's strong commitment to sound economic policies and well-defined poverty reduction measures, are critically dependent on the timely availability of financial resources from contributors. In this regard, it would be extremely unfortunate if further delays in releasing the remaining 5/14 of the investment income of the profits from gold sales put in jeopardy the Fund's provision of debt relief under the HIPC Initiative beyond 2000.

More efforts are also necessary to ensure that other multilateral creditors fully provide their share. Since the HIPC Initiative was launched nearly four years ago, only about one-third of eligible countries have become qualified, most of them over the past year, following the review of the conditions for accessibility at the Cologne Summit that produced the enhanced HIPC Initiative. In this respect, the revision of the target debt sustainability ratios enhanced chances for deeper debt relief, therefore placing external debt on a more sustainable basis. Moreover, the adoption of the floating completion points and the provision of interim assistance from the decision point allow for improving the pace of implementation and reducing the debt service payments for HIPC Initiative cases during the intervening period. These were important steps toward accelerating the implementation of the Initiative, but it is important to do more in this regard. Indeed, most of the HIPC-eligible countries have demonstrated a strong commitment to adjustment and reform for a long period of time—some of them consistently for well over a decade. The lack of timely and adequate resolution to their large and persistent external debt overhang has been an obstacle to moving along with their reform programs and in advancing their agenda on poverty reduction. In most countries there is a profound sense of helplessness that the pace of debt relief has been excessively slow.

Twenty countries reaching the decision point by end-2000 is insufficient, in view of the enormous and pressing need for debt relief for all HIPC countries. In this context, we would propose that the annual cap of interim relief provided by the Fund at the decision point be increased to 33 percent. The Ministers in my constituency put that request forward in a meeting with the Managing Director. That is entirely consistent with the findings of the staff paper, which notes that the countries that have already reached their decision point are expected to be able to achieve the completion point within two years, or in some cases even earlier. The 60 percent cap for total interim relief that is currently in place would effectively, on the basis of the time frame, result in the disbursement of 60 percent of Fund-related debt relief within two years of the decision point. If current practice is an indication of likely future practice, raising the per annum cap to 33 percent would not have any major additional financing implications, and in fact would provide a more accurate representation of how the Fund's interim relief will actually be disbursed. Moreover, it would provide an important signal about the shift in the Fund's role in debt relief to an organization that is willing to increase the resources given to interim relief and make them available at an early stage to help boost the country's efforts at poverty reduction.

We welcome the improved flexibility provided by the adoption of floating completion points and by eliminating the rigidity of a fixed-term interim period. We agree with the staff's proposal to limit floating completion point measures to perhaps three or four areas, provided that these areas represent monitorable issues and focus squarely on core aspects of the relevant country's poverty reduction strategies, which would, as highlighted by the staff, serve to reduce the risk of overloading the reform agenda. We also concur with Mr. Shaalan's view that the justification for the inclusion of specific Fund and Bank structural conditions should be addressed.

We would like to emphasize an issue that has been raised on each occasion that the HIPC Initiative and the PRSPs have been discussed: that the floating completion points measures must be realistic. The necessary implementation capacity and resources to give effect to these measures must be present and be within the influence of the authorities to exercise, and the measures should be required to be achieved within a reasonable time frame.

On the issue of the track record requirements for the decision and completion points, our view remains as it always has been: that one should proceed with flexibility and sensitivity and give countries the benefit of the doubt. The largest burden of implementation, after all, falls upon these countries. While there may have been periods of Fund and Bank support in the past, the fact that programs have been resuscitated is an indication that there is an underlying commitment to carry out the process or program concerned. The progress report on the implementation of the PRSP stresses countries' willingness and considerable progress made toward poverty reduction strategies. It is thus reasonable to adopt as flexible an approach as possible regarding the requirements of the track record immediately preceding the decision point and achieving the completion point. Such flexibility would have to be interpreted within the context of countries remaining broadly committed to their reform programs.

Regarding the sunset clause, while, like Mr. Pickford, I do not want to see an open-ended process, the staff's proposal to extend the clause is sensible. That will allow all HIPC countries to adopt programs of adjustment and reform, supported by the Fund and IDA, so as to qualify for the Initiative. In addition, it would preserve the principle of equality of treatment and could avoid the hazard of potentially disqualifying a suitable candidate for the enhanced HIPC Initiative or establishing different categories of candidates.

The burden-sharing involved in this exercise is complex. The comprehensive participation by all creditors is critical if the Initiative is to deliver on its goal of eliminating unsustainable debt burdens. In this context, the non–Paris Club bilateral creditors have been increasingly called upon to provide debt relief on terms comparable to those applied by the Paris Club. However, little or no progress has been made in this area, reflecting that there are several difficulties associated with this issue. First, most, if not all, of the creditors in this category are developing countries. Second, the creditors were not part of the decision-making process concluded by Paris Club members. Third, some of these creditors are themselves HIPC-eligible. In light of this, it is important to look for a more innovative and flexible solution to this category of creditors. The current impasse is not only preventing a solution to this matter, but is also compounding these countries' external debt to unsustainable levels.

Regarding the PRSP paper, there is a clear recognition that countries have gone to great lengths in preparing national poverty reduction strategies as the basis for Fund and Bank concessional financing and debt relief under the HIPC Initiative. The paper showed how the PRSP can help to identify the critical areas and policies in reducing poverty, but it is a time-consuming, resource-intensive, and costly undertaking from the perspective of the countries that face constraints in terms of human, institutional, and financial capacities. In most cases, external technical and financial support will be required to reinforce the country's capacity to respond to these new challenges. We urge the Fund and Bank to follow what some bilateral donors are already doing in that regard and perhaps to take the lead in the area.

The lengthy preparatory work required in the developing of the PRSP through a broad-based participatory process, the key elements of which still lack clarity, conflicts with the main objective of the Initiative to accelerate debt relief and concessional assistance to countries. Experience has shown that countries tend to regard PRSPs as strategies in progress, rather than as one-time events. We sense that the strict link between the completion point and the preparation of a full PRSP could unduly delay the early delivery of assistance and debt relief as envisaged. We agree with the staff, therefore, that, in cases where countries face difficulties in completing PRSPs, a short progress report could be used as the basis for such assistance.

A number of suggestions are advanced in the staff paper to provide more guidance on PRSP content. Like Mr. Pickford, I think that the Fund should not be too prescriptive, so as to ensure genuine country ownership of the PRSP process. Thus, any unnecessary interference in the process should be limited. The evaluation of the appropriateness of the PRSP belongs in the first instance to the countries themselves; the use of the PRSP sourcebook and the discussions held with the joint Fund/Bank missions should provide a useful basis to ensure that.

We welcome attempts to streamline the PRSP process and reduce cross-conditionalities between the Fund and the Bank. Poverty-related conditionality in Fund operations should be limited to macroeconomic areas, namely fiscal and monetary targets. Structural conditionalities need to be more focused on appropriate sequencing, and a smaller core of structural reforms should remain the Bank's primary responsibility.

Mr. Faini made the following statement:

Let me thank the staff of the Fund and Bank for their excellent work. These documents deliver a strong message that the two institutions are working together to accelerate the delivery of debt relief, but that they must be confident that mechanisms are in place to ensure that the Initiative will effectively contribute to sustained growth and poverty reduction. The concerns and criticism that we have heard about the pace of implementation of the Initiative are not fully justified. The criticism neglects the fact that the issues at stake are complex and ignores some of the innovative features of the enhanced Initiative, such as the provision of interim assistance and the floating completion point, which were introduced with a view to accelerating debt relief while preserving the quality of the Initiative.

The issue of tracking the use to which debt relief is put should appear prominently in the HIPC and PRSP documents. It is essential that the channeling of resources freed by the HIPC Initiative toward poverty reduction expenditures be made in a transparent and accountable way. In that regard, I support what Ms. Lissakers and others said in their excellent statements.

On the track record, we support Mr. Cippà's comments. This is not an ad hoc addition to the Initiative but one of its key pillars. Debt relief will not serve its purpose of accelerating growth and reducing poverty if it does not come with an unflinching commitment to sound policy. We will not, therefore, support a weakening of the track record principle. We have, in the past, expressed reservations about proposals that in our view would lead to a weakening of this requirement. However, we feel that the Board has taken a cautious and flexible approach that should not be relaxed, particularly in the highest risk cases.

In the context of track record, the staff paper does not fully reflect the Board's deliberations. For example, it mentions the fact that the Board, in the case of Ethiopia, was willing to shorten the period ahead of the decision point to six months. However, that was done on the condition that the subsequent period between the decision point and the completion point would be a full three years. Therefore, while the Board showed flexibility, it was not a one-way street.

I am slightly uncomfortable with the proposal to suspend the sunset clause and the suggestion by the staff representative from the World Bank that there may be some consensus to postpone it by one or two years. The sunset clause has not worked as it was supposed to, and the Board should recognize that fact. That recognition should perhaps lead the Board to a more general discussion about the way the HIPC Initiative can be adapted to the difficult situation of those countries that still have not met the entry clause. These are countries with conflicts, most of them with large arrears. Therefore, at some point one should perhaps consider clearer modalities, both in the delivery of debt relief and in the definition of the track record requirement. Should strong track records be required? That is an issue that the Board cannot neglect because, as it stands, the Initiative does not seem to have produced the right incentives.

On the PRSP and PRGF papers, the Fund needs to devote more effort to researching the link between macroeconomic policy and poverty. This link is still not well understood, and this issue requires further deliberation between the two institutions, not only among operational departments but among research departments.

Like Mr. Pickford said, more emphasis should be given to the quality and the availability of reliable data. The staff paper should have provided a summary table on the data that are now available in areas such as the poverty profile.

On the issue of providing guidance on the core content of PRSPs and the quality of the participatory process, a minimal and cautious approach that fully respects the prerogative of national authorities and avoids interference with delicate domestic political processes is called for.

On streamlining conditionality, which was a major issue in the Board retreat, the staff paper tries to define some general criteria to guide both the staff and the Board. Here, once again, is the perennial dilemma between discretion, which seems to be the present regime, where the staff has discretion in defining conditionality, and rules where conditionality would perhaps be restricted to do a number of core areas—the "positive list" approach—or would be banned from covering a set of noncore areas—the sort of "negative list" approach. Both approaches suffer from serious shortcomings, and I see some merit in the staff's proposal to move toward a presumption-based approach, where Fund conditionality will be presumed to cover a number of core areas, and where the introduction of conditions in other areas will be subject to close scrutiny by management and the Board. However, that will not solve difficult issues such as those the Board faced in the past, for instance in the case of Zambia, where the issue was how to deal with the privatization of state-owned enterprises, or in the case of Mozambique, where the issue was how to deal with trade policy that deeply affects the production and exports of the major export crop. These are difficult issues, and the Board can try to define general criteria, but there will always be some gray areas.

On financing, I regret that some countries have not completed—and may not complete for a while—the legislative procedures to ensure the financing of the HIPC Initiative. I recall that in March 2000, the Board was reassured that the constraints on the release of the finances from the gold transaction were mostly a formality. Unfortunately, that was not the case. I welcome the U.S. commitment to get the required authorization passed through the Congress.

Let me raise three points regarding Table 13 and Table 14 on the Initiative and clarify Italy's position in that regard, which should perhaps be reflected in the tables. First, it is important to note that the Initiative does not only cover HIPC countries, but extends to all IDA countries. This is because it is not only countries that have policy failures or endogenous shocks that deserve full consideration of their debt; other countries that have followed more sound policy and been less exposed to shock should also benefit. Second, saying that all post-cutoff commercial debt should be cancelled could have a drastic impact on the future flows from export credit agencies to HIPC countries. While we are willing to consider this on a case-by-case basis, we are not willing to consider it as a general rule. Third, on what will happen after the HIPC Initiative, the staff representative from the World Bank pointed to the need to continue the commitment to sound policy and the need to foster a more favorable environment for developing countries and for HIPC countries, especially in the context of trade. As management has noted, it is a contradiction for industrial countries to cancel their debt but not open their markets. Italy has suggested to other countries that all quotas and tariffs on the poorest countries be abolished; that is an agenda that the Board needs to pursue.

Mr. Taylor made the following statement:

Like others, we thank the staff for these papers, which are appropriately joint documents. During the Spring Meetings, the concern about the seemingly slow pace of implementation of the Initiative permeated the discussion. We note now that 10 countries have reached decision points, double the number reported in April 2000, but still only half the target of the 20 which is supposed to be reached by end-2000. We reiterate the importance of the Bank and the Fund bringing as many countries as possible to the decision point in 2000. However, the desire to speed up implementation cannot, and should not, displace the imperative of developing and adopting the appropriate frameworks in HIPC countries to reduce poverty and achieve long-term debt sustainability. Therefore, we hope that the authorities of the countries concerned, actively assisted by the staff in coordination with the international donor community, can work out the requirements in a timely fashion for that target to be achieved. In the event that that proves impossible, it would be imperative to articulate the reasons clearly, in full, and in a timely fashion to the NGO community.

The floating completion point has placed the timing of the achievement of the completion point more under the control of country authorities and, hopefully, enhanced their ownership. However, in previous Board discussions on countries that had reached their decision points, Directors voiced strong concerns that the reform agendas to which the completion point was linked might be overloaded. Therefore, like others, we emphasize the importance of limiting the floating completion point measures to those few areas that are most critical for poverty reduction.

Securing full financing from all creditor groups is essential to ensure the continued implementation of the enhanced HIPC Initiative. In the case of the Fund, it is becoming increasingly urgent to secure the remaining 5/14 of the investment of profits from gold sales, and it appears that that is going to have to be kept under continuous review.

We support the staff proposal to suspend the sunset clause and allow a two-year extension; it would also be acceptable to do that as an interim measure.

On the PRSP, implementation is progressing. It is encouraging to note that momentum is accelerating in the preparation of I-PRSPs and PRSPs, and that countries are generally working effectively in line with the core principles. The I-PRSPs have served well to encourage the development by countries of participatory poverty reduction strategies without delaying access to concessional assistance and HIPC debt relief. Early experience indicates that more than one year may be required to develop full PRSPs, particularly for those countries with severe institutional and governance constraints. Given that that could delay access to interim debt relief and concessional assistance from the Bank and Fund, we agree that in such cases the authorities should be permitted to provide a short progress report to the Boards, accompanied by a joint staff assessment. Those two documents would serve as a basis for continued access to Bank and Fund concessional resources and interim debt relief.

I agree with the important point underscored by Mr. Faini about the deleterious effects of market access not being achieved more aggressively and successfully.

On communications, while I can understand that discussions about gold are a particularly delicate point, where too much information could cause difficulties, like Mr. Pickford, I believe that information is absolutely essential in the understanding of what the Fund is trying to achieve. In spite of the efforts that have been made so far, my limited contact with NGOs suggests that they still lack a full appreciation of the Fund's position in relation to particular countries at certain points of time; the Fund should redouble efforts to secure a full understanding.

Mr. Houtman made the following statement:

PRSP Progress Report. If we look back on the first year, or less than that, of experience with the PRSP, we have made impressive progress. I am encouraged by the generally realistic and balanced tone of the paper in discussing the various tensions, paradoxes, and problems that came to the fore. On the basis of the paper, as well as my own experience of the Netherlands, I have a few observations.

Firstly, an area where the paper appears to paint a too rosy picture is that of the participatory process, even though the joint statement of the President and the Managing Director partially puts this straight, listing participation as one of the core problems. In this respect, I welcome the message to donors and development partners, urging support for the PRSP and for aligning aid modalities to the PRSP. The Bank and the Fund should try to play a more proactive role here. Collaboration with other development partners is such an important aspect of the PRSP process that it should be addressed in the next PRSP progress report.

Secondly, I agree with the statement in paragraph 34 that having clear expectations with respect to the core elements of a PRSP should not be inconsistent with the aims of flexibility and ownership. It would also be highly useful to provide guidance on the content of JSAs to staff.

Thirdly, as others have mentioned, in particular in the Bank, trade does not receive adequate attention in this paper, nor in the PRSPs and JSAs. Trade is also of key importance to the sustainability of external balances in countries facing terms-of-trade shocks (see below).

I believe that more emphasis on trade in dealing with poverty reduction strategies is warranted.

As for the two issues for discussion on page 21 (on use of Interim PRSP and content of JSA), this chair can agree with both proposals. Concerning track record requirements for entry into the HIPC Initiative, some degree of flexibility is warranted. But we must always keep in mind that credible policies and a demonstrated track record are indispensable for a successful debt relief process and poverty reduction. We have to have a reasonable degree of assurance that resources freed as a result of debt relief are spent efficiently and effectively. On the use of an Interim PRSP as a benchmark for a country to reach its decision point, I would expect that countries reaching their decision points later on do so on the basis of full PRSPs. At the same time, we should avoid compromising the PRSP process if countries feel a need to finalize their PRSP before key data are available. If there are good reasons to delay the process, a letter from the government accompanied by an opinion from staff should be adequate to continue support.

HIPC Initiative: Review of implementation. To begin with, I would like to acknowledge the hard work of staff and all parties involved in making great progress over the past year. There has been external criticism of the speed of implementation. But on the whole, I believe delays in decision and completion points as compared to the schedule originally envisaged can be easily explained by unfortunate events in HIPC countries. Like Mr. Cippà, I do not believe that publication of a more detailed agenda for the treatment of country cases will make implementation of the HIPC Initiative any faster. Indeed, it might increase the pressure to grant debt relief to a point where we can no longer be serious about the quality of the process. Board discussions should be based on sufficient track record and on progress in drafting an Interim PRSP or PRSP, both of which are determined by the country itself. Any publication of a timetable may backfire on the IFIs when delays occur that are outside of our control.

Also, with regard to financing, formal arrangements are now in place to pay for debt relief of most creditors involved. At this point, turning commitments into payments is the most effective way to deliver on our promises to relieve countries of unsustainable debts.

In thinking about future implementation, I would like to mention the following.

It is worrisome to see that a number of HIPC countries risk losing the (financial) benefits of debt relief owing to worsening terms of trade. Without pre-empting the discussion on the best solution to this problem, I think that further analysis is necessary, including on possibilities for compensation. In this context I reiterate that donors should be aware of the fact that the success of the HIPC Initiative will be greater if we promote market access for exports of HIPC countries.

Secondly, on the funding side, the principle of fair burden sharing is firmly established in the HIPC Initiative. At the same time, the international community has recognized that multilateral creditors need additional assistance to finance debt relief while maintaining their financial integrity—some institutions more so than others. The same applies to HIPC countries that are creditors themselves as well as to lower middle-income creditors such as Guatemala, Costa Rica, and, for instance in our constituency, Bulgaria and Romania. Some countries face exceptional burdens in the provision of debt relief to specific HIPCs and it is in the interest of all parties involved to work towards finding modalities of debt relief, which could be accommodated in the budget and financed. In specific cases assistance may be needed, in particular for countries which face heavy debt burdens themselves; for instance, by giving them flexible treatment in the context of restructuring of their own debts. In this regard, I would like to hear from staff how they see the follow-up to the Board discussion on non–Paris Club bilateral creditors.

Thirdly, I agree with the proposal to suspend the sunset clause, albeit not an open-ended suspension. I believe an extension of two more years is a reasonable compromise. All countries fitting the eligibility criteria should in principle be able to benefit from debt relief. I would like to stress, however, that the financial leeway for more countries qualifying for HIPC might be limited.

Key Features of PRGF Programs. I welcome the progress in the reform of PRGF to make it more poverty-focused. The outline of the key features seems to be well focused on supporting national PRSPs. This is in my view the most important criterion for assessing a country's PRGF program.

As is reflected in the paper, I observe two main challenges in the PRGF reform: (a) the tension between conditionality and ownership and (b) the collaboration with the World Bank. The staff needs to find a balance between (necessary) conditionality and a country's ownership. The key features in the paper do not offer a guarantee of the important objective of ownership. But the new guidelines go a long way and are certainly a major improvement. The main question after reading the paper is, does it provide a sufficient basis for ensuring ownership or is there a need for additional guidelines to ensure that Fund missions play the appropriate role in the promotion of ownership of PRGF programs?

I agree with the division of labor between Bank and Fund in the section on selective structural conditionality. Conditionality in PRGF programs must always relate to the Fund's mandate. This implies that the Bank should more systematically cover structural conditionality. I therefore feel positive about the recent World Bank proposal for poverty reduction support credits. I would hope that a lack of urgency in the Bank or insufficient speed on their side would not be an impediment to achieving this division of labor.

Finally, in the paper I found section B (embedding PRGF in the overall strategy for growth and poverty reduction) and section G (social impact analysis) particularly relevant to the debate on pro-poor growth. I look forward to a more elaborate outline of these two sections in a next review. I share Mr. Faini's view that indeed more research is warranted on the links between macroeconomic policies, structural policies, and poverty reduction.

Mr. Wei made the following statement:

First of all, I would like to thank the Fund and Bank staff for providing us with a set of comprehensive papers for today's discussion. The accomplishments achieved in just one year since the Board's endorsement of the Enhanced HIPC initiatives is very impressive. I believe that we can draw on the experiences from the countries which have entered the HIPC program and make further progress so that the rest of HIPC members will be able to benefit from the Initiative as soon as possible. I would like to comment briefly on some of the issues raised in the report.

In line with the aim to provide broader, faster, and deeper debt relief under the Enhanced Initiative, the staff of both institutions, in cooperation with the authorities, have made great effort to bring some HIPCs as quickly as possible to their decision points within the framework. I much appreciate their work. Meanwhile, we should make further efforts in bringing as many countries as possible to the decision points once their policy measures are recognized by the international community. As for concern over the speed of debt relief vis-à-vis the quality of HIPC program implementation, while I agree that a careful balance needs to be struck, I believe flexibility should be extended to more HIPCs in terms of reaching the decision point if the authorities of these countries are making their best efforts to adopt reform policies. In this respect, we strongly believe that a flexible approach should be followed in the assessment of a country's track record.

With regard to the conditions to reach the completion point, I would like to associate myself with Mr. Shaalan and Mr. Bakhache's view in their preliminary statement that policy requirements and objectives to trigger the completion point should be realistic.

As for the sunset clause, while I hope that it could be extended for another couple of years, I could go along with the consensus in supporting staff's proposal to suspend the sunset clause and treat the debt problems on a case-by-case basis within the context of the Enhanced HIPC framework.

On the issues related to PRSP, it is well known that poverty reduction is a very challenging task which is most difficult in terms of financing. Thus, to construct a comprehensive and operational PRSP is a time-consuming process. Like Mr. Cippà and others, I think I-PRSPs have served their purpose of introducing flexibility well. I agree that the proposed transitional arrangement between the Interim PRSP and full PRSP, as elaborated in paragraph 32, is an appropriate alternative. In addition, I also broadly agree with the additional guidance outlined in paragraphs 33–37 to staff on the assessment of core content of poverty reduction strategies and the participatory process.

On the issue on non–Paris Club creditors, I share the concerns which have been expressed by Mr. Morais. In addition, I note with concern that several non–Paris Club creditors were particularly mentioned under the paragraph "Financing of the Enhanced HIPC Initiative" in the joint note from Mr. Wolfensohn and Mr. Kohler to the two Committees. In fact, the actual weight of the claims on the non–Paris Club creditors among all creditors is rather modest. Therefore, I do not see the reason for mentioning their names. Taking this opportunity, I would like to reiterate my authorities' stance on the participation in debt relief activities. Despite the fact that China is among the lowest per capita income countries in the world, the Chinese government is willing to make its best efforts in helping the HIPCs' debt relief through bilateral channels.

On the issue of financing, I associate myself with those who have shown serious concern for securing the financing arrangement so that the HIPC operation could continue without disruption.

Finally, we are very glad to see the good cooperation between the two institutions on HIPC operations and such cooperation should continue and be strengthened further.

Mr. Elkjaer made the following statement:

The reports for today's discussion provide a comprehensive review of the progress and useful background for the IMFC and the DC discussions.

One of the major improvements of the HIPC Initiative was to allow for more flexibility with respect to the timing of the decision point and completion point. While I fully support speedy debt relief, like Mr. Cippà, I fear that the reference to the end-2000 decision point for 20 countries commitment could be counterproductive for two reasons. First, the emphasis on qualitative performance does not go hand in hand with the quantitative restriction of a 20-country commitment. The latter commitment could lead to compromises on the macroeconomic conditions, as well as the poverty-reduction-oriented elements. This, again, could undermine the creditability of the Initiative, because it could jeopardize a definitive exit from an unsustainable debt. Second, while having only X countries to the decision point by end-2000 might very well, in the longer run, be beneficial to the Initiative, because this would allow the necessary time for quality, the Bretton Woods institutions run the risk that if "only" X countries reach their decision point, the outside world could view this as a failure to meet the target. In this respect, publication of country timetables may be counterproductive.

This brings me to the sunset clause. The suspension of the clause will allow for all HIPCs to be included in the Initiative, and it will also mean that a country will not have to sacrifice quality for speed in meeting a certain deadline. I therefore support the staff's proposal. It is important, however, that the HIPC Initiative is not viewed as permanent facility. A compromise of a two-year extension as suggested by the Managing Director is acceptable to us.

Now, turning to the issue of conditions under the enhanced HIPC. The higher degree of flexibility of the enhanced HIPC framework has, in addition to speeding up the process, allowed us to look at qualitative performance rather than quantitative performance. The idea of the floating completion point has, in this respect, been instrumental, in that it has allowed for more flexibility without softening conditionality. To further support this element of the Initiative, I agree with staff that the conditions for reaching the completion point should be few, clear, and easy to monitor and limited to those of material importance for poverty reduction and macroeconomic stability. In this respect, I just want to emphasize the importance of sovereignty issues and a framework for tracking public expenditure.

On the three-year track record requirement for the decision point and the one-year satisfactory implementation of the PRSP, I feel that the instrument, as it is formulated now, is sufficiently flexible. Also, the experience under the Initiative so far has shown that the Board is willing to be flexible and has tried to find a good balance between speed and quality. I recognize that finding the right balance will not get easier as we go forward from the best performers to more mixed performers, and clearly there are cases where more flexibility is warranted.

On the issue of intermittent track records, I feel that more flexibility may be justified, but I also believe that a current track record with the Fund should be an important element in assessing the track record requirement. This would allow a better assessment of the ownership just prior to the decision point.

Now, turning to the PRSPs. I can be brief, as I am in agreement with staff's proposal to allow a PRSP progress report as the basis for continued lending and interim debt relief. This would allow countries enough time to develop their PRSPs and thereby not compromise quality, ownership, and the participatory process.

Also, I agree that it is desirable to clarify the PRSP framework and the content of the JSA. However, this should not lead to rigid guidelines or interference in a country's own policy design.

Now turning to the PRGF, where I have two comments. First, I agree that the Fund's contribution should be narrowly focused on its core area of expertise. Similarly, I recognize that increased ownership will require greater openness and flexibility on the part of the Fund vis-à-vis the HIPCs.

Second, if the Bank adopts the proposed Poverty Reduction Support Credit facility, it is important to avoid cross conditionality. The Bank should be responsible for setting and monitoring the structural performance criteria within its domain.

Finally, I support the publication of the documents for today's discussion.

Mr. Fenton made the following statement:

We also welcome the frank and comprehensive treatment of issues in these progress reports.

Many chairs have already discussed the tension between speed and quality in the implementation of the enhanced HIPC Initiative. The key question for us and others is how to assure that an appropriate balance is struck. In this regard, we agree with Ms. Lissakers and Ms. Piercy that there is a need to clarify the Board's expectations as to what constitutes an acceptable Interim PRSP, track record, and conditions for floating completion points. It is important to apply the agreed-upon expectations consistently. There has been a drift toward too much focus on micromanaging and on prescribed time frames for track records. It is preferable to focus on a limited number of high-level core requirements for the floating completion point. In this regard, we would accord high priority to the governance/transparency/expenditure management nexus. If there is sufficient progress in this area, it will be clear whether the savings from debt relief are being spent where they should be. Improvements in this area will also foster a climate for structural change in low-income countries. We would also accord high priority to maintaining macroeconomic stability. However, appropriate weight must be given to policy actions and not just quick outcomes. As the staff notes, about half of the HIPC countries suffered major terms of trade losses in 1999–2000 compared with 1997. That makes it difficult for those countries to maintain macroeconomic stability and establish the required track record. If those terms of trade shocks persist, countries will have to adjust to that reality, but allowance should be made for a reasonable adjustment period when considering their track record. Once appropriate actions have been implemented, one should be prepared to go forward in granting the completion point, regardless of how much time has passed. Avoiding stretching out the HIPC process to an unacceptable length means accepting a reasonable level of risk. That should be borne in mind in trying to assure quality. Less weight should be put on detail and time periods, and more on key requirements and judgments.

We would advocate a similar approach for deciding on decision points for the remaining HIPC-eligible countries. We agree with the staff that countries considered in the future will have more mixed track records. It will be necessary to make difficult judgments in many cases as to whether the appropriate conditions are in place for a decision point. For such countries, we would support putting more weight on the depth of the reforms that have been undertaken and the commitment to forward-looking reform programs, while being flexible with regard to the length of track records.

We are prepared to support either the suspension of the sunset clause or an extension of a year or two. We also agree with Mr. Faini that it may become necessary at some point to rethink the Fund's approach to these countries. In the meantime, we would encourage the staff to continue its efforts to ensure that no country requiring HIPC assistance is left out.

On the financing of the enhanced HIPC Initiative, we find the treatment in the report, especially Table 14, to be quite informative. We would urge the staff to replace the table currently on the Fund website with Table 14, which provides valuable information on contributions. Regarding the plan to ensure the participation of the Inter-American Development Bank in the enhanced HIPC Initiative, the staff says that the agreement is contingent on donor pledges that remain to be secured. Canada is mentioned explicitly in the list of donors. However, I would like to note that Canada has fulfilled its obligations, and more, under this agreement. It has already instructed the World Bank staff to earmark US$25 million from its contributions to the HIPC Trust to benefit the Inter-American Development Bank and US$1.5 million to help fill the Caribbean Development Bank's financing gap of US$5 million. We urge other donors to provide timely contributions to the HIPC Trust to avoid delaying debt relief to deserving countries.

On the issue of what information is made available to the public in the time preceding the Annual Meetings, I would like to associate myself with the comments of Mr. Pickford.

Regarding the report on PRSPs, the goal of elaborating and implementing a quality poverty reduction strategy, developed in consultation with broad segments of society, is essential. Given the often sizable gap between interim relief and the relief available after the completion point, we are concerned that countries will feel pressure to accelerate the preparation of a PRSP to the detriment of its quality, in order to start the clock ticking on the required one-year implementation period. We agree with the assessment of the staff regarding the tensions inherent in the PRSP process and the need for sufficient time and resources to develop a high-quality PRSP. Accordingly, we would prefer to emphasize the quality of the PRSP and to be flexible on the length of the implementation period. As the PRSP is required for access to donor assistance after the HIPC Initiative, we can reasonably expect that these countries will choose to continue to adhere to their reform agenda and implement their PRSPs after the HIPC Initiative. Finally, we welcome the staff's initiative in developing a PRSP sourcebook.

Mr. Bauche made the following statement:

I would like to commend the staff for its informative and well-structured papers. The quality of this progress report is evidence of the spirit of cooperation between the two institutions.

On the timetable, it seems that nine countries rather than six are expected to reach their decision point before the end of the year. We support this ambitious objective and encourage the staff in its efforts to avoid delays that would cause slippages. It would be helpful to have clearer information about the timetable for countries expected to reach their decision or completion points in 2001.

On the financing issues, we welcome the progress achieved in securing additional contributions for the HIPC Trust Fund. My authorities are concerned about the risk of shortfalls in Fund resources available for debt relief beyond 2000. In that regard, we welcome the indications provided by the U.S. chair on the efforts of the U.S. administration to seek Congress's support for financing.

Regarding the contribution of bilateral creditors and non–Paris Club creditors, the achievements to date still seem quite minimal. We strongly recommend that the staff intensify its discussions with non–Paris Club creditors in order to obtain firmer commitments on their effective contributions.

For the reasons expressed by Mr. Cippà in his preliminary statement, we do not support the suspension of the sunset clause, but can support an extension for one or two additional years.

Regarding the issue of track record requirements, we share the views expressed by the staff on the need to show some flexibility, on a case-by-case basis, on the required track record up to the decision point, with the safeguard that such flexibility will be balanced with the credible and effective commitment of countries to forward-looking reform programs.

On poverty reduction and PRSPs, my authorities fully support the PRSP process, and they intend to use the strategies derived from the PRSPs as guidelines when defining their bilateral support. A number of critical areas require further work; for instance, how to translate strategies more effectively into specific actions and how to establish a phased agenda for the implementation. We would also suggest that the PRSP address more extensively demographic issues. As pointed out by Mr. Pickford, the issue of the quality of data also deserves more attention. We can support the proposal that, in cases where the development of a full, participatory PRSP requires more than one year, the continuation of concessional lending and access to interim debt relief could be based upon a progress report and joint staff assessment.

We have some concerns, especially in the absence of adequate data, about the proposal that the PRSPs be revised only every five years. The revision of PRSPs deserves to be done at time intervals shorter than five years, and perhaps the current system could remain in place. Nevertheless, that is not an urgent, pressing issue.

I would like to give my full support to the comments made in the staff report on the need for a clear framework for tracking public expenditures, especially those targeted at poverty alleviation. Such a framework will establish the specific link between PRSPs and the enhanced HIPC Initiative which is essential to the success of countries' efforts.

Mr. De Blasio made the following statement:

The reports for today's discussion provide a comprehensive review of progress and useful background for the IMFC and Development Committee discussions. One of the major improvements in the HIPC Initiative was that it allowed for more flexibility with respect to the timing of the decision and completion points. While I fully support timely debt relief, I feel, like

Mr. Cippà, that the reference to the end-2000 decision point deadline for 20 countries reaching the decision point could be counterproductive. The emphasis on quality performance does not go hand in hand with such quantitative targets, which could lead to undesirable compromises with regard to macroeconomic conditions, as well as poverty reduction elements. That could undermine the credibility of the Initiative, because it could jeopardize these countries' definitive exit from unsustainable debt. Having only a certain number of countries at the decision point by end-2000 will, in the longer run, be good for the Initiative, because it will allow the necessary time for quality.

The suspension of the sunset clause would allow all HIPC countries to be included in the Initiative, again ensuring that countries will not sacrifice quality for speed in order to meet a deadline; therefore, I support the staff proposal. It is important, however, that the HIPC Initiative not be viewed as a permanent facility. In this respect, a two-year extension could be an acceptable compromise.

Regarding the conditions for the completion point under the enhanced HIPC Initiative, the higher degree of flexibility under the enhanced framework, in addition to speeding up the process, allows us to focus on quality performance rather than quantitative performance. The idea of a floating completion point has been instrumental in this regard. To further support this feature of the Initiative, I agree with the staff that the conditions for reaching the completion point should be clear and easy to monitor, and limited to those of material importance for poverty reduction and macroeconomic stability. In this respect, I want to highlight the importance of governance issues and tracking public expenditures.

On the three-year track record requirement for the decision point and one-year satisfactory implementation of the PRSP for the completion point, I feel that the instrument as formulated is sufficiently flexible. The experience under this Initiative has shown that the Board is willing to be flexible and has tried to find a good balance between speed and quality. Finding that balance will not get easier as the process moves forward from the best performers to the more modest performers, and clearly there are cases where flexibility is warranted. Nevertheless, a current track record with the Fund should be an important element in assessing the track record requirement, as it would allow a better assessment of the degree of ownership prior to the decision point.

I am in agreement with the staff proposal to allow a PRSP progress report as the basis for continued lending and interim debt relief. I also agree that it is desirable to clarify the PRSP framework and the content of the joint staff assessment. However, that should not lead to rigid guidelines or interfere with the country's own policy design.

On the PRGF, I agree that the Fund's contribution should be narrowly focused on its core area of expertise. Moreover, if the Bank adopts the proposed poverty reduction strategy credit facility, it is important to avoid cross conditionality. The Bank should be responsible for setting and monitoring the structural benchmark criteria within this domain.

Finally, I support the publication of the documents for today's discussion.

Mr. von Kleist made the following statement:

I welcome the progress that has been achieved in the joint quest to restore debt sustainability and reduce poverty in a number of member countries. I also welcome the joint statement of the President of the World Bank and the Managing Director of the Fund to the IMFC and Development Committee. The staff papers are excellent, offering a balanced view of the gains and risks inherent in the proposed strategies.

I would like to highlight a few questions regarding risks that the staff have pointed out. Everyone is aware that the Initiative still faces financing shortfalls, which threaten the credibility of our joint effort. If one or more countries involved fails to reach its goals it could jeopardize the whole operation, damaging not only the country's future prospects, but also the good name of the Fund and the World Bank. I want to thank the Managing Director and the President of the World Bank for their personal commitment to these Initiatives, and I support the goal put forward by them to get as many countries as possible to the decision point and to the completion point as soon as possible.

However, there is much to lose if quantity is considered ahead of quality. The fact that few countries until now have been able to pass the decision point is not because of the handling by the Fund, the World Bank, or donors, but quite simply because of the lack of progress by countries to own their programs. The Fund might consider making that point somewhat more strongly in public and not as readily accept the role of scapegoat, at least in parts of public opinion, if quantitative goals are not met.

During the interim period, a country, at least formally, receives unconditional or barely conditional financing. This period should not be extended too much. The ownership of a program by a country has to have limits, or the conditionality of the Fund might be affected. A good track record under a Fund-monitored program for an appropriate length of time has proven over and over again to be the hallmark of a successful reform effort. I agree with the staff that it makes more sense to focus only on a few central reform aspects to avoid overstretching the authorities' implementation capacities. A stable macroeconomic framework, however, remains the condition for successful and sustainable economic development and must always precede any group-specific measures. Notwithstanding that, enhancing the impact of public interventions for the poor will often require ex ante changes and structuring the management of public service delivery systems and related budget and accounting systems. Especially in more complex and demanding country cases, due attention should be paid to systemic problems of the public sector, including corruption, with a view to addressing these problems in order to gain credibility and underline the seriousness of the effort. For some countries, it might be recommended for an interim pilot period to visibly introduce special procedures, ensuring proper planning, targeting, spending, and impact monitoring.

Finally, I would support either the abolishment or two-year extension of the sunset clause.

Mr. Yanase made the following statement:

I would like to commend the staffs of the Bank and Fund for achieving significant progress in this challenging project. Nonetheless, difficulties remain. I accept the way that the reports are written, but will make some points for emphasis.

The biggest challenge in implementing the HIPC Initiative is ensuring that its cost is financed. It is regrettable that some disbursements of the commitments and utilization of international institutions' resources have not been made. Given the urgent nature of the problem, I hope that significant progress will be achieved in the near future.

On the participation of non–Paris Club creditors, the debt sustainability calculations under the HIPC Initiative are made on the assumption that all creditors will participate. Most of the Paris Club creditors, including the G-7 countries, have committed the maximum contributions, exceeding the requirements of the HIPC Initiative. The continued effort by the staff of the Fund and the Bank in communicating with non–Paris Club creditors would be appreciated.

Our preference is to extend the sunset clause for another year. If there is consensus for a two-year extension, we can support that.

On the question of the track record requirements, a three-year track record requirement prior to the decision point should continue to be applied. It is true that the speedy implementation of the HIPC Initiative is important, but the credibility of the HIPC process will be lost if there is no progress in poverty reduction. However, as many Directors have noted, some flexibility must be applied. For example, as the staff notes, the three-year track record does not always require a program to be on track for a consecutive three-year period. For example, if a country has a program for longer than three years but goes off track for a short period, it can still be regarded as meeting that requirement. It will take some time for those countries that do not have current programs and have not started the process to achieve a good track record.

On the PRSP report, the biggest challenge for the Fund staff is how to integrate the macroeconomic framework with PRSPs. For those countries with PRGF programs, that will necessarily take the form of putting various poverty reduction measures into current macroeconomic frameworks at their initial stage. However, the challenge will be in the case where the macroeconomic framework needs to be based on existing poverty reduction measures. For example, in designing a macroeconomic policy package to cope with an external shock, the staff will need to explore how to minimize the effect on poverty reduction measures. I hope that there will be further analysis in that regard.

On Bank/Fund collaboration, I am pleased to hear that there is a good relationship between the Managing Director and the President of the World Bank, and also between both staffs. There are many changes ahead, but I am confident that both institutions can work out any difficult issues that arise in the future.

On the issue of transitional measures, I support the staff proposal to use a short progress report and the staff assessment as the basis of our examination of whether to continue the provision of concessional resources and interim relief. Although a PRSP must be prepared expeditiously, broad participation should not be sacrificed for speed. The staff proposal strikes a good balance between the need to ensure the quality of the PRSP and to provide incentives for its timely preparation.

Mr. Hendrick made the following statement:

We would like to join other Directors in congratulating the staff for the well-written and focused set of papers on the crucial and complex issues related to the Enhanced HIPC Initiative and the Poverty Reduction Strategy Paper (PRSP). We also welcome the candid approach to these matters by the Managing Director and the World Bank President, as stated in their draft joint note to the Development and International Monetary and Financial Committees. In the broader context of the Enhanced HIPC Initiative, the PRSP plays a crucial role in strengthening the link between debt relief and poverty reduction. In previous Board meetings, our chair has consistently supported the principle that this is an ongoing process and that we need to learn from experience how to improve the process of strategy implementation, including the revision of the requirements to reach a decision and a completion point. We believe that not only management and the staff share this view, but many Executive Directors also do.

The staff reports spell out more clearly the challenges and tensions inherent in the PRSP process. We can support the publication of these papers on the external website of the Fund and the Bank. Now, let me turn to the issues for discussion.

On the pace of implementation and the early experience with floating completion points, we agree with Mr. Cippà's view that so far we have found a reasonable balance between speed and quality, but there is room for improvement. There is no disagreement on the principle that debt relief provided by the HIPC initiative should be granted once proper conditions are in place to ensure a definitive exit to a country debt problem. Also, there is no doubt that the "savings" provided by the initiative should be allocated to increasing social expenditure within the country framework for poverty reduction. Moreover, there is an increasing awareness in the international community of the role of the Fund and the Bank and the link between debt relief and poverty reduction. The challenge for our institutions, and of course, for the HIPC countries, is to strike the right balance between reaching agreement on programs with sound macroeconomic management and structural reforms on one hand, and the pressing need for these countries to obtain a comprehensive debt relief on the other hand.

In this regard, the interim assistance, the Interim PRSP, and the floating completion point have played a key role in reducing the burden of debt service payments on HIPCs while they are preparing a full PRSP. We believe that the floating completion point is helping countries not only to reduce the original three-year interim period, but also to focus their attention on the implementation of policies that are essential to the success of their poverty reduction and growth strategies. However, as underscored by Mr. Shaalan and Mr. Bakhache, in defining the key measures to be included in program conditionality, the staff should do their best to take into account the feasibility of implementing those measures. We cannot overload HIPC countries with excessive or detailed conditionalities which they do not have the institutional capacity to fulfill. The draft joint note of the heads of the Fund and the Bank clearly recognize these limitations.

In relation to the track record requirements, we endorse the flexible approach that Board, management, and the staff have followed so far. If we want to bring more countries to the decision point (before the end of the year 2000 or later), we need to continue with our flexible policy and work on a case-by-case basis. Ms. Lissakers's and Ms. Piercy's argument that a core principle from the start has been that HIPC relief can only be effective in the context of a broadly stable macroeconomic environment and as part of a larger growth and development strategy is correct. However, we believe that the period following the decision point, including the compliance with the PRGF criteria and the process of developing and implementing a full PRSP, provide enough assurances on this matter. If this were not the case, as other Directors have pointed out, interim relief can be suspended, avoiding a waste of debt relief resources. In the particular cases with a long interrupted period of Bank and Fund support, we can agree that there may be cases where a sharp compression of a track record requirement immediately preceding the decision point could be granted, if, for example, past macroeconomic performance, as stated in the last Article IV consultation, indicates that economic policy has been broadly in line with Fund recommendations.

We could support the suspension of the sunset clause. Having said this, let me clarify our position. We agree that the HIPC Initiative should not be a permanent facility. However, as the staff highlight in their report, (i) 34 countries, out of the 41 HIPCs, have already met the entry requirements and (ii) the sunset clause has not been successful in providing the intended incentive over the last four years. We all know that the remaining seven countries which have not yet met the entry criteria are facing daunting economic, social, and political challenges. Equality of treatment between members would not be at risk if those countries were judged by the same criteria as those which have already received the benefits of the HIPC initiative. Of course, this would imply that greater efforts would need to be deployed to ensure the substantial additional funding to provide the comprehensive debt relief that those countries will need.

This takes us to the issue of participation and financing of the enhanced HIPC initiative. Like other Directors, we deeply regret that we have not been able to secure the necessary overall financing or the necessary financing for even the Fund's participation. It is regrettable that the Fund's ability to commit resources beyond late 2000 cannot be assured. Like Mr. Cippà, we strongly encourage the United States to proceed with the necessary legislation for the use of the remaining 5/14 of interest income on profits from the Fund's off-market gold sales for debt relief. We are looking forward to the Board discussion on the update on the status of contributions and loan resources to finance the Fund's participation in the HIPC and PRGF initiatives.

On the Poverty Reduction Paper: Progress on Implementation, we support the staff and management proposal to use the Interim PRSP as a transitional instrument, in cases where countries require more than one year to develop a full PRSP after presenting the I-PRSP. This is a sensible proposal, which recognizes the fact that, because of institutional constraints, some countries may be in compliance with the PRGF, making progress towards a full PRSP. Yet, the development of a full PRSP should not be, under those circumstances, a reason to suspend continued access to Bank and Fund concessional resources and interim debt relief. We agree with the U.S. chair that countries which fail to make adequate progress in their PRSP efforts should not maintain access to concessional flows. We should trust management and the staff criteria in making a distinction between those categories of cases. Therefore, a short progress report to the Board by the authorities and a more comprehensive up-to-date JSA should be enough to avoid moral hazard.

We also welcome the staff proposal to design a core or standard elements of a PRSP to guide and clarify the work of the authorities and the donor community. However, we should not forget that "one size does not fit all" and that those guidelines should not interfere with the required flexibility that a country needs for full ownership, including imposing some specific deadline for a full PRSP. Again, we all agree that quality comes before speed.

Finally Mr. Chairman, like you, we acknowledge what has been accomplished so far by the HIPC initiative and remain optimistic that the financing gap will finally be covered. We are optimistic that the country members, particularly those who have taken the lead in the debt-relief initiatives, will fulfill their pledge and commitment to reducing poverty in the world.

Mr. Rouai made the following statement:

I thank the staff of the World Bank and the IMF for their efforts to bring as many countries as possible to the decision point for enhanced HIPC. Mr. Shaalan and Mr. Bakhache made a valid point when arguing that there is a case for accelerating the process of reaching the decision, using the provision of interim relief as a further incentive to encourage countries to embark on poverty-reduction strategies. Mr. Morais's proposal to increase the ceiling on interim relief of 33 percent is worth considering.

In view of the diversity of country cases, I support the flexible approach adopted by the staff in assessing track records at various stages of the strategy. Although I agree that the quality of adjustment is important, the provision of early debt relief is a powerful incentive for further commitment to reform, socioeconomic policy, and poverty reduction. In this regard, we are concerned about the continued weakening of commodity prices, which is creating additional external difficulty for many HIPC countries and could eventually negate the benefits of the HIPC Initiative. Staff should pay particular attention to these developments when updating DSA analyses and reviewing the overall HIPC-Initiative strategy. I reiterate the call for an increase in market access for exports for HIPCs.

The introduction of floating completion points constitutes a valuable enhancement to the original framework. I note the staff's early conclusion that this approach will help in shortening the interim period. However, like other Directors, I reiterate our position regarding the need to adopt realistic and achievable objectives, commensurate with the implementation capacity of each country.

On the sunset clause, I can support suspension or extension for two years, in light of the particular situation of the several remaining HIPC-eligible countries.

I share the concerns expressed by Directors regarding the overall financing situation of the enhanced HIPC Initiative. All parties concerned should accelerate their efforts to fill the financing gap; and the U.S. authorities should complete the legislative process to allow the fund to use the 5/14 of the investment income on the profit from gold sales. In this context, I note with concern staff's comment regarding the financing of Fund participation in the HIPC and PRGF initiatives that, by November 2000, assistance for Zambia will be constrained by financing issues. The staff should continue their bilateral contact with non–Paris Club creditors. In the meantime, I support Mr. Wei's proposal to delete countries' names from the document.

On the PRSP process, like the countries themselves, the Fund is also learning. As the main characteristic of the PRSP is the emphasis on ownership, it will not be helpful to press countries to produce full PRSPs when they are not ready to do so. I support the approach proposed by staff that would allow authorities to provide a short progress report as a basis for continued access to Bank-Fund financing and interim debt relief. I also support staff's emphasis on the importance of tracking poverty-related public expenditure in PRSP countries. The Fund and the Bank should provide the necessary technical assistance to help countries develop an effective tracking system.

In conclusion, I support the publication of the set of documents.

Mr. Kiekens made the following statement:

I would like to put first things first. The draft of the report you and President Wolfensohn will submit to the IMFC and the Development Committee conveys very well the seriousness with which the Fund and Bank have responded to the challenge of reducing poverty by delivering faster, stronger debt relief based on domestically owned policies. The report also illustrates the tensions inherent in the enhanced HIPC Initiative. I would like to suggest that you explicitly point out to the Ministers that HIPC debt relief alone will not be enough to put HIPCs on a sustainable development path. That will require in addition a significant and sustained improvement of economic policies, social policies, and governance; unrestricted access to industrial country markets for HIPCs exports; limited export credits on commercial terms; the exclusion of any lending for excessive military equipment purchases; and a substantial increase in the industrial countries' ODA.

I would like to use Rwanda's case to illustrate these observations. Rwanda is expected to reach its decision point by the end of this year. The preliminary report that the Board considered on July 31 calculates the amount of debt relief needed to reduce Rwanda's external public debt to 150 percent of exports at the decision point. However, the balance of payments projections until 2010 show that even with debt relief and good policies under the PRGF, Rwanda's current account deficit will continue to hover around 15 percent of GDP for a long time. Half of that deficit is expected to be financed by ODA grants; the other half by borrowing, presumably on concessional terms. In consequence, already by the completion point in 2003, the staff expects that Rwanda's debt-to-exports will once more rise to 270 percent of GDP. That ratio will peak at 340 percent by 2005 and will remain above 300 percent for the rest of the decade.

Three conclusions are to be drawn from Rwanda's case: HIPC debt relief alone will not suffice; the country must adjust more forcefully to regain external viability; and the country will need more ODA for years to come.

The obvious need for more effective adjustment does not mean that the whole burden of adjustment must fall on the people of that country. The entire international community needs to redouble its cooperation with the authorities and the general public in order to more effectively help them build strong, well-functioning institutions; improve governance; promote their export trade; and resist civil strife and human rights abuses. What is needed, indeed, goes far beyond the mandate of the Fund. But, as the Managing Director has said, within its domain of competence the Fund's task is to be as effective as possible in helping countries gain the capacity to decide and implement good and effective policies. All this being said, the primary responsibility for a country's destiny lies with the people of that country and their leaders. That, too, is one of the views you have stressed, Mr. Chairman, since you became Managing Director.

Let me now take up the issues for discussion and offer some comments on the paper on the PRSP and PRGF.

The pace of implementation of the enhanced HIPC and our experience with floating completion points show that the staffs of the Fund and the Bank have done everything they could to speed up the process. I hope that the Board has struck the right balance between faster implementation and preserving the quality of countries' policies. Nonetheless, I hope that we will pay careful attention to fair and equal treatment. The different policy conditions for reaching the floating completion points should not result in discrimination among countries. A case in point was the Fund's varying interpretations about the amount of progress with poverty reduction that the HIPC rules require a country to make in order reach a floating completion point.

The Joint Implementation Committee (JIC) has had a promising start. I welcome more regular reporting of its work to the Board, particularly on problems encountered in implementing the HIPC Initiative. Presently the Board has too little ability to influence the conditionality for reaching completion points. Mr. Cippà made the same point. More timely information from the JIC would be useful.

Should the Fund implement the HIPC initiative even faster and change the rules to make this possible?

The track record requirements in terms of sustainable economic and social policies should not be further reduced. Since 1996, we have already considerably reduced the length of the required track record by agreeing to shorten the three-year interval between decision and completion points, by introducing floating completion points, by accepting Interim PRSPs as the basis for declaring a decision point reached, and by agreeing to deliver 60 percent of the Fund's share of debt relief between the decision and completion points. Countries' past weak policy performances should make us maintain, not shorten, the length of the track record required to reach the decision point. Debt relief based on weak policy performance will not deliver a country from unsustainable debt. In addition, we must not change the rules on the basis of which we have raised money from donors to fund the HIPC Trust. Such changes would breach their trust and make it much more difficult to obtain additional funding in years to come. We cannot deny that the HIPC Trust Fund is underfinanced. Countries with protracted arrears, such as Sudan, were not included when calculating the cost of the HIPC. Poor Central Asian and Caucasian countries have also accumulated very high and probably unsustainable external debts, and may qualify for HIPC assistance. I recall that management commissioned a special study on the situation of these countries, and I look forward to its distribution in coming weeks.

This brings me to the issue of financing. The fact that the HIPC Initiative is still far from fully funded four years after its inception and one year after its enhancement undermines its credibility. The countries that took the lead in designing and enhancing the HIPC Initiative have a particular responsibility to organize the funding needed to enable the Multilateral Development Banks and the Fund to finance their shares of the costs of debt relief. Like other Directors, I urge the U.S. Congress to release the remaining 5/14 of interest income connected with the revaluation of Fund gold. Other countries, including non–Paris Club creditors, must also contribute their fair share to the HIPC Initiative. Bilateral creditors of HIPCs that are themselves HIPCs should receive help from the international community.

The staff generally makes balanced proposals that easily win the Board's approval. I was therefore surprised to see the staff propose suspending the sunset clause, which would give countries unlimited time to qualify for HIPC debt relief. This would be unwise, and the Board will not approve it. Suspending the sunset clause would make the least advanced countries, often engaged in armed conflicts and other destructive activities, even less concerned about their external debts. Moreover, it would make it more difficult for poor countries to obtain new credit, since creditors would fear being confronted with demands for debt relief whenever a debtor country's external debt should for whatever reason become unsustainable by HIPC standards. But I can agree with a two-year extension of the Initiative, until the end of 2002.

I would like now to comment on progress with poverty reduction strategy papers (PRSPs).

There is an inherent tension between insisting that the process of devising a poverty reduction strategy be truly participatory, and requiring that a strategy so arrived at be endorsed by the Boards of the Fund and the Bank. The staff's general proposal on how to assess the Interim and full PRSPs strike a good balance between the issues that the international community expects to be addressed and giving countries freedom to set their own priorities.

The staff foresees that after an Interim PRSP, some countries may not be able to produce a full PRSP within one year. The staff therefore proposes that to avoid interrupting the Fund's PRGF support to a country, the Board should accept instead a progress report and an up-to-date Joint Staff Assessment as the basis for continued PRGF support and interim debt relief. I agree, as countries should not be discouraged from engaging in a truly participatory process when designing their poverty reduction strategies.

Finally, a few words on the PRGF. It is important to ensure the quality of the participatory process for the public to understand what a PRGF requires. The staff paper is very helpful in emphasizing the ways in which the PRGF differs from its predecessor ESAF. The change affected more than the name of the facility. It is therefore useful to publish this paper. However, when the Board formally decided, on October 14, 1999, to launch the PRGF in 1999, the wording of the amendment of the ESAF instrument was limited to changing its name. I think it is important, for the sake of clarity, transparency, and accountability, that the formal legal text of a Board decision shall accurately and fully reflect the full content and purport of that decision.

Mr. Estrella made the following statement:

As the staff have emphasized in the well-written papers for today's discussion, the new enhanced HIPC Initiative relies on two main instruments: the provision of "interim assistance" and the adoption of a "floating completion point." These two instruments can create the conditions to deliver rapid debt relief, linking the completion point to the development of a PRSP, placing more control on the authorities, and enhancing ownership. Therefore, we continue to support these two main enhancements of the original HIPC initiative.

However, experience has highlighted some problems that countries are facing as they move from preparing I-PRSPs to full PRSPs. Indeed, the whole framework is very demanding and poses major challenges to a group of countries that usually do not have the domestic capacity to respond to these challenges; for example, the lack of up-to-date poverty data, limited institutional capacity, and weak capacity of civil society to participate in the process. Moreover, there is a need to ensure that broad participation does not undermine national parliaments and existing democratic frameworks.

We agree that more specific procedures need to be developed to ensure that the savings from debt relief are channeled towards programs linked to poverty reduction when these savings exist. In cases where the debt was not being serviced, debt relief would not generate any additional resources that could be spent in other areas. Here, we fully agree with Mr. Kiekens: 'debt relief' is a necessary but not sufficient condition for poverty reduction and debt sustainability. We welcome the collaboration of both the Bank and Fund to provide guidance to countries to track and report on poverty-related public spending. To this end, the Bank and the Fund must provide extensive technical assistance.

As other Directors have emphasized, the weakening of commodity prices and the sharp increase in oil prices have negatively affected a large number of HIPCs, creating a complicated external environment for many HIPC countries. These external shocks are complicating the necessary "track record" for qualification under the enhanced HIPC Initiative. Moreover, there are a few countries that have not yet met the entry requirement for the HIPC Initiative; many of them are troubled by conflict, civil unrest, or macroeconomic instability. Therefore, on a case-by-case basis, we are willing to agree to the compression of a track record requirement. This could be the case especially for countries that have not received Bank or Fund support for some time.

The staff also propose that the "sunset clause" be suspended. This proposal, however, will make the enhanced HIPC Initiative a permanent facility. Therefore, we cannot support its proposal. However, as other Directors have proposed, we are willing to support an additional extension of this "sunset clause" rather than suspend it.

While the overall cost of the enhanced HIPC has increased slightly, it remains broadly in the order of US$28 billion in 1999 NPV terms. Our main concern, however, is not the overall cost but the cost to some multilateral institutions and individual non–Paris Club members. For example, debt relief costs to Costa Rica, Guatemala, Honduras, and Trinidad and Tobago represent 3.8, 1.8, 1.9, and 1.6 percent of GDP respectively. There is the problem of HIPC creditors that are eligible themselves for assistance under the Initiative. We, as other Directors have emphasized, must work to find a solution to these problems, particularly where HIPC-eligible countries are creditors of other HIPC countries.

We welcome the progress in securing confirmation of participation by multilateral creditors. Today, over 95 percent of the multilateral exposure to HIPCs have confirmed their participation in principle in the enhanced HIPC Initiative. However, we continue to be concerned with the financing of the participation of regional development banks. We must maintain the financial integrity of these institutions.

We welcome that final bilateral contributions to the PRGF-HIPC Trust have increased since last May. However, we are still very concerned with the financing of HIPC. To allow the Fund to continue providing Fund assistance beyond late 2000, legislation by the United States Congress is essential. Without this, there would be a shortfall in resources available for debt relief, preventing the Fund from making further commitments of HIPC assistance beyond late 2000.

Finally, we agree with the proposal that, in cases where countries require more than one year to develop a full PRSP after presenting an I-PRSP, the authorities should be permitted to provide a short progress report to the Boards which would serve as the basis for continued access to concessional resources and interim debt relief.

Mr. Barro Chambrier made the following statement:

I would like to thank the staff for the set of comprehensive documents before the Board for today's discussion, which reflects the pending and pressing issues that need to be addressed with regard to poverty reduction in general. I would also like to salute the leadership provided by the managements of the Fund and the Bank, especially the improved collaboration, and I welcome this joint instrument that will facilitate our target.

Perhaps I should briefly respond to Mr. Kiekens, who has suggested that debt relief will not suffice to put low-income countries on a sustainable path. That point is well recognized in our constituency. Our authorities are aware that debt relief itself will not solve all of the problems. I welcome the other important points that Mr. Kiekens stressed. However, I have one disagreement with his point on Rwanda, which he said is not adjusting forcefully enough. It is important to look to each case in its own specific context. Although we advocate equal treatment, it is sometimes difficult to make comparisons. It must be kept in mind that mass genocide has destroyed the apparatus of Rwanda; it is a postconflict case. There are cases which gradually move toward some progress. Considering the debt-export ratio, for instance, one must take into the account the denominator, because the country is constrained in terms of access to the market.

The Board is not doing this exercise to please NGOs but because it is necessary, as was stressed by many Directors, for low-income countries to devote more resources to poverty reduction, and I share the views expressed by Mr. Pickford that one should avoid being overprescriptive on measures. It is important, in practice, to retain a clear delineation of responsibility between the two institutions. I also would like to emphasize the point made by some colleagues with regard to the importance of good quality data, although sometimes the best can be the enemy of the good. I also share the points expressed by Mr. Morais that the floating completion point should be realistic.

I am encouraged to note that real progress has been made in recent months in advancing the cause of HIPC countries and that momentum is building; 20 countries may reach their decision point before year-end. I am slightly puzzled by the number 20, and wonder why it is not 22 or 24. Nevertheless, the inclusion of those 20 countries should not be at the expense of those countries that are not yet included in the list because they do not fulfill the requirements. A lack of adequate support in terms of human resources can sometimes explain delays among countries, and in that context I want to name two countries in my constituency, Sao Tome and Central African Republic. One should also not lose sight of the fact that, if tangible amounts have been committed, they are not yet effectively available to recipient countries. Real success will materialize only when palpable debt relief is granted.

With regard to the countries reaching the decision point, I hope that this decision will be based on rational and credible criteria, and that there is no risk of relaxation or complacency. I would also like to note, particularly for countries in my constituency, that the process of an Interim PRSP has been taken seriously and that, despite the many constraints highlighted in the paper, ranging from technical and administrative weaknesses to political and financial costs associated with the participatory process, tangible progress has been made in designing high-quality Interim PRSPs that go beyond the basic requirements. In this regard, the drafting of the I-PRSP for Burkina Faso was an encouraging experience. It would be fair to reward the high commitment of these countries by rendering the PRSP process more flexible in order to allow faster debt delivery. There is no inconsistency between flexibility and the quality of the PRSP.

As I have said in the past, my major concern remains the nonavailability of full financing of the HIPC Initiative. I am particularly alarmed to read that the shortfall in resources could lead to questions as to whether the Fund should continue to provide debt relief under the HIPC Initiative beyond late-2000, in the absence of the release of the remainder of the investment income on the profit from gold sales. I welcome Ms. Lissakers's statement that the U.S. administration is actively trying to get authorization for the remaining gold sales, and hope that this can be done quickly.

While thanking donors for their contribution, we call on creditor countries, including non–Paris Club members, to fulfill their commitment in order to accompany the positive developments made by poor countries and to meet expectations. As stated in Mr. Cippà's preliminary statement, the situation in Africa is particularly complex, and solutions have been found only for near-term countries. The situation of the AfDB is particularly worrisome. Furthermore, I join others in stressing the importance of opening the markets of developed countries to exports from HIPC countries.

On the questions asked with regard to the pace of implementation, we agree that there is tension between speed and quality. However, I would like to reiterate my authorities' commitment to devote the resources freed in the context of the HIPC Initiative to poverty reduction, as highlighted in the Interim PRSPs. Furthermore, we believe that the PRSP constitutes a solid foundation for creditors to provide concessional lending and debt relief to eligible countries.

We are encouraged by the flexible approach that has been in place thus far with regard to the track record. The goal of bringing more countries to the decision point should be based on adherence to sound macroeconomic and social policies, although the Board should continue to exercise flexibility, taking into consideration the specific circumstances of each country. The effective assessment of these policies continues to rely on the Board decision. Thus, we would call for shortening the track record immediately preceding the decision point in order to allow for faster debt relief. For countries facing particular situations, we would support lifting the sunset clause to allow them to meet all of the requirements with the provision of treatment on a case-by-case basis.

With regard to the floating completion point and improved ownership by countries, we believe that the period leading up to the completion point should not require a full-year implementation of the PRSP. In cases where a full PRSP could not be developed after presenting an Interim PRSP, countries should provide a short report to the Boards indicating the progress that has been achieved. In any case, no criteria beyond the reach of the authorities should be set as a condition for the completion point.

Finally, we support the consensus with regard to publication.

Mr. Kiekens said that he and Mr. Barro Chambrier were almost in full agreement. He had raised the case of Rwanda only as an illustration. If the country continued for one more decade to have a deficit of 15 percent of GDP on its current account, one could not but observe that the adjustment process in the country was not sufficient. However, that did not mean that the additional effort for adjustment should fall exclusively on the people of that country. The entire international community should make an additional effort to help the country adjust better and faster; several key measures could be taken by advanced economies to help such countries adjust more quickly. As the Chairman had noted, the Fund, within the constraints of its mandate, should help countries to move more successfully with their programs. However, the responsibility for a country's own destiny lay with its people and leaders.

Mr. Suarez made the following statement:

> I welcome today's discussion and thank the staff for the interesting reports outlining the progress already made in the implementation of the HIPC Initiative, as well as the PRSPs, after the last April Meeting. The HIPC papers fully describe how the Fund and the Bank are sharing the responsibilities to carry out the main features of the Initiative and the efforts to achieve the objectives of providing broader, faster, and deeper debt relief to eligible developing countries. I also find interesting the information regarding the overall status and outlook for the remainder of 2000. On the other hand, the PRSP paper prepared jointly by the staffs of the Fund and the World Bank constitutes a helpful tool for reporting to our Governors about the institutional and country's experiences in developing national strategies to achieve sustainable poverty reduction through the preparation of I-PRSPs and PRSPs. We are encouraged by the work made by the Fund and Bank staff for presenting key features of PRGF-supported programs, as they constitute a basis for better articulating country programs under the PRSP process.
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> We took note that, as of September, after showing reasonable performance under reform programs and sound policy environment and preparing comprehensive I-PRSPs, only 10 countries, out of a goal of 20 countries for year 2000, have reached their decision point. Thus, enormous efforts are needed to ensure that not only we can achieve this goal, but to provide debt relief for the remaining eligible countries. We consider that, for countries achieving this stage, interim assistance becomes a crucial support for the preparation process of a full PRSP in order to reach the completion point. In this regard, we welcome creditors' efforts to ensure interim assistance through cash flow, as this will facilitate authorities' efforts to move forward with the reform agenda and to get strong societal support with the remaining necessary actions, and to ensure that poverty groups will bear the fruits of the poverty reduction strategy.
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> With regard to the issue of country-specific implementation experience up to date within the floating completion point, we consider that it is still premature to have an assessment to draw lessons from, as most of the cases were just recently endorsed by the Boards of the Fund and the Bank. We will

expect that, at least after one year, the staff could prepare a country-experience report. Such report could serve as a basis for a full assessment in order to determine if the time for achieving a completion point is in line with expectations. In order to contribute to a country's efforts towards reform, we associate with those who consider that policy requirements and objectives must be realistic to trigger the completion point. Consequently, those new cases brought for discussion to the Board also deserve the same treatment as previous ones, and every effort should be made to ensure that a prioritization of few key reforms is identified in order to guarantee that these reforms are achieved during this period.

Regarding the issue of participation of multilateral creditors in funding the Initiative, our concern is that, although some progress is mentioned in the report, the resources are not yet on the table. We should take into account the big expectations in the HIPC countries for getting debt relief and the complex process they are immersed in. They have to not only comply with a series of conditionalities under the PRGF, PRSP, and the HIPC itself, but they are also required to design and implement these programs in broad consultation with civil society and the international community. At the end, we should not forget about the incipient and fragile democracies in many of these countries and the risks of not fulfilling on time the expectations of the population.

Having said that, I reiterate our concern with regard to the resources that are expected to come from non–Paris Club bilateral creditors, which are middle- or low-income countries, and which perhaps will not be able to finance with their own resources the proportional share of the Initiative. Just as an example, Table 12 shows that just three countries from my constituency will have to bear one-third of the cost for non–Paris Club creditors. Therefore, as Mr. Morais said, we also consider that we still need more creative solutions that do not overburden these creditor countries.

The staff clearly states that, owing to different types of difficulties, a number of countries have not passed the entry requirements to qualify for HIPC debt relief and that accurate assessment of their debt situation has been impossible to obtain. However, once these countries pass the entry requirement, a comprehensive debt relief will be needed. Under those circumstances, we could go along with the staff recommendation to suspend the sunset clause and to warrant these countries a treatment under the HIPC framework, once they meet the entry requirements and embark on Bank- and Fund-supported programs in the context of their PRSPs or to extend the Initiative for two years.

The staff raises the issue that "in some of the upcoming cases, early decision points may necessitate the elimination or a sharp compression of a track record requirement immediately preceding the decision point for countries that have not received Bank or Fund support for some time." On the other hand, the Boards have been flexible in their interpretation of the required track record condition. The HIPC framework has provided an incentive to move forward by putting in place a reform agenda. Although country experiences vary on speed and quality, sound policy performance has been essential in country assessment to endorse a decision point. Once the appropriate safeguards to ensure macroeconomic stability are in place, we consider that it would be fair to provide similar treatment to all eligible countries of the enhanced framework. Consequently, we will favor a more flexible approach with respect to track record requirements.

Turning to the PRSP report, I feel encouraged by the satisfactory progress shown by eligible countries in the preparation process of I-PRSPs. Some countries were effective in preparing their I-PRSPs, with comprehensive coverage of relevant issues related to poverty problems and how to address them. Others, however, have shown some capacity constraints related to technical and administrative costs, among others, in preparing PRSPs in one year. Consequently, and taking into account that participatory process in some cases can result more complexities than expected, I would support the flexible approach recommended by the JIC, as set out in paragraph 32, in order to accept a short report from the authorities on the progress being made to complete the PRSP. This progress report and up-to-date JSA would be used to consider the continuation of access to interim assistance. However, we would like to stress that by no means can this flexible approach be a substitute for a lack of ensured financing of the Initiative when countries are about to reach their completion point. We would also agree with the approach outlined in paragraphs 33 to 37, which amplifies guidance to the staff on the assessment of core content of poverty reduction strategies and the participatory process. We consider that this guidance be used in a flexible manner as rigidity could undermine the principle of country ownership, mainly in the involvement in the participatory process. We want to keep in mind that only the country authorities can decide what kind of participatory process is better suitable and convenient to its needs, according to its own political reality.

Mr. Melhem made the following statement:

I welcome the increased collaboration between the Fund and the Bank which you, Mr. Chairman, have greatly contributed to. I also wish to thank staff for the papers they prepared for today's meeting. At this stage of the discussion, I will be brief.

On track record, I support the flexible approach that we have been following. However, it is important to ensure that countries have implemented a critical set of reforms that will help them achieve the full benefits of debt relief. Unrestricted access to developed countries' markets is also essential in helping the HIPC countries achieve high sustainable growth.

On the sunset clause, I can associate myself with those Directors who favor a two-year extension.

On PRSP, I agree that quality is more important than speed. Therefore, I endorse the proposals that the authorities provide short progress reports to the Fund and Bank Boards. I also agree with the suggestion for staff guidance in assessing the PRSP process subject to the cautions raised in Mr. Cippà's statement.

Finally, I welcome the flexibility provided by the floating completion point. It is important, however, to set realistic policy requirements and objectives to trigger the completion point as noted in Mr. Shaalan's and Mr. Bakhache's statement.

Mrs. Hetrakul made the following statement:

At the outset, I would like to welcome the cooperative effort of the Fund and Bank on this issue, and commend the Fund and Bank staff for their well-written reports.

Regarding the assessment of the pace of implementation of the enhanced HIPC Initiative, I share the view of Messrs. Shaalan and Bakhache that there may be room to speed up the process of reaching the decision point by setting realistic policy requirements, if a country can prove its willingness and ability to implement the needed reforms. However, I also would like to support Mr. Kiekens's view that clearer and more comprehensive policies for a successful and sustainable path to poverty reduction are needed in the long run.

Regarding the financing of the enhanced HIPC Initiative, I encourage donors to proceed with their pledges as soon as possible.

On the sunset clause, I can support the two-year extension or the staff recommendation to suspend the sunset clause, and agree with having 7 of the 41 HIPC countries that still need to meet the entry requirement treated on a case-by-case basis within the context of the HIPC framework. I support the staff's flexible approach in the assessment of countries' track records.

Regarding the review of the PRSP implementation, I support the staff recommendation that, in cases where countries require more than one year to develop a full PRSP after presenting an I-PRSP, the authorities should be permitted to provide a short progress report to the Board.

Finally, I would like to join Messrs. Wei and Rouai in supporting the deletion of country names from the list.

Ms. Redifer said that, vis-à-vis the sunset clause, she had proposed case-by-case waivers in her statement, but she could support the consensus for a one- to two-year extension. She also supported the comments made by Messrs. Pickford, Bauche, and several others that a central issue for countries in reaching the floating completion point would be strengthening their public expenditure management systems.

The Deputy Director of the Policy Development and Review Department thanked Directors for their comments and interventions and the guidance that they had provided. The staff would take account of the points raised in revising the documents before they were published. Directors' views on priority areas for future work would be incorporated into the work program in the coming months.

Regarding Directors' comments about providing more guidance on the context of the PRSP and joint staff assessments, the staff saw the need to get the balance right between not being too prescriptive and providing enough direction as to key elements of a PRSP, the Deputy Director stated. The staff guidance note was prescriptive mainly about what the joint staff assessment should cover, about cross-country good practices in terms of what PRSPs should cover, and about the need for public expenditure accountability and governance, which the international community and donors wanted to see as core elements of any poverty strategy.

On the question of the balance between not rushing the preparation of a PRSP and yet setting a one-year period between the I-PRSP and the PRSP, the staff had tried to devise an approach that was not too rigid by saying that there could be a progress report instead of a full PRSP, the Deputy Director said. However, that progress report needed to be substantive, not simply a report on process.

On balancing the specific conditionality associated with floating completion points, the staff and others were learning as they moved forward, the Deputy Director reported. The staff was trying to strike a balance between identifying a few specific measures and broadly assessing progress in terms of poverty reduction. There had been some discussions on individual country cases in the early stage, and the staff had tried to standardize the language in those documents to ensure that a broad assessment of progress in poverty reduction was possible. The question was how ambitious one could be while still being realistic in terms of the capacity in countries to actually deliver in time for a completion point. Those were all areas where the staff had tried to be forthright in terms of some of the tensions they saw. It was a learning process, and it was important to have experience in order to get the balance right.

A staff group from both institutions had been set up to examine the issues in tracking public expenditures, both to take stock of the current status of tracking allocations and outturns and to see what could be done in terms of helping countries strengthen their monitoring ability, the Deputy Director reported. The objective was to be able to reflect the results of the study in the HIPC Initiative documentation as individual country cases came forward. The staff in one month would have the results of the initial work, involving about 20 countries, which could report on it at one of the JIC informal briefings.

Regarding additional information going forward on countries, the World Bank Board that morning had discussed the need for more information on the reasons underpinning the pace of country progress, the Deputy Director noted. That was the kind of information that the staff had included in the progress reports, and it intended to provide some sort of comparable information in the following week, which would be circulated to the Boards before it was made public. There was clearly an interest in such information. The staff did not see a need to be precise about the timing for individual countries, but just to explain why some countries were moving ahead more slowly.

The staff representative from the Policy Development and Review Department said that the staff had regularly held discussions with the non–Paris Club bilateral creditors, and it was hoped that management would be able to follow up directly with their authorities at the Annual Meetings. The discussions had not been easy; the staff was mindful of the request by Directors that it be creative in looking for solutions, but there was a mathematical constraint in that if one group of creditors paid less, another had to pay more.

On Mr. Morais's request that the Fund provide more generous interim relief, the current framework, which allowed for up to 20 percent of the total debt relief to be provided per year for each year during the interim period, was an attempt to strike a balance between the desire to front-load relief and thus provide countries with scope for increased poverty spending, with the need to maintain a smooth profile of debt service to the Fund, the staff representative explained. Those considerations had been discussed in the original staff paper in July 1999. Providing up to 60 percent of the total debt relief in the first three years was considered to be substantial front-loading, especially as it left only 40 percent for the remaining seven years. IDA, for example, capped the relief it could provide during the interim period at one-third of its total relief, although IDA exposure was over a much longer period.

Regarding Mr. Kiekens's point about the debt owed to Central Asian countries, the staff intended to provide a paper to the Board later that year that would address the wider issues that he had specified, the staff representative reported.

The Chairman made the following summing up:

> Executive Directors welcomed the HIPC and PRSP progress reports and, in particular, the enhanced cooperation between the Fund and the World Bank, reflected in the draft statement by the Managing Director and the President of the World Bank to the International Monetary and Financial Committee (IMFC) and the Development Committee (DC). They were pleased to note the progress made so far in implementing the HIPC Initiative, which, together with traditional debt relief mechanisms and with further action by bilateral creditors, is already reducing substantially the debt burden of a good number of poor countries.

Directors favored the measures being taken to accelerate the implementation of the enhanced HIPC Initiative and to progress further toward the objective of 20 countries reaching their decision points in 2000. In this regard, some Directors noted that an updated country-by-country status would be useful to provide the international community with an overview of the main factors that stand in the way of some countries reaching their decision point before end-2000.

Directors agreed that an overall track record of three years of Bank- and Fund-supported programs prior to the decision point should in general be maintained, but that this should be interpreted flexibly on a case-by-case basis. Most Directors also agreed that the track record requirements immediately preceding a decision point may need to be applied flexibly, especially for countries that have experienced significant program interruptions. They emphasized, however, that countries need to demonstrate strong commitment to reform programs, particularly in the areas of governance and accountability, and that the link between debt relief and poverty reduction should be clearly maintained. In this regard, Directors stressed the importance of establishing a clear framework for the tracking of public expenditure on poverty reduction. A few Directors favored the maintenance of a track record requirement under Fund-supported programs immediately prior to the decision point, particularly for the most difficult cases, to ensure a prospect for a durable resolution of countries' debt problems.

A number of Directors questioned the extent of floating completion point structural conditionality. They urged the staff to continue to focus floating completion point requirements on a key number of policy actions on poverty reduction, as well as requiring a stable macroeconomic position, and that the country keep on track with its Fund-supported program.

Directors urged potential HIPC countries that have not yet embarked on IDA- and Fund-supported adjustment programs to do so expeditiously, and thus to begin to establish their eligibility for HIPC debt relief. In this context, most Directors favored that the current end-2000 sunset date for countries to enter into such programs and be eligible for assistance under the Initiative be extended by a further two years to end-2002.

Directors underscored the critical importance of pursuing prudent debt management and of securing adequate concessional financing for the successful implementation of the HIPC Initiative. Several Directors emphasized the importance for calculations of debt relief to take into account the impact of recent adverse terms of trade developments; it was noted that the existing framework is flexible in this regard. Directors agreed that debt relief is only one element of a comprehensive strategy to support poverty reduction in HIPC countries, and noted, in particular, that increased access to industrial country markets is also critical.

Directors welcomed the efforts of the staff to seek participation and contributions from all creditors, including non–Paris Club bilateral creditors. Some Directors noted the financing problems faced by non–Paris Club creditors, especially those that were themselves HIPC countries, and called on the international community for a more innovative and flexible solution for this category of creditors. They expressed their clear expectation that all donors will take the necessary steps to fulfill early pledges of contributions in a timely manner. The issue of Fund financing will be discussed separately on September 13, 2000.

On PRSPs, Directors welcomed the progress that has been achieved to date. They were encouraged by the favorable response in countries engaged in preparing nationally owned poverty reduction strategy documents and the extent to which countries have drawn on their own prior experience. They noted that, in many cases, the information provided, the degree of participation, and the level of political authority involved in the preparation of Interim PRSPs were much higher than had been envisaged.

At the same time, Directors acknowledged the challenges facing countries as they move to preparing full PRSPs and attempt to develop well-specified and prioritized programs from what were, in some cases, only broad statements of intent in their Interim PRSPs. These challenges include, inter alia, reliance on inadequate poverty data and limited institutional and analytical capacity on the part of both governments and civil society, and the need to ensure that broad-based participation does not undermine the authority of national parliaments and existing democratic processes. Directors therefore welcomed the current or planned involvement of multilateral and bilateral development partners in supporting countries' efforts to upgrade data and to build institutional capacity. They considered that efforts need to be redoubled to ensure that the views of the poor are taken into account in developing poverty reduction strategies. Further analytical work is also needed, particularly with regard to the link between growth and poverty reduction, and Directors noted with approval that the Bank and Fund staff are intensifying their research efforts in this area. They looked forward to the Board review of this work in the near future.

Directors recognized that there is a tension between, on one hand, accelerating debt relief and maintaining the pace of IDA and Fund concessional assistance and, on the other hand, ensuring that HIPC resources and concessional financing are linked to country-owned poverty reduction strategies. While the introduction of Interim PRSPs and of interim assistance under the HIPC Initiative has proven to be helpful in this respect, Directors cautioned that this inherent tension will intensify as countries move to full

PRSPs. Moreover, while the quality of PRSPs will develop and improve through successive cycles, a wide range should be expected for the first PRSPs. Directors welcomed the World Bank's intention to strengthen the links between PRSPs and IDA assistance through the use of a Poverty Reduction Support Credit.

Directors also recognized that there is a tension between country ownership and the requirements on the part of IDA and the Fund to assess whether the content of individual country strategies provides an adequate basis for the institutions' concessional lending. While concluding that the need to make such judgments is inescapable, they supported the approach outlined in the Board paper for amplifying guidance to staff on the assessment of the core content of poverty reduction strategies and the participatory process, noting this guidance would enhance transparency without infringing on the principle of country ownership. However, they stressed that such guidance should not be overly prescriptive.

Directors acknowledged that the originally envisaged one-year interval between discussion of an Interim PRSP and completion of a full PRSP may be too short. They endorsed the staff's recommendation whereby countries unable to complete a full PRSP within a year of their initial Interim PRSP could provide a progress report, accompanied by an updated Joint Staff Assessment, as a basis for obtaining continued access to concessional assistance and, where applicable, interim debt relief. A few Directors, however, favored a fuller update of the PRSP document, including progress being made with regard to the participatory process and, where appropriate, the planned use of HIPC debt relief resources.

Directors welcomed the background staff paper on the key features of PRGF-supported programs (SM/00/193). They endorsed it as providing useful guidance that will help ensure that macroeconomic policies and other aspects of a country's poverty reduction strategy are effectively integrated, and that PRGF-supported programs are formulated in ways that support increased national ownership. They looked forward to the changes described in the paper becoming increasingly included in new PRGF arrangements. They also welcomed the intention to make the paper publicly available, as a way of clarifying expectations and fostering public debate on the issues.

DECISION TAKEN SINCE PREVIOUS BOARD MEETING

The following decision was adopted by the Executive Board without meeting in the period between EBM/00/89 (9/1/00) and EBM/00/90 (9/5/00).

4. EXECUTIVE BOARD TRAVEL

Travel by Executive Directors, by an Advisor to Executive Director, and by an Assistant to Executive Director as set forth in EBAM/00/122 (8/31/00) is approved.

APPROVAL: July 5, 2001

SHAILENDRA J. ANJARIA
Secretary