

October 3, 2003  
Approval: 10/10/03

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 03/62

10:00 a.m., June 27, 2003

**Contents**

Page

Executive Board Attendance .....	1
1. Report by Managing Director .....	3
2. Deputy Managing Director—Resolution of Appreciation .....	9
3. Fund Transparency Policy—Issues and Next Steps .....	26

**Decision Taken Since Previous Board Meeting**

4. Release of Information—Review of Fund Data Standards Initiatives .....	110
---	-----

**Executive Board Attendance**

H. Köhler, Chairman  
 A. Krueger, Acting Chair  
 E. Aninat, Acting Chair

**Executive Directors**

I. Bennett  
 K. Bischofberger

S. Indrawati  
 V. Egilsson  
 N. Jacklin  
 W. Kiekens  
 G. Le Fort

D. Ondo Mañe  
 L. Martí  
 P. Padoan  
 M. Portugal  
 Y. Reddy  
 T. Scholar  
 A.S. Shaalan  
 I. Usman

Wei B.

K. Yagi  
 F. Zurbrugg

**Alternate Executive Directors**

A. Alazzaz  
 C. O'Loghlin  
  
 W. Cho, Temporary  
 G. Francis, Temporary  
 S. Boitreaud  
 I. Alowi

M. Lundsager

A. Zoccali  
 M. Daïri  
 A. Lushin  
 L. Rutayisire  
 M. Beauregard  
 H. Vittas  
 R. Steiner  
 R. Jayatissa  
 M. Brooke

P. Ngumbullu  
 A. Atoloye, Temporary  
 G. Campos, Temporary

X. Wang  
 H. Litman, Temporary  
 P. Nijssse, Temporary

M. Kitahara  
 O. Steudler, Temporary

B. Esdar, Acting Secretary  
 A. S. Linde, Acting Secretary  
 P. Cirillo, Assistant  
 W. Rahman-Garrett, Assistant  
 S. Soromenho-Ramos, Assistant

**Also Present**

Asia and Pacific Department: Z. Zhang. European I Department: M. Deppler, Director; R. Ford. European II Department: J. Odling-Smee, Director. External Relations Department: T. Dawson, Director; R. Brauning, M. Chatah, W. Murray, S. Nardin, J. Wolff. Fiscal Affairs Department: P. Heller, Deputy Director. Finance Department: H. Hatanpaa. International Capital Markets Department: A. Bertuch-Samuels. Independent Evaluation Office: I. Mateos y Lago. Legal Department: W. Holder, Deputy General Counsel. Monetary and Financial Systems Department: C. Enoch, D. Hoelscher. Middle Eastern Department: G. Abed, Director. Office of the Managing Director: A. Tweedie. Policy Development and Review Department: T. Geithner, Director; M. Allen, Deputy Director; L. Ebrill, P. Gajdeczka, M. Guerguil, D. Jones, K. Langdon, H. Monroe, M. Schulze-Ghattas, M. Walsh. Research Department: M. Savastano. Secretary's Department: L. Hubloue, M. Miller. Statistics Department: L. Fernando. Western Hemisphere Department: A. Singh, Director; C. Collyns, Deputy Director; L. Cardemil, A. Cebotari, L. Giorgianni, A.M. Jul, J. Nelmes, M. Rodlauer, G. Terrier, J. Thornton. Advisors to Executive Directors: A. Baukol, J. Costa, D. Farelius, S. Farid, P. Gitton, J. Jonas, K. Kanagasabapathy, M. Kruger, F. Manno, J. Milton, T. Miyoshi, P. Moreno, T. Moser, L. Palei, C. Pereyra, A. Requin, S. Rouai, K. Sakr, G. Shbikat, C. Sia, A. Tombini, F. Vermaeten, R. Villavicencio, D. Vogel, X. Zhang. Assistants to Executive Directors: M. Abbing, D. Baasankhuu, V. Bhaskar, J. Borpujari, R. Calderón-Colín, N. Epstein, C. Faircloth, H. Franken, C. Gust, C. Harzer, M. Jamaluddin, N. Joicey, C. Josz, B. Kelmanson, K. Kpetigo, K. Nauphal, T. Nguema-Affane, R. N'Sonde, A. Rogers, J. Salleh, T. Skurzewski, S. Vtyurina, N. Watanabe, Y. Wu, J. Yu.

## 1. REPORT BY MANAGING DIRECTOR

The Managing Director reported on his travel to Argentina and Uruguay.

Length: 25 minutes

The Managing Director made the following statement:

I visited Uruguay and Argentina between June 22 and 24. It was my first visit to Uruguay and I was keen to indicate our support for the government's economic policies, and review the prospects for restoring sustained growth in Uruguay—following the disciplined implementation of the economic program over the past year and the recent successful completion of the debt exchange. In Argentina, my main goal was to establish contact with the new administration of President Kirchner. In both countries, I was able to review the global and regional economic situation and seek the views of the authorities on the near-term outlook for Latin America.

From the staff, Messrs. Singh, Dawson, and Tiwari, accompanied me. We were joined by respective mission staff in each country—Mr. Terrier and our resident representative Mr. Bauer in Uruguay, and Mr. Dodsworth and our resident representative in Buenos Aires, Mr. Cubeddu. We met with the press in both countries.

I am very grateful to Messrs. Le Fort and Zoccali, and their authorities, for the excellent arrangements made, and for ensuring that we could meet a very wide range of persons from the official and private community in both countries.

### Uruguay

My first stop was Uruguay, where I met with President Batlle, Finance Minister Atchugarry, and Central Bank President de Brun. I also had valuable meetings with the leaders of the three main parties, former president Lacalle of the National Party, former president Sanguinetti of the Colorado Party, and Mr. Tabaré Vazquez, of the *Frente Amplio* opposition. I also met with the members of the finance commission of the senate and representatives of the private sector.

Over the past year, President Batlle's government has firmly pursued sound economic policies that have stabilized the economic and financial situation in Uruguay and are laying the foundation for returning to growth. I congratulated President Batlle and his economic team for dealing effectively with last year's financial crisis, successfully completing Uruguay's recent landmark debt exchange, and maintaining Uruguay's traditionally strong legal

and institutional framework. The authorities expressed confidence that the economy should return to positive growth in the second half of 2003.

Against this background, my discussions focused on how best Uruguay can consolidate these achievements and return to sustained growth over the medium term. I conveyed my sense that improving Uruguay's competitiveness and trade share in today's globalized world, and nurturing new areas of growth, are core to this challenge. There was broad recognition of the need to build a strong intermediation role for the banking system, streamline the public sector and improve its savings and efficiency, and attract new private investments by making the business climate fully supportive—while retaining a well-targeted social safety net that is consistent with fiscal capacity.

The political leaders I met recognized the need to review the role of the public sector in Uruguay, as part of the process toward building a more competitive economy. However, in light of the deeply entrenched welfare state tradition in Uruguay, they cautioned that this needed to be done in a carefully sequenced way, preparing the wider community for it and building consensus. Presidential and congressional elections are due next year and these issues of structural change in Uruguay will be intensely debated over the coming months.

The meeting with bankers and private sector representatives focused on how best Uruguay could develop new sources of growth over the medium term. Uruguay's growth has in the past been narrowly based on agricultural goods, financial services, and tourism—and dependent on its larger neighbors. There was broad recognition that Uruguay now needed to build new sources of growth and reduce its dependence on its neighbors. In this context, I emphasized the importance of broader trade opening, and putting in place a more supportive investment climate that would attract new private investments into the economy.

Overall, I was impressed by the degree of resilience and resolve of the Uruguayan people and government, and we will continue to work closely with Uruguay.

#### Argentina

I then went to Buenos Aires for about two days. My main purpose was to meet with President Kirchner, listen to his views and priorities, and assure him that the IMF is ready to work closely with his new government. I also met with his economic team—Economy and Production Minister Lavagna and Central Bank President Prat-Gay—congressional leaders, key provincial governors, members of the business and financial community, and representatives of civil society. I met the press jointly with Minister Lavagna,

and briefed a group of Ambassadors on my visit. It was a heavy agenda but a very productive one, and I have come away with a much better awareness of the current situation in Argentina.

In reporting on my meetings, let me start with my contacts with President Kirchner. I had two meetings with him during my stay. The first was over a dinner that President and Senator (Mrs.) Kirchner graciously hosted for my wife and myself on my first evening. The President had also invited Vice President Scioli, Foreign Relations Minister Bielsa, Minister Lavagna, and Chief of Cabinet Fernandez. I was grateful for the opportunity the dinner provided to get to know President Kirchner and his key cabinet members in an informal and friendly setting. I then had a working meeting with President Kirchner the next day.

My overall impressions of my meetings with President Kirchner are very positive. The President spoke very candidly about past economic policies in Argentina that had resulted in the 2001 crisis, the current political context, and his plans for the future. On the first subject, he was critical that the international community had continued to support Argentina's policies in the 1990s even after their unsustainability became clear. President Kirchner made clear that his key priority is to bring the Argentine society back together. Indeed, I sensed from my subsequent meetings with governors and congressmen that the new presidency has a momentum and that the President enjoys increasing and widespread support.

President Kirchner spent some time telling me about his plans for the future. He has a vision of economic and political renewal in Argentina. He expressed his priority as one of building confidence through transparency, consistency, and predictability in policy-making. He told me that it was time to move away from crisis-oriented policies and to normalize the situation in Argentina. In this way, he intended to transform Argentina into a self-confident and respected member of the international community.

President Kirchner's overall message to me was his readiness to work with the Fund and the international community, and that this must be based on mutual trust. He said that he was prepared to develop a medium-term economic program with our support, but that it should be carefully sequenced to ensure its success, and be well balanced with social policies. In this context, he spent some time emphasizing to me that he would exercise close and full ownership over such a program. His priorities in such a program would be to take Argentina back to sustained growth on the basis of clear and predictable rules of economic behavior and social peace. Toward these ends, he intended to maintain macroeconomic stability, sustain a firm fiscal framework (including with the provinces), reduce tax evasion, give greater emphasis on infrastructure investment, and make early progress in debt restructuring with private creditors.

The President was candid in telling me that he would not enter into commitments which he did not consider to be consistent with the well-being of his people or on which he could not deliver. I welcomed these messages, pointing out that our own assessments had shown that policies worked best when they had full ownership. At the same time, I told the President that we would, also in full candor and in light of our experience in other countries, give our advice on the efficacy of policies, and we would need to make our own assessment and judgment of policies in determining the case for Fund support.

I then presented to President Kirchner my sense of the main elements of a strong medium-term program:

- a medium-term fiscal framework, including reform of intergovernmental relations, that can underpin a viable debt restructuring, lower interest rates, and allow room for the government to achieve its social goals;

- a strategy to restore financial intermediation and deepen domestic capital markets, including bank reforms, corporate debt restructuring, and addressing problems of the utility companies; and

- legal and institutional reforms that will allow a normalization of relations between creditors and debtors, contribute to legal certainty, give greater openness to the economy, and fundamentally transform the investment climate.

President Kirchner agreed that such an agenda formed a good basis for beginning work quickly with the Fund.

My meeting with Central Bank President Prat-Gay focused on the macroeconomic situation and the short-term outlook for the economy. Mr. Prat-Gay was confident that macroeconomic stability was being entrenched in Argentina, and that monetary policy was responding cautiously to clear indications of recovering money demand. Regarding the recovery of growth, the Central Bank President saw some moderation in the second quarter of 2003, from the high 5½ percent rate achieved in the first quarter, but was confident that growth in 2003 as a whole would overperform current projections of 4–5 percent. Looking ahead, Mr. Prat-Gay indicated a firm intention to move to an inflation targeting regime.

The meeting with the business and financial leaders allowed a valuable exchange of views on how best the emerging recovery can be sustained. The concerns of the business and financial sector focused in two main areas—namely, strengthening the banking system so that it can support new credit flows; and entrenching a robust institutional framework that would clarify the

“rules of the game” and maintain a level playing field between the public and private sectors. There was also considerable discussion of the privatized utilities. The representative of the utilities was very critical about the continuing freeze on tariffs and the continuing delays in renegotiating agreements—warning that deliveries of services could soon be affected because most companies had been forced to halt investment. This is an important issue for the new government. The essential task is to develop a new regulatory framework to ensure that this key sector does not become an obstacle to growth.

My meeting with representatives of civil society, including several religious leaders, focused on the situation of high poverty in Argentina and how this can be most effectively addressed. We agreed that macroeconomic policies need to be carefully balanced with social policies. The representatives of civil society underscored the importance of putting in place a new era of improved political governance in Argentina following the commendable smooth transition of the elections.

The meeting with provincial governors was extremely useful. The governors were proud of their own achievements over the past year. The governor of the province of Buenos Aires highlighted, in particular, the successful fiscal consolidation achieved by the provinces since early 2002 and the termination of new issues of quasi-monies. The governors recognized that Argentina needed a new framework for inter-governmental fiscal relations and they were committed to develop such a framework. However, in their view, substantive work toward this end could only realistically begin after the gubernatorial elections scheduled for the second half of this year. Meanwhile, they pledged to continue with fiscal discipline and to play their part in delivering a consolidated primary surplus over the medium term.

The meeting with congressional leaders brought out their desire for the Fund to remain closely engaged in Argentina. The meeting focused on building institutional and legal support for the emerging recovery. Congressional leaders explained the context of recent decisions related to the temporary stay on mortgage foreclosures and the protection of media companies and other cultural activities. Regarding the stay on mortgage foreclosures, the congressmen explained the social need to protect small and poor homeowners from eviction, but seemed to agree that future protection of such social groups is best based on social support policies. Regarding the protection of the media companies, the congressmen pointed to similar protection in many countries round the world—both advanced and developing. I noted that the approach taken will obviously need to be sensitive to the cultural and institutional context of different countries, but such measures should not lead to a weakening of the insolvency framework. It is clear that this is a very difficult issue in Argentina’s current political context

and that we will have to come back to it in our dialogue with the authorities to try and develop an acceptable way forward.

Trade issues came up for discussion in several meetings. President and Senator (Mrs.) Kirchner showed considerable interest in the subject, recognizing the need for Argentina to increase trade openness as part of the process of developing a more competitive and diversified economy. In this context, they made it clear that their own efforts toward this end needed to be better supported by improved market access in the industrialized countries, and they appreciated the efforts being made by the Fund in highlighting the importance of this issue.

Overall, I am cautiously optimistic about the outlook for Argentina. The short-term economic situation is much improved and the new President appears committed to our jointly developing a carefully sequenced structural reform program that would consolidate the recent achievements and sustain growth and reduce poverty in Argentina. We have planned for a mission to return to Argentina early in July to carry out the third review of the present transitional program and to begin working toward a medium-term successor arrangement.

Mr. Le Fort thanked the Managing Director for the complete and thorough report on his trip to Uruguay and Argentina and expressed the appreciation of his Argentine and Uruguayan authorities for the recent visit to Buenos Aires and Montevideo. The visits were widely regarded as timely, substantive, and helpful in moving forward toward the implementation of a medium-term strategy for Argentina that is fully owned and transparent, and that can deliver sustainable and stable economic growth. For Uruguay, it was the right moment to focus not on crisis resolution, but on strengthening the resilience of the financial system and building the conditions for strong economic growth toward the future. The Managing Director's strengthened optimism was encouraging. His chair's authorities reaffirmed their commitments to working closely with the Fund to deliver prosperity for the region and a closer integration of Argentina and Uruguay into the world economy.

Mr. Portugal commented that the Managing Director's report was encouraging and showed that his visit was successful in achieving its objectives. It was important that the Managing Director had a positive impression and was cautiously optimistic. His chair thanked the Managing Director for the visit and considered it as an opportunity for a new start in relations between the Fund with Argentina. The results of the visit showed that the Managing Director's support for the transitional program last year was the right decision to take and his chair joined the Managing Director in being cautiously optimistic about the prospects for Argentina's economy.

Mr. Martí also thanked the Managing Director for the visit and for the efforts taken in covering such a widespread section of the Argentine social, economic, and political society. It had been a memorable achievement in 48 hours, because the Managing Director had been briefed on practically every item of major interest to the Argentine economic future and to

the Board. The results of the trip had been a good accomplishment, and his chair congratulated the Managing Director. He was pleased that the Argentine authorities, especially the President, seemed to be aware of the need for a medium-term program.

## **2. DEPUTY MANAGING DIRECTOR—RESOLUTION OF APPRECIATION**

The Executive Board bade farewell to Mr. Aninat on the completion of his service as Deputy Managing Director of the Fund.

Length: 1 hour, 15 minutes

The Chairman made the following statement:

Colleagues, let us now take some time to bid farewell to Mr. Aninat. I am glad to have this opportunity to express my appreciation and the appreciation of the Board for Eduardo on his last day at the Fund and at the Board. When Eduardo Aninat joined the Fund, he already had a distinguished career in his native Chile. His experience covered a wide spectrum of issues of relevance to the Fund, including trade—he led the negotiations on the Chile/Canada Trade Agreement; debt—he served as chief debt negotiator at the Central Bank of Chile; and finally, public finance—he was Finance Minister of Chile from 1994 to 1999. Of course, Eduardo was very familiar with the Fund and the Bretton Woods institutions having been Chairman of the Board of Governors of the Fund and the Bank, and having served three years as a member of the Development Committee.

Eduardo Aninat's experience in government brought important skills to the Fund and this Board. His diplomatic touch and sensitivity for political economy questions in particular, were always evident. As a former Finance Minister, Eduardo knows well that policy decisions cannot be made on technical economic arguments alone. The democratic political process requires finding and working for a consensus, and he has tirelessly worked in this Board at preserving and promoting its key strengths—seeking agreement and consensus through dialogue.

The institution has benefited immensely from Eduardo's experience and knowledge of Latin America. The last two years have been turbulent times for many countries in the region. While our most difficult cases are the ones that make the headlines, like Venezuela and Argentina, we should not forget the successes. His own country, Chile, has stood out as a beacon in the storm, serving as an example of what is possible when sound policies are sustained for a prolonged period.

As you have never ceased to remind us, Eduardo, Latin America is a continent of contrasts and it is a mistake to generalize, but there is a consensus

in Washington and in the region that prosperity and success in Latin America must be built on the foundations of strong market economies and social cohesion. The path forward for Latin America lies in strengthening those foundations, not in replacing them. There is increasingly widespread recognition among leaders in the region that a sound institutional framework—including an efficient public administration and judicial system—is a fundamental factor for sustained economic and social development.

The Fund has engaged itself strongly in Latin America and I believe that we have reached a turning point. Developments in Brazil, in particular, give me grounds for optimism. President Lula's agenda of growth with equity is the right historical agenda for Brazil and beyond Brazil. I am happy that this Board has shown that it is fully committed to working hard to help ensure that these positive developments take solid root and lay the foundation for a promising future for Latin America.

Coming from Chile, with a tradition of strong institutions and appreciation of the value of rules, Eduardo took naturally to a critical area of the Fund's work in recent years: our work on standards and codes. This experience helped us ensure that a wide range of countries—advanced economies, emerging markets, and developing countries—participated in this initiative, especially in the area of money laundering and, most recently, in combating the financing of terrorism, a topic that pushed the envelope of the Fund's expertise and mandate. Eduardo did a masterful job in keeping all the players on track.

Eduardo also brought to the Fund his experience and longstanding involvement with social issues and poverty alleviation. Working effectively with our sister institutions within the United Nations family, he did an excellent job, in particular in helping to shape the Monterrey Consensus and the Fund's role in it.

I am especially grateful that he has shared the importance that I have attached to technical assistance. In many poor countries, there is no lack of goodwill, but a lack of capacity to implement reforms. During his tenure he has been a tireless advocate of technical assistance, well aware of the value that the Fund can add by strengthening national capacities through its expertise. Having been at the receiving end, he knows how important prioritization is and how essential it is to have an agenda driven by the needs of member countries, not the preferences of the technical assistance providers. Working with this Board, he has helped to strengthen the Fund's approach to technical assistance and put all his vigor and energy into taking our AFRITAC concept from the drawing board to reality. We all know about the final problems with AFRITAC West as a result of the civil unrest in Cote d'Ivoire, but prior to that there were many hurdles to jump, stakeholders to be

appeased, and frictions to be smoothed out. Here, his talent for building consensus really shined, and I believe it is a great achievement.

Eduardo, the number of our achievements during your tenure reflects your boundless energy, the enthusiasm with which you tackle new tasks, and the enthusiasm of your work on issues of the global common good related to integrated economies. This Board remembers well your excitement when the Fund won the coveted 19th Street football trophy and the pride with which you showed the cup to us here. But you also displayed due concern for the feelings of the World Bank staff in the room and diplomatically refrained from excessive gloating. This balance of determination and sensitivity will surely serve you well as you embark on new challenges.

Eduardo, this Board appreciates your expertise, your judgment, your patience, and your unflagging sense of humor. On behalf of the Board, allow me to express to you our thanks and appreciation, and wish you and your family all the best for the future. Thank you very much.

Mr. Shaalan, in his capacity as Acting Dean, made the following statement:

I am sure our Dean, Mr. Mirakhor, would have loved to be here but, instead, I have the great pleasure of making a statement on behalf of my colleagues. The premature departure of Eduardo from his job as Deputy Managing Director will cause him to be sorely missed by the many friends he has in the Board and the staff, not only because of his diverse contributions which the Chairman referred to, but because of his contributions to the development of the institution. I certainly could not do justice in a few short words to the important initiatives he spearheaded or participated in during the four years he has been with us. In many respects, the initiatives were a response to the requirements of a very rapidly changing global economic environment. The Managing Director referred to some—but only some—of Eduardo's achievements in the areas where Eduardo assumed leadership. His leadership was reflected in particular with regard to developing countries, as well as in the relations between donor countries and developing countries in key areas of interest to the Fund and to the countries.

Two areas in the initiatives for developing countries are the provision of technical assistance—which has gone to the vast majority of the membership and is an issue which every one of us at the Board has been emphasizing over the years—and the African initiative. Eduardo's vision extended beyond just providing technical assistance. The Managing Director has already referred to how Eduardo was effective in building institutions to ensure that the provision of technical assistance would be absorbed by the country and not just end once the formal technical assistance was provided. This was a great achievement Eduardo has implanted in our thinking and I am sure the institution will nurture this initiative. His personal commitment to

these two initiatives reflected his optimism, and his determination to make these initiatives a success and will always be remembered.

Eduardo, your many friends will miss you both at the Board and on a personal level. I have only worked with you on one country in my constituency but I am grateful for your work, as are members of my constituency, and for your guidance and commitment to assisting the one country you so diligently worked on. I want to wish you, Mrs. Aninat, and your family all the very best in your chosen path which I am sure will be as bright and successful as the one you are leaving behind.

Mr. Portugal made the following statement:

I join the Chairman and other Directors in bidding farewell to Eduardo, which is both an easy and a difficult task. It is an easy task because there are so many good things to say about him, but it is a difficult task because his departure generates a true sense of loss for all of us. Eduardo is one of these special people that combine a very solid technical knowledge with seasoned judgment, rich experience, enthusiasm, and a kind and friendly personality, which gives him a superior quality of getting things done. These personal qualities have allowed him to make really outstanding contributions to the cause of international economic cooperation and international financial stability during his relatively short tenure in the Fund, and he leaves the Fund a better institution than when he came here.

As the Managing Director said, Eduardo was already a famous international figure when he came here. He was a bright academic, a successful private consultant, an international negotiator who negotiated important agreements for his country, and one of the longest-serving Finance Ministers in a country that became a model for good economic management and good policies—a beacon in the storm in this region and beyond the region. In spite of the large fame that he had when he came here, he leaves carrying an even bigger fame, which is not a small achievement if we consider how difficult it is to improve when you are already in a very strong position.

Eduardo proved himself in the Fund to be a very courageous crisis manager who helped countries that were facing difficult moments. He showed himself to be a persistent and patient institution builder with his work to promote international standards and codes, to strengthen the financing sector, and to make technical assistance more efficient, as Mr. Shaalan mentioned. He also proved to be a very effective consensus builder whose diplomatic skills were essential to reach consensus on difficult topics like money laundering. His dedication to the cause of development in the poorest countries was evident in his steering of the Fund's constructive engagement in the Monterrey Conference, in the establishment of AFRITAC, and in the help that he provided for a large number of small countries, including some in my

constituency. As a fellow Latin American, I feel very proud of his achievements and of the internationalist character that he attached to his tenure here.

People say that friendship only knows its true depth when the time of separation comes; the friendship that Eduardo has inspired in all of us is proving its strength now, as we see by the many and well-deserved honors and farewells that he has been receiving. This is a result not only of his professional success, but mainly of his kind and caring personality because if a man's material achievements can earn him praise from his fellows, it is only the nature of his personality that could gain him affection. Eduardo is the kind of likeable and communicative person that is also prepared to spend time with and show interest in his fellow colleagues.

Eduardo, I wish to thank you very much for all your efforts in favor of international economic cooperation among our countries, for your hard work to promote the Fund's objectives and to support the countries that we represent here. I also personally want to thank you very much for your friendship. I hope that you, Teresa, and your children are happy and that you continue to be the successful person in the future that you have been so far.

Mr. Kiekens made the following statement:

In preparing myself for this emotional meeting last night, I read some poems by Pablo Neruda.

Reading these touching expressions of emotion by your great countryman, and learning more about his life so filled with poetic, diplomatic and political activity, I was increasingly struck by similarities I perceived between Don Pablo and Don Eduardo.

When Neruda was Consul General in Mexico during the late 1930s and early 1940s, he wrote his *Canto General*, an epic poem about the nature, people, and historical destiny of Chile and all of South America.

When you first came to Washington, you soon began to write and speak passionately about integration as the destiny of poor countries in the global economy. One of your first speeches, delivered in Berlin in March 2000, was already a well structured expression of what would guide you, and indeed the Fund, during your tenure here. This speech in March 2000 was entitled "Making Globalization Work For All," a theme which has since then become the "leitmotif" of our Annual Reports.

Shortly thereafter, in June 2000, once more in Berlin, you delivered another speech which I consider one of the best explanations of the Fund's brand new approach to reducing poverty that we had started implementing just

when you and, soon after, the Managing Director arrived in the Fund. Because this speech was so strikingly good, I asked that it be translated into French so that I could give it to the many friends in Africa who were asking about our new policies of the PRSP and the PRGF.

Neruda is best known for his poetry about love, but equally beautiful are his elemental odes about what we need in daily life: the “Ode to Tomatoes,” the “Ode to the Maize,” “the Ode to the Large Tuna in the Market,” the Ode to Lemon,” and the “Ode to Salt.”

Reading these poems started me to thinking about what you have told us, albeit in less poetic terms, about Uruguay, Lebanon, or Pakistan, because, like all great Managing Directors, you have perfectly blended and balanced your aspirations and passion for humanity and social concerns with what lies at the heart of our daily life as a creditor institution—namely, as Larry Summers said so well on an earlier occasion, that certain principles of economics and the laws of arithmetic that control economic and financial phenomena cannot be replaced by good intentions.

During his many diplomatic assignments abroad, Neruda made friends with other writers and poets. One of them was Federico García Lorca, whom he met during his stay in Buenos Aires and again just before the Civil War, when Neruda was transferred to Madrid.

This reminds me of your fruitful cooperation with another great politician and writer: President Vaclav Havel of the Czech Republic, whom you met at the 2000 Annual Meetings in Prague, shortly after you came to Washington and the Fund. As you recall, President Havel was the first Head of State to organize, at the world level, a successful dialogue between officials and NGOs on bridging global gaps. I was particularly pleased that you participated with such authority at the follow-up forum chaired by President Havel in Prague last November. I am sure you will take with you to Santiago the touching letter of praise and gratitude that you received from Prague, signed “Vaclav Havel.”

Havel’s term as president ended a few months ago, as required by the timetable in the Constitution of his country. Your term in the Fund ends today not because of a timetable in the Fund’s Charter, but because your own timetable reflects your desire to return to your country Chile, just as Pablo Neruda returned so many times to Chile after having been assigned or exiled abroad.

Speaking on behalf of all my European colleagues and their authorities, let me end these few remarks of gratitude for all you have accomplished so well at the Fund for the benefit of many, many people all

over the world, by reading once more where I stopped reading last night: the last few lines of Don Pablo's Canción Desesperada:

“It is the hour of departure  
The hard cold hour  
Which the night fastens to all the timetables”

Thank you so much, Don Eduardo.

Mr. Yagi made the following statement:

It is my pleasure to say a few words on behalf of the Asia Pacific region. Mr. Aninat, you came to the Fund equipped with a wealth of knowledge of the developing world and of the world economy. Since then, your professional excellence as well as the friendship and warmth that was extended to us have become a welcome and valuable asset of the institution. I am convinced that all my colleagues from the region share the same feelings I have now—it is always very sad to let someone go. We are privileged to have been given the opportunity to work with you.

Your greatest contribution to our part of the globe came from your dedication and effort to promote globalization, development, and stability through your active involvement in a number of areas. In the international forum, you actively pushed for quota-free and duty-free access to industrial country markets for developing country products. You have shown a strong interest in strengthening the international financial architecture and shown active initiative in developing surveillance through standards, codes, and the ROSC assessments. You encouraged progress in these areas, including extensive self-assessment by countries like India. In fact, in the financial sector assessment—a new territory for the Fund—your guidance was of considerable impact. We sincerely appreciate your efforts to promote the collaborative efforts of the international community for poverty reduction and growth through the PRSP process, which provides a focused policy agenda and promotes government accountability by fostering national dialogue on economic and social policies.

We recall your visit to China in January 2001. You emphasized that China was at a critical juncture in its integration with the global economy. You encouraged the authorities to accelerate the reforms in preparation for intensified competition while assuring assistance from the Fund. You also appreciated Chinese culture, art, and personally made a great contribution expanding domestic consumption during your stay. Having recognized your track record of boosting consumption in China, our region would also like to benefit from your assistance. Such a magical wand might be one that my home country, Japan, desperately needs at the moment. We also appreciate your efforts on the Fund-supported program for Pakistan in Autumn 2001. In

the Pacific region, we especially appreciate your deep involvement in technical assistance.

Your leadership was by no means confined to the field of an Acting Chair of the Executive Board and other Fund-related official activities. As the Chairman mentioned, you united and led the team in our biannual soccer matches between the Fund and the Bank. As a midfielder of your size, judgment, positioning, and agility, your games have always outstripped the opponent. Such things might not be so difficult for you, given your wide experience as an excellent politician and the variety of techniques to lead the team. We remember your recent goal which brought the match to a draw and we will never forget your performance.

Among the present management, you are the only one to send a memo to me during the Board meeting from time to time, commenting on the interventions made. As usual, your comments were amicable and full of wit. Not surprisingly, as an experienced politician, when your staff were criticized, you always quickly responded in a strong and grave voice. Both you and I were born in the same year, the year of mice. In my case, it would not be a surprise, but you look as if you were born in the year of the dragon. I am sure you will be a real dragon in your future career. Eduardo, you are now leaving the Fund. We will miss you, we thank you, and give all the best wishes for you and your family.

Mr. Ondo Mañe made the following statement:

Dear Eduardo,

It is my great honor to deliver this farewell speech on behalf of sub-Saharan Africa, Mr. Usman and myself.

But before I continue, let say that I would like to put on record the speech delivered by Mr. Usman and the Ambassador of Niger, Dean of the African Diplomatic Corps at the farewell dinner organized by African Ambassadors for Mr. Aninat.

Eduardo, you should know how difficult it is for me to say something more after the messages send to you by our African ministers. However, I will try.

Eduardo, although we are sad to see you leaving us today, we will be remiss in our duties if we do not recognize the excellent manner in which you have fulfilled your official duties, and the respect and admiration that you have won from all of us.

We have all appreciated your effective and consensual style of management.

Eduardo, when you took office, I was afraid that you were one of the “Chicago Boys”, those who have an almost ideological approach to economics. But the fact that you were chosen by Michel Camdessus, a man for whom we both have great admiration, gave me some reassurances.

These were confirmed very soon, as I found out that you were as understanding as you were cordial, and good-humored.

You soon showed us that you had a very good understanding of the problems of low income countries and that you understood very well the difficulties that African countries face.

I think that your previous position as Minister of Finance of Chile where you introduced important reforms prepared you well, and helped you to understand the constraints of developing countries. This quality was much in evidence at the Libreville Summit that you attended soon after taking the position of DMD.

Eduardo, more than that, on many occasions, and despite the demands placed on you by the crises in Argentina and Brazil, and the other difficulties faced by other Latin American countries, you found time to devote to the problems of the small economies that we represent. We will always be indebted to you for that.

Needless to say that Eduardo and I soon became good friends, and I know that our common Spanish heritage helped a lot in that.

In the past three and a half years I have tried to learn from you, and I remember well the many important articles that you have recommended me to read. I also will treasure the many discussions we had on the role of the Fund in developing countries, and in Africa, in particular. Many of these discussions took place in your office over coffee. I regret that I did not invite you for coffee in my office, as you recommended me to be discreet. I thank you for that advice.

Eduardo, I was pleased to see that we share the same belief that - quote - “strong economic human and institutional capacity is both a precondition to economic development and an insurance policy in cases of external shocks.” – end of quote.

This belief has been materialized by your invaluable contribution to the development of the two AFRITACs in Tanzania and Mali. Mr. Köhler just described your role on technical assistance in Africa. We are thankful for your

efforts to get donor support that has enabled the two centers to be opened. The contribution of these centers to African development will be a lasting tribute to your efforts. And I hope that, even after leaving the Fund, you will continue to contribute to these centers.

Eduardo, let me say that your pleasant and reassuring appearance, which is helped much by your well trimmed beard, also hides a very strong power of persuasion. By the way I know why you have this beard, but I will keep it a secret.

I remember well the visit of a newly appointed Minister of Finance who told me after the meeting with you. Quote – “ I had a very negative opinion of the Fund, and was afraid to enter into a program with the Fund. After my meeting with Mr. Aninat, my opinion about the Fund has changed for the better. I think that my country will greatly benefit from a Fund program. But my problem now is how to explain to the other members of the government the change in my position.”

Eduardo as destiny takes you to other functions, I am sure that your power of persuasion will be very helpful.

As I said above, Eduardo and I share much in terms of our views and opinions. I was therefore very happy to hear him quote, among others, Article I section 2 of the Articles of Agreement at the Farewell dinner. Like him, I believe that this part of the Articles of Agreement is the justification for the membership of developing countries in the Fund.

Eduardo, as you leave us, let me say that we will continue to take advantage of your advice.

Please continue to work on the important values that have characterized your world wide vision, and continue your efforts to create hope for the neediest of our planet.

In doing so, you will continue to build the bridge that you started in your tenure at the IMF between the developed world and the developing world, and to make globalization work better for all the people.

Finally, as you take on other responsibilities, please continue to act as if everything depends on you, but at the same time pray hard as everything depends on God. You know why I said that.

I wish you and your family all the best.

Eduardo, tu fe te ayudará en tu futura vida.

Mr. Palei made the following statement:

Dear Eduardo, it is not with ease that we are bidding you farewell at the end of your distinguished service at the Fund. We will all miss you and I am sure that the years you spent as Deputy Managing Director will be remembered in this institution for a long time.

In the Fund you have been responsible for quite a number of countries and, understandably, the largest country group you supervised was from your native Latin America. However, you also worked on some countries that I represent, namely countries in transition. Of those, the countries that benefited most from your involvement were Armenia, Azerbaijan, the Kyrgyz Republic, Tajikistan, and Turkmenistan among the CIS countries, and the Czech Republic from the EU accession countries. By sheer coincidence or not, most of those countries have been demonstrating strong economic performance recently.

In CIS countries in particular, your active chairmanship, combined with your interest and expertise in poverty alleviation and social issues provided rich and stimulating Board discussions. Your trips to these countries underscored your interest in the success of their transition. The authorities appreciated your frankness, understanding, and the way you integrated experiences from your home country into policy discussions.

Apart from being deeply involved in country programs and surveillance, you shared the heavy burden of challenging policy issues. You have made a solid contribution to advancing the HIPC, PRSP, PRGF agenda, to promoting cooperation between the Bretton Woods institutions and the UN on the issues of development and poverty reduction, and in improving the IMF's image in developing countries. Your performance at the Monterrey Conference, which I had a chance to witness, was outstanding.

Your other major area of responsibility within policy issues has been the spectrum of anti-money laundering and CFT topics. Under your leadership, the Fund, along with the FATF, has become the leading institution in this area and has achieved significant results. Since the launching of this initiative, my own country, Russia, has gone a long way from being on the FATF's blacklist to becoming a full-fledged member of this organization; your own efforts contributed to this positive turnaround in no small part.

Let me say a few words about your outstanding personal qualities. Your intelligence, profound knowledge and understanding of economic problems and policies, and your rich experience obtained during your previous distinguished career have been a great advantage of the Fund. Your manners seem mild and non-intrusive but, in fact, they hide purposefulness and determination in achieving the proposed goals. Your sense of humor,

politeness, open and sincere attitude toward people made you a loved and highly esteemed person both inside and outside the Fund.

Please allow me one more personal remark. I was pleasantly surprised to meet you last Sunday on the trail surrounded by your big family, which you were leading like a patriarch on a walk on a nice summer day. Seeing you there, I envied your authority in family matters since I rarely succeed in convincing my family to accompany me on the trail. However, you were not the first of the Fund management whom I saw there; you actually followed the steps of Stan Fischer, whom I met more than once when he was jogging along the Potomac River. I hope that both you and Stan have laid down a Fund tradition within management.

Finally, let me thank you once again, Eduardo, for your kind assistance and sponsorship in organizing a concert of young Russian artists from Mr. Spirakov's foundation at the Fund in the winter of 2000. This was a big event for those young kids, and I hope that the Fund staff also enjoyed the performance.

In conclusion, I wish you, your wife Teresa, and your six children all the best upon your return to your homeland. Let all your wishes come true, all your plans be successfully realized, and all your dreams be fulfilled. Let all of you always be in good health, and let the sun always shine brightly and the skies be clear above your heads. You understand, Eduardo, that by this, I do not mean a drought in Chile. While we will miss you, we are all honored and proud to have had you on board with us. We wish you good luck and all the best.

Mr. Alazzaz made the following statement:

I appreciate this chance to speak on behalf of the Middle Eastern region. Mr. Aninat, you have been a friend of the developing countries. Your tireless efforts to strengthen key institutions will be always remembered. You have been constant in reminding others how even the best laid policies cannot succeed without strong institutions. You have also made a major contribution in the partnership of donor and beneficiary countries toward effective technical assistance; I note in particular your contribution to AFRITAC. I would also be remiss not to single out your successful effort to bridge the Fund's work on diverse financial issues, including countering money laundering and the reports on standards and codes.

On the country level, among your many achievements, I recall in particular your tireless efforts to ensure the success of the program with Pakistan, your leadership in guiding the post-conflict work of the staff in Afghanistan, and your close and personal involvement in seeing Lebanon through to a reassuring financial position following Paris II. In everything you

did for the Fund, you brought to your work, understanding, and the experience you already had from your distinguished public contributions to your own country and region. You will be missed at the Fund.

On the new beginning that you have set for yourself, your wife and family have our very best wishes. In the Middle East, you will always be welcome among the many friends you made during the course of your work in the Fund. I am sure there will be occasions when we shall again meet over our many matters of common interest. Mr. Aninat, I thank you and say goodbye.

Ms. Jacklin made the following statement:

Eduardo, the Fund has had the benefit of your leadership for a very short time but, as you heard this morning, your accomplishments have been many. You have been a very strong believer in the Fund's technical assistance and proudly launched the AFRITAC program; I still have that picture you gave us on my bookcase. You have been involved in some of the most innovative crisis resolution cases here at the Fund, including helping Uruguay successfully avoid default and restructure its debt. That case may be one that transforms market perceptions, as it demonstrates that asset values are enhanced, not diminished, by cooperative restructurings that avoid the damaging default scenario.

You have been part of building and expanding the strength of MAE, as well as reorganizing it to further enhance its effectiveness. You achieved, as many have said today, the consensus needed for the IMF to play a key role in the AML/CFT effort. We should not be surprised by how much you achieved at the Fund when we consider your impressive career before accepting the Deputy Managing Director position. It is clear you are a person of high energy and great talent. But, even more than your considerable accomplishments, you will leave a lasting impression here because of your personal traits. As I have often said, you are my role model for exhibiting patience at Board meetings. Your joy of life, your openness, and your humanity are very special.

I was asked to speak today as the Executive Director from the host government. In that capacity I was concerned whether you had found time in your short tenure here to enjoy the United States, and was also concerned that living here was not viewed as a burden, as highlighted recently by Mr. Egilsson in our Board meeting on diversity, but hoped that you had gained some pleasure from your years here. So it was with some trepidation that I asked Teresa about your U.S. experience. She said the things you liked most about the United States are, first, year-round swimming and tennis—you do not have indoor facilities, I guess, in your home in Chile—and second, you appreciated the much shorter meetings we have here as compared to Chile because participants here so quickly get to the point and you appreciate our punctuality. Well, I am not sure that I recognize these U.S. character traits.

Perhaps Teresa meant that what you enjoy most is how blunt, straightforward, rude, and impatient we Americans can be.

Finally, as a representative of the host government, I hope that the warmth of our final week with you will be viewed as a sign of our feelings for you, Eduardo. We wish you continued success, and we wish you and your family great joy in your return to your native country. We look forward to your becoming once again a leader in Chile and in Latin America, and securing for that region a bright future. We also very much look forward to your return visits to this country.

The Acting Secretary (Mr. Linde) read out the following Resolution of Appreciation:

Resolution of Appreciation

Eduardo Aninat, Deputy Managing Director

WHEREAS, on July 1, 2003, Mr. Eduardo Aninat will relinquish the post of Deputy Managing Director, which he has held since December 13, 1999;

WHEREAS, Mr. Aninat, in a distinguished and honored career in his home country, as well as in his association with the Fund and the World Bank, including his tenure as the Chairman of the Boards of Governors in 1995-96 and as Governor of the Fund for Chile, has demonstrated his commitment to international monetary and financial cooperation as an essential element in furthering harmony between peoples and nations, human development, and world peace;

WHEREAS, Mr. Aninat, in his contributions to the Fund and the international community, has shown that the cornerstone of international cooperation is the understanding that the well-being of the individual depends upon the well-being of all;

WHEREAS, Mr. Aninat has brought fully to bear, in his work in the Fund, his broad experience in academe, as economic consultant to governments and international organizations, and in the public service, from which the Fund has benefited immeasurably;

WHEREAS, Mr. Aninat has carried out his responsibilities with diplomacy, statesmanship, tenacity, energy, and clarity of purpose;

WHEREAS, Mr. Aninat's keen perceptions and observations, magnanimous spirit, generosity, unfailing courtesy, and graciousness, have earned him the respect, friendship, and gratitude of the Executive Board, management, and staff of the Fund;

NOW THEREFORE, BE IT RESOLVED: That the members of the Executive Board in their unanimity express to Mr. Aninat their deepest appreciation for his dedication and service to the Fund, and for his many personal contributions to the Fund's work; their sadness at his leaving; and their strongest wishes that he may find in all his future endeavors success, appreciation, and contentment.

The Chairman said the Board adopted the resolution and presented a framed copy of the Resolution to Mr. Aninat.

The Deputy Managing Director (Mr. Aninat) made the following statement:

Thank you very much for all your generosity in your expressions, wishes, and recognition. I particularly wish to thank Horst Köhler for all his support while at the Fund, and for giving me this special opportunity at the Board. I want to share with you two reflections about the general role of the Fund in the kind of world we are living in, and will end by a call to the Fund, from which certainly I do not exclude myself.

If we work, as the Managing Director has guided us, to reflect about the links and the analysis between the powerful process of globalization—which is full of opportunities and has been changing at an accelerated pace for the last perhaps 10–20 years—and the targets, missions, or roles of the Fund, we may need to discover how to enhance our contribution to the interdependent and increased connectiveness in the micro financial markets. We should reflect on globalization as an evolving process—most, if not all the Directors have written several pieces about this that I will not repeat—and link this with Article I of our Articles of Agreement, the first sentence of which reads: “to give confidence”—I underline confidence—“to members by making the general resources of the Fund temporarily available to them under adequate safeguards.” In linking globalization to Article I, we have a unique leveraging position in the contribution of this institution, and perhaps of the core of the Bretton Woods institutions, to add value to the process of globalization in the right sense.

There are several reasons for that. First, the Fund is unique in its global reach and almost universality of membership—just look around this table to assess the diversity and reach of our membership. Second, we can make valuable contributions for a more stable environment, and particularly for a more predictable environment; if we look at the hesitant or more critical sides of globalization and look at the poll service to find out what citizens think from the United States to China, from Chile to the United Kingdom, there is an issue of uncertainty and the issue that citizens sometimes feel unsafe at the rapid rate of change. Therefore, the role of the Fund—to give confidence to its members—remains a very crucial one. Third, because of the uniqueness of the Fund, if we keep up our good work in being the center for

excellence in discussing world economic issues, particularly micro financial ones which are our core, we will be able to respond intellectually to the new issues and problems that globalization brings.

Given the above context and premises, I would ask myself two questions. Do we still need a more streamlined, contained institution at the Fund, or is the present size organization of the Fund roughly adequate? Second, where should the Fund focus and can the Fund concentrate its focus even better? My own personal view, after just under 4 years at the Fund, is that we are living at an interesting threshold in terms of the size, organization, and scope. After the period of consolidation which has marked the transition and the first two years of our current Managing Director, Horst Köhler and his team, in terms of the reform process inside the IMF, and particularly in terms of the scope for newly added activities, it is my personal judgment that the rational containment of the areas of the Fund, its size, and its core functions are converging to a structure which is basically adequate for the needs of the time. We may still improve in efficiency here and there, but as someone quoted, the changes in efficiency will be marginal because they will probably lack the breadth of scope they had in the prior two or three years. We also cannot risk overburdening the work of our good staff or management by imposing a rate of change in the institution which is relatively loose or unconnected to the rate of change the globalization process is itself undergoing currently.

My list of issues to focus or concentrate on is not long, and is likely shared by my colleagues in management. We have to continue to build institutions that, first and foremost, provide a kind of seal for good and sound policies. Second, we have to continue to deploy important resources in contributing to the critical global public good of promoting stability and security and reducing uncertainty. Therefore, issues like prudent micro-indicators, financial safeguards, standards and codes, which were mentioned earlier, as well as the role of enhanced transparency and dissemination, have adequately contributed to the globalization process. Third, we have to continue to facilitate the confidence of our members via essentially short-term lending in a revolving fashion, and streamlined conditions for countries that face micro financial needs. The fourth area to concentrate on is country lending and technical assistance support for countries that are the victims of contagion.

This leads me finally to the second area of broad reflection: the issue of which areas IMF contributions remain very valuable in its engagement with low-income countries and those worst-off in the world. To put it very clearly and bluntly, if we are serious about globalization, about truly sharing its net benefits, about the potential it can offer the world, and if we are also serious about trying to converge to an international framework where broadly the rules of play are shared among all constituents, fears are effectively reduced,

and we are truly players of the global village, then I see an inevitable implication or corollary that we have to enhance and not reduce, improve and not simply curtail, and bring forward in new directions our engagement with low-income countries. In this sense, Mr. Ondo Mañe, I fully share the views that you and Mr. Usman have been producing along these lines.

We have to be pragmatic and we have to recognize that the Fund is presently formed by countries with access to capital markets and countries without significant access to capital markets. Therefore, this means a special role for concessional facilities and for a relatively longer-term involvement with those countries in need because of their disconnect with the current capital markets. We also have to be realistic and be aware that, while the private sector is the engine of growth as it should be, the present role, share, and the contribution it plays in low-income countries is still, unfortunately, of a different weight, preponderance, and effect than the role of the private sector in the advanced countries.

Therefore, we need to support low-income countries as a catalyst and as an outside partner while remaining a fully engaged partner with the reform and modernization efforts in critical areas that courageous policymakers are attempting to make in the low-income countries. To share an anecdote, during one of my last trips, I was in the car for long hours with one of the ministers from Niger who was explaining what he considered were the hidden externalities or the intangibles of our relations via the PRSP, the HIPC, or the PRGF. He said that we must realize after seeing their countries that the constraints are huge: the institutional bottlenecks are large, there are issues of security, environment, and health. But if the Fund can act as a bridge and a catalyst for helping the thin layer of reformers to keep their work and to provide a base to change the state of things, that is a much more valuable contribution than committing resources to various programs. The minister's comment provides a reasonable context of having a development partner that works through time in developing institutions. We have to do our part there. We have been doing it, but we have to further enhance it in many ways.

Finally, let me discuss institutions and growth. It is quite correct for the Fund to continue focusing its core mandate and work on stability and the fostering of macroeconomic growth. At the same time, we have to be aware that the context for growth can provoke very different results in terms of the social conditions, income distribution effects, and particularly the impact on poverty alleviation in the variety of countries we deal with. Why is that? Well, the elasticity derived from growth, given the framework, to employment, to the capital market, or to other markets, has a crucial differentiation on the end results or targets you finally get after a reasonable macroeconomic growth process. In this sense, the issue of institutions going from the state of competition to the rule of law, to the quality of the judiciary and to labor market reforms, are essential. These are the things that in the end will lead us,

with good growth, into achieving a part or a substantial part of the Millennium Development Goals. In this sense, I am very encouraged in my last days to see how important the role of technical assistance is becoming to the Board, management and the staff; this is one of the areas where we have to continue our very good work.

In sum, the tasks are certainly formidable. The times are changing. The IMF shall continue to play a crucial central role in the development process. That is basically the vision of our management, not only of myself, but of those that remain behind. I am sure the Board will value the vision and, along with the staff, will support it. We have a solid platform to bring this goal forward and to achieve concrete results in time.

I will end my speech with a reflection which I read from Winston Churchill, who was invited to a graduation after he had become the most famous Prime Minister of England immediately after the war. He was alerted by the Chairman or the Dean to please be brief, because time was running out and a long list of graduates had to be acknowledged. So, he raised up his baton, came to the microphone, and not even reaching the microphone said, "Never, never, never give up," and sat back again. I will repeat his words, "Never, never, never give up." In this task ahead I wish to especially thank Horst Köhler, Anne Krueger, Shigemitsu Sugisaki, my Advisors who have been patient and forthcoming to me—Jean Clément, Andreas Bauer, Adnan Mazarei, all heads of departments, my administrative assistants, Norma and Miriam, all the friends of the IMF, including the Secretary's Department and the good people that help us at this Board, and last but not least, all of you, the Executive Directors of the Board. You have given me these precious years at the IMF.

The Chairman invited the Board to join him in the Anteroom for a toast to the departing Deputy Managing Director, Mr. Aninat.

### **3. FUND TRANSPARENCY POLICY—ISSUES AND NEXT STEPS**

Document: The Fund's Transparency Policy—Issues and Next Steps (SM/03/200, 6/5/03; Cor. 1, 6/25/03; Sup. 1, 6/5/03; and Sup. 2, 6/25/03)

Staff: Allen, PDR; Gajdeczka, PDR; Holder, LEG; Dawson, EXR

Length: 1 hour, 55 minutes

Mr. Portugal submitted the following statement:

The staff papers indicate that the publication rates of Fund documents are high and have continued to rise since last year's review. As of April 2003, the rates of publication stood at 76 percent for country documents, compared

to 64 percent as of March 31 2002, and at 91 percent for policy documents. While, as it could be expected due to the asymmetric impact of publication, publication rates for country documents are uneven across regions, groups of countries, and types of agreement, nearly all country policy intention documents have been published, which is what is most important for increasing accountability of decision-makers at the national level and at the Fund with respect to policy actions adopted under Fund programs.

As mentioned in earlier discussions on this topic, transparency is not an aim in itself. It is a tool designed to improve accountability of the Fund with respect to its own decisions and affairs, and to increase the provision of data and objective economic and financial information about member countries in an internationally comparable manner, so as to help markets make better-informed decisions. For member countries, transparency goes well beyond just publishing Fund reports. Indeed, the most important part of transparency is implemented by member countries themselves in the form of timely publication of reliable statistical data, and of information about policy decisions and their rationale, official targets, goals, and intentions of the government. All countries in my constituency place great value in maintaining a high level of transparency with respect to their own data, public decision-making processes and affairs, and several of these countries—Colombia, Ecuador, Panama, Trinidad and Tobago, Guyana, Haiti, and Suriname—have chosen to publish the staff reports.

The Fund's policy on transparency has achieved a difficult balance between, on the one hand, providing greater public access to Fund documents and, on the other hand, preserving the Fund's role as a confidential and trusted advisor to member countries, ensuring candor in discussing with members and in reporting to the Executive Board, and maintaining the cooperative character of the Fund. The Fund should be careful in not tilting in an unwanted direction the delicate balance that has been achieved. It is particularly important to resist the temptation to try to use transparency as a tool to increase the Fund's leverage over member countries. In addition to being counter to the cooperative character of the Fund, this policy would be short sighted and likely fail in the long run, since member countries are the ones that provide information to the Fund in the first place, and the attainment of data and information without the genuine and unreserved cooperation of member countries would be an extremely difficult, if not impossible, undertaking. My sense is that the current transparency policy is broadly adequate, although there is room for improvement in two areas: altering the deletions policy to allow the deletion of politically sensitive material, and increasing the publication of papers in languages other than English.

As agreed in last year's review, the staff paper raises again the issue of voluntary versus presumed publication of Article IV and UFR reports, but without bringing in any new arguments or evidence to the debate. I also noted

that the staff merely lists the pros and cons of each option and, quite wisely, did not make any recommendation in one or the other direction. My view continues to be firmly opposed to presumed publication of Article IV, UFR, ROSCs, and FSAAs reports. First, such a policy is likely to be ineffective. The member country would still retain the right of not providing its consent to publication and, according to Article XII, Section 8, country reports can only be published in a mandatory way by a majority of 70 percent of the voting power. Second, such a policy is not needed since with voluntary publication, publication rates are already high and rising. Third, for ROSCs and FSAAs it would be illogical to establish presumed publication since these are voluntary programs. As acknowledged by the staff, this would reduce incentives for countries to participate in these voluntary initiatives.

A better way of increasing publication rates even further would be to strengthen the positive incentives for voluntary publication. This could be done in at least two ways. First, it would be important if concrete empirical evidence could be found of correlation between increased publication and improved risk analysis by markets, lower spreads, and better image and understanding of the Fund's role by the public. Appendix II of the paper refers to a very interesting and high quality staff working paper analyzing part of these issues, which unfortunately became available somewhat late. The paper provides evidence of a large reduction in spreads associated with publication of Article IV reports and ROSCs and with compliance with SDDS requirements. The study suggests that countries that would benefit most are those that start from a low level of transparency and countries with smaller debt markets, possibly because the private sector would have less incentive to undertake its own research in cases of smaller and less liquid markets. The study suggests that one of the mechanisms by which the reduction of spreads may take place is that transparency may lead to better policy, which seems to me as a strong and speculative conclusion. It would be more appropriate if the staff would test this proposition directly, namely to examine whether publishers have actually introduced better policies than non-publishers. These conclusions have been reached with data for a regime of voluntary publication and, therefore, one cannot make inferences as to what would happen to spreads in a regime of presumed publication. Anyhow, providing serious empirical evidence on the benefits of publication is likely to be a more fruitful approach to convince countries to publish than the adoption of presumed publication. I, therefore, call on the staff to continue to undertake this type of studies showing the empirical evidence on the impact of Fund published documents on borrowing spreads and on the image and understanding of the Fund's role by the public.

A second way to increase incentives for voluntary publication would be a more liberal and consistent deletions policy, which would also be a valuable tool to manage the conflict between candor and transparency. During the last review many Directors suggested that the deletions policy should be

applied flexibly and a number of Directors asked for deletions to be extended to politically sensitive material. It was also pointed out that there is currently an inconsistency between the deletions policy and the side-letters policy. Currently, countries can include in side letters information that, if published, would undermine the authorities' ability to implement programs or make the implementation more costly. However, countries cannot delete from reports to be published similar type of information, which is illogical.

While recognizing that the requests for deletions of politically sensitive material would probably increase under a policy of presumed publication, the staff does not recommend the deletion of politically sensitive material "given the practical difficulties in implementing such a policy." The justification is weak and unconvincing. Practical difficulties should not be an excuse not to implement an idea if it is considered worthwhile. The Fund is increasingly recognizing that political constraints and political determination are very important aspects in the implementation of programs and of policy advice given under surveillance. The Fund has also started to discuss political issues in some country documents. "Practical difficulties" cannot be used as an excuse to avoid addressing a real problem. Supplement I indicates that there are concrete deletions problems that are now being dealt with in a non-transparent way, which is unfortunate in the application of a transparency policy. There have been deletions in disagreement with the current policy, deletions disguised as corrections, and corrections to remove politically sensitive references. A look into these concrete cases indicates that generally member countries were right in asking for such deletions and the staff was also right in accepting these requests even if they violate the current deletions policy. These findings indicate that the current policy is inappropriately narrow and is not working well. It would be more transparent and more in line with the principle of even-handedness of treatment to change the deletions policy. While it is true that analyzing what is politically sensitive might be difficult for the staff, the Fund could rely here primarily on the view expressed by the member country.

Similarly, the staff presents a weak and unconvincing justification for not endorsing the suggestion to make the deletions policy consistent with the side-letter policy by allowing deletions of material that, if published, would undermine the authorities' ability to implement programs or make the implementation more costly. According to the staff, this "might in practice be used to accommodate many more deletions, contrary to the objective of ensuring that deletions be minimal." The proposal, however, is precisely to allow for more deletions, as the situation has changed since the deletions policy was first approved, and minimal deletions may no longer be a tenable objective. The rate of publication increased. At the same time, the trade-off between candor and transparency has become more acute in view of innovations in surveillance and program documents and of the frequent requests for staff papers to provide candid discussions of macroeconomic

vulnerabilities and even political risks. It is not possible to reconcile maximum candor, maximum publication, and minimum deletions. The deletions policy is the tool to reconcile candor and publication in specific cases. I, therefore, still suggest that the deletions policy be amended to allow for the deletion of politically sensitive material and of material that, if published, would undermine the authorities' ability to implement programs or make the implementation more costly.

With respect to policy papers, I agree with the staff's suggestion that they should not be amended to reflect the Board's views. Policy documents should be subject to deletions of country-specific information, market and politically sensitive material and references to unpublished papers, and to factual corrections. It would be important, however, to indicate clearly when and where the Executive Board's views were different from the staff's views and proposal. In addition to making this clear in the Summing Up, the published staff paper should contain a prominent disclaimer on the points on which there were divergence of opinions, as well as a specific mention of and an electronic link to the Summing Up. I am in favor of publication of staff papers dealing with the Fund's administrative matters, which is important to improve accountability with respect to the IMF's own internal affairs. Administrative papers represent a case where the conflict between transparency and the Fund's role of confidential advisor of member countries would not apply.

I am disappointed that the staff paper does not discuss the issue of publication of documents in languages other than English, a point that a number of Directors stressed in the last review. This would be important to achieve higher transparency and outreach of the documents that are already published. While I recognize that there would be costs associated with translations, I believe that these costs could be considerably minimized if rather than doing translations in Washington, the job was contracted to translators living in developing countries.

I agree with the staff's suggestion to publish document SM/03/200 and not to publish Supplement 1, since the latter contains confidential material that has already been agreed would be deleted.

Mr. Daïri and Mr. Rouai submitted the following statement:

We thank the staff for the comprehensive review of the Fund's transparency policy. We broadly endorse Mr. Portugal's comments in his insightful statement. The IMF and the membership have made a sea change in transparency over the past few years. More recently, the progress made since the 2002 review is remarkable, as evidenced by the following observations contained in the staff report:

Almost three-quarter of the Fund's membership, including all countries in our constituency, have agreed to publish at least one country staff report;

Public Information Notice (PIN) was published for over 90 percent of members, including all countries in our constituency;

Nearly all country-policy intention documents (LOIs, MEFPs, TMUs, PRSPs, I-PRSPs) have been published. All program countries in our constituency have published their documents;

The publication rate of stand-alone Article IV staff reports reached 66 percent from 59 percent at the May 2002 review, with 26 additional countries consenting to publication for the first time;

The publication rate of FSSAs increased from 50 percent to 68 percent since the May 2002 review;

The publication rate of ROSC modules remained high at 72 percent;

All, but one policy paper, and the associated PINs have been published;

The share of staff reports with deletions declined from 12 percent to 8 percent.

Based on these very encouraging achievements, we strongly support keeping the voluntary publication policy, adopted by the Board, unchanged. The staff are right in stating that "it is difficult to argue that the current voluntary approach is ineffective, and it is not certain that a policy of presumption would achieve significant further gains in terms of the number of documents published" (paragraph 12 of the report). We cannot, therefore, support a move to a policy of presumed publication for all country staff reports. Such policy contradicts the cooperative nature of the institution and the much heralded concept of ownership. It could have an impact on the candor of staff reports, in particular in sensitive areas of assessment of debt sustainability and other vulnerabilities, leading to an increase in requests for deletions. It could also risk jeopardizing relations with members if the authorities were to be pressed to provide reasons for not agreeing to publication.

After these general comments, our position on the various staff proposals is as follows:

We strongly support maintaining the present voluntary publication policy of country documents, in particular staff reports on Article IV

consultation and on use of Fund resources, and having the next transparency review within 24 months. In the meantime, the Board will have the opportunity to review the issue of the impact of transparency on the effectiveness of surveillance at the forthcoming biennial review of surveillance.

We continue to favor a voluntary approach to the publication of FSAP-related documents and ROSC modules. We support extending the current practice applied to Technical Assistance reports to the FSAP Technical Notes.

We believe that the policy of presumption of publication of staff reports on policy issues should extend to those dealing with Fund administrative matters. This could enhance the internal governance of the institution and improve its external communication strategy.

On the modification policy for staff policy papers prior to publication, our preference is to keep the staff report unchanged, but to indicate clearly on the cover page of the published version that the report represents staff's and management's views and not necessarily those of the Fund with an appropriate reference to the summing-up of Board discussions.

We believe that if countries have the option of deleting highly politically-sensitive material, they will voluntarily agree to publish the staff reports and reduce the use of side letters. We, therefore, support the extension of our deletion policy to highly politically-sensitive material, provided that the authorities' views are given due weight in assessing what constitutes politically-sensitive material.

We agree with Mr. Portugal's views on publication in languages other than English.

Ms. Jacklin and Mr. Baukol submitted the following statement:

#### Key Points

The increase in IMF transparency in recent years has been a clear success. The public and markets have much greater understanding of IMF programs and members' economic policies, and have access to key economic data, strengthening the framework for crisis prevention and crisis resolution.

The momentum in favor of transparency of staff papers is not sufficient, particularly in UFR reports. We continue to believe reinforcement through a firmer policy is needed.

Specifically, we urge that publication of country-related items (Article IVs, UFR, ROSCs, FSSAs, PINs) should be presumed, and publication in exceptional access cases should be required.

On deletions and corrections, we continue to support the current policy.

On archives policy, access to all Board documents should be available on a five-year lag.

At last year's Board meeting on this subject, a majority of the Board supported a move to presumed publication of most staff reports to give further impetus to the Fund's transparency policy. Nonetheless, in the hope that members would take on board the importance of the policy, those supporting the change agreed to wait a year to assess progress under the voluntary approach. Publication in some regions is impressive, such as the 100 percent (12 of 12) publication rate for UFR reports in transition economies. But, in our view, progress has been disappointing overall since the last review, particularly in that publication of :

- all Fund documents is virtually unchanged at 76 percent from 75 percent,
- all staff reports is up only marginally to 69 percent from 64 percent,
- UFR reports is virtually unchanged at 57 percent versus 56 percent,
- exceptional access reports has fallen to an abysmal 21 percent, and
- ROSCs and PINs has also fallen slightly.

Our statement last year discussed in some detail the importance of the Fund's transparency policies and the benefits of publication. In sum, the benefits of transparency are particularly important for strengthening member country economies, including by informing markets, boosting public discussion on economic issues, and strengthening ownership of policy positions. We will not repeat our detailed arguments, although we note the additional evidence cited on page 36 of the staff report that publication of staff reports, ROSCs, and subscription to SDDS have created more informed markets and reduced borrowing costs.

#### Country Papers

For exceptional access programs, we urge management not to recommend Board endorsement of a program or review unless the authorities had consented to publication of the staff report. Exceptional access cases typically involve capital account crises in which the strengthening of market confidence is critical to the reversal of capital outflows and thus to the success of the program. Without publication, the private sector will speculate at length at what may or may not be included in the IMF program. It is precisely this

extended market uncertainty that tends to exacerbate the scale of the crisis and prolong its resolution.

We support presumed publication of staff papers on country issues, including Article IVs, UFR reports, Selected Issues papers, ROSCs, FSSAs, and PINs. In UFR cases, publication of staff reports along with LOIs would be helpful because the staff reports include the specific conditionality associated with the IMF program, whereas LOIs typically do not distinguish between intentions and conditionality. For ROSCs and FSSAs, a shift from voluntary to presumed publication should not lead the staff to change its procedures for prioritizing participation in the initiatives nor the candor of the final reports. And, we do not think it should affect a country's decision to participate, given that publication would still only be presumed, not required. We also note that one of the main recommendations of a recent GAO study (see [www.gao.gov](http://www.gao.gov), GAO-03-734) on IMF crisis prevention and resolution is that ROSCs need to be more accessible to the public.

Concerns have been raised about the candor of country discussions. The staff reviews last year and this year found little evidence of significant differences in the context and candor of published and unpublished staff reports. It is up to management and the Board to set a firm tone and direction for the staff in terms of retaining candor and clear writing in staff reports, even as more of them are published. We note in particular that the deletions policy with respect to 'highly market sensitive' material works well. Finally, if members choose not to publish under a policy of presumed publication because of concerns about political sensitivity or other reasons, it would in fact be helpful for the membership to understand the reasons given to Fund staff and management. We can learn from this experience as well to strike the right balance in expressing candor while reinforcing the promotion of sound policies.

Regarding the implementation options for presumed publication, we support a procedure in which publication is the default option. The current procedure with respect to LOI/MEFPs should be changed to correspond to this. It does not make sense that a policy of 'presumed publication' means that publication is not in fact presumed.

#### Modification of Policy Papers

We support the proposal to allow factual corrections, deletions of highly-market sensitive material and of country specific references from policy papers. We do not support the proposal to edit policy papers significantly ex post to conform with the Board's decision, although the staff paper should flag recommendations that were not supported by the Board. Retroactively editing the papers in detail would not be a good use of staff time. The summings-up of the Board discussion should clearly indicate

Directors' views, and this puts an even greater premium on the accuracy and readability of the summings-up.

#### Corrections/Deletions

We support continuation of the current policy on corrections and deletions for country papers. The staff report indicates that requests for deletions of politically-sensitive issues were uncommon. Supplement one notes that current policies are not always followed, and we urge management to be vigilant to ensure uniformity of treatment. We can support the proposal to give management the authority not to publish a staff report if the number of deletions change the substance of the report. However, such a situation would be extremely rare, as staff reports do not include large amounts of highly market-sensitive information that is essential to the analysis.

#### Archives

While not covered in this paper, we continue to propose that the archives allow access to Board minutes and other Board documents after five years. Many Board documents are already available after a five-year lag, and there has not been any serious problem with access to these documents.

#### Follow-Up

Continued progress on transparency is key to improving the IMF's effectiveness and enhancing its public credibility. We suggest that the Board review the transparency issue again in a year.

Mr. Callaghan submitted the following statement:

#### Key Points

The focus should be on encouraging members to be more transparent, not simply on whether to adopt a policy of presumed publication for country documents.

The only conclusion that can be drawn from the information in the staff paper is that the voluntary approach to publication is resulting in an increasing number of countries agreeing to publish country documents.

The publication rate is lowest in Emerging Asia and the Middle East. We need to be sensitive to the reasons as to why this is the case. It is simplistic to assume that reservations about publication arise because some countries prefer to be less transparent.

Moving to a policy of presumed publication may convey a negative “signal” which will not facilitate the task of encouraging greater publication.

We need to address the very real tension between wanting greater candor in consultations and seeking more country reports to be published.

A pragmatic rather than dogmatic deletions policy is necessary.

The Focus Should be on Encouraging Members to be More Transparent

There should be no dispute about the benefits of greater transparency in economic policy-making. Improved transparency will facilitate better risk assessments, inform market expectations, and ultimately help to encourage the implementation of sound policies.

Importantly, it should be the countries themselves who are being transparent in terms of releasing economic data, public accounts, policy intentions and so on, and not simply a case of agreeing to the publication of IMF staff country documents.

As such, the main focus of the IMF’s “transparency policy” should not be on whether to move from voluntary to presumed publication of staff country papers. More attention should be directed at encouraging and demonstrating to countries the benefits gained from them being more transparent.

The Voluntary Approach to Publication is Working

The only firm conclusion that can be drawn from the information in the latest staff report is that the voluntary approach to the publication of staff country reports is effective and has resulted in the continued increase in publication rates of country documents. No convincing case has been presented to change this policy and move to presumed publication.

As the staff report states, “it is difficult to argue that the voluntary approach is ineffective, and it is not certain that a policy of presumption would achieve significant further gains in terms of the number of documents published.”

It is possible, however, that moving from voluntary to presumed publication may impede the process of an increasing number of countries agreeing to publication. It is true that even under a presumed publication a member can decide not to publish a country document. However, the wrong signal is being given. Instead of emphasizing to members the benefits of being more transparent and the advantages in them voluntarily agreeing to

publication, a presumed publication could convey the impression that there is some form of coercion involved. This may result in some resistance and a backlash.

Publication rates are uneven across regions, with the lowest rates being in developing Asia and the Middle East. Some careful thought needs to be given as to why this is the case. It would be inappropriate and insensitive for the rest of the membership to decide that because publication rates are high in their regions, there is “no big deal” in now adopting a presumed publication policy. The image of the Fund in emerging Asia is not as good as it should be, and we should avoid taking decisions which will have an adverse impact on this relationship.

It is simplistic to assume that reservations about publication arise because some countries prefer to be less transparent. In many countries reform needs to be managed carefully and consensus built. Publication of Fund advice does not always assist authorities in fostering and managing a consensus for reform.

The initial decision to adopt a voluntary approach towards publication reflected the fact that there are different institutional contexts in member countries and that certain members may need time to take the political institutional measures that would allow them to participate in agreeing to publication. A decision now to move to presumed publication would imply that the Fund is no longer respecting the different institutional settings in member countries.

We need to address the tension between wanting more candor and increased publication

We have not sufficiently addressed the tension between the clear need for greater candor in our consultations and the push for the publication of staff documents.

The paper states that there is no clear evidence of the impact of transparency on the candor of dialogue with members and of reporting to the Board and thus on the quality of surveillance. However, the survey of authorities and staff contained in last year’s review of transparency indicated that 41 percent of staff believed the release of Article IV reports did impair the candid nature of the dialogue between the staff and the authorities. The staff admitted that they have omitted information in anticipation of objections by country authorities.

We need to focus more on strengthening the candor of consultations, particularly the consultations between the staff and the authorities, but also the discussions in the Board and the content of staff reports. Part of the solution

will be an effective deletions policy. As we noted in the last time the Board considered this topic, if we want more candid discussions and reports, then we cannot be too dogmatic in insisting on everything being publicly released.

For all of the above reasons, we support continuation of the present voluntary publication policy and consider that we examine the issue again after the forthcoming Biennial Review of Surveillance.

#### Modification of Policy for Publication of Staff Papers

Clearly, staff policy papers should be modified prior to publication to cover factual corrections and deletions of highly market-sensitive material and country-specific references.

However, we should also hold out the prospect that the Board may offer suggestions on improving the content and clarity of the staff paper and there may be value in amending the paper to take these comments on board prior to publication.

We also believe that where there is danger of confusion when a summing-up differed from staff recommendations, there would be merit in the published version of the staff paper flagging these points and indicating what had, and had not, been endorsed by the Board.

#### A Pragmatic Deletions Policy is Necessary

As noted above, we think a pragmatic deletions policy is an important part of the solution in overcoming the tension between encouraging greater candor and facilitating the publication of country documents.

We believe it is too limiting to say that deletions “solely on the grounds of high political sensitivity” will not be permitted (paragraph 22). As even noted in the same paragraph, there have been some instances of deletions in the approval “of which factors other than high market sensitivity played a role.” Many, if not most, of these deletions seemed appropriate.

There have been many calls for greater attention of political economy considerations. Recognizing the sensitivity associated with such issues, suggestions have been made that such issues should be covered in an oral report by the staff at Board meetings. This is a recognition that some of the issues that the Fund should consider, including political factors, may not be suitable for publication.

What we are trying to guard against are staff reports being edited in order to provide a favorable political “spin” or relevant but politically difficult issues being deleted. However, we should recognize that sometimes staff

reports are inappropriately expressed or may contain references that would see the Fund inappropriately commenting on or becoming involved in a domestic political controversy. If the deletion of such material did not in any way change the thrust and message of the staff report but would allow the authorities to agree to its publication, then it would be sensible to agree to the deletion. As noted, what is required is pragmatism in the application of the deletions policy and not dogmatism.

#### Publication of ROSCs and FSSAs

We believe the publication of these documents should be on a voluntary basis, reflecting the voluntary nature of the initiatives. A move to a policy of presumed publication could affect the selection of countries taking part. We also agree that when the authorities wish to publish FTNs, then the similar process for TA reports should be adopted.

Mr. Bennett submitted the following statement:

The staff paper briefly reviews some of the arguments for and against putting in place additional measures to encourage publication of IMF documents. These arguments have been articulated much more fully in various discussions over the last year—particularly during the last review of transparency—so I will not attempt to “repackage” them here. Suffice it to say that we support increased transparency (as I think a majority of Directors do) in order to make the Fund more effective at inciting the adoption of good policies and to improve the governance of this institution. To this end, we support the adoption of a number of steps to speed up the march to increased transparency. Specifically, I support:

Presumed Publication for Reports of Article IV and Combined Article IV/UFR (including associated documents), UFR (except exceptional access), and PINs.

The adoption of this policy is only a small step—not a major leap—to increase peer pressure to publish. It should speed up the pace at which publication rates are increasing for all regions—including those with very low publication rates.

#### Publication of Exceptional Access UFR Reports

Agreement to publish UFR reports should be a pre-condition for management to recommend approval of an arrangement by the Executive Board. Existing exceptional access programs could be grandfathered under the current rules.

I support the stronger measure of mandatory publication for exceptional access cases because:

The publication of exceptional access UFR reports has been extremely low—and getting worse (the rate dropped to 21 percent in the recent period, down from 36 percent in the May 2002 staff paper). The current policy is not working.

The Fund has a fiduciary responsibility to account for using the public monies with which it has been entrusted. While this is true for all lending, it is particularly important for large, concentrated lending.

Widely disseminating the program through publication to show that the authorities have a coherent economic plan should strengthen the catalytic role that Fund programs often play in exceptional access cases.

#### Maintaining Voluntary Publication of ROSCs- and FSSAs-Related Documents

We support, in principle, moving to presumed publication for ROSCs and FSSAs. However, given the resistance by some Directors to presumed publication for Article IVs (etc.), I am prepared to support maintaining the current policy for ROSCs and FSSAs as part of a compromise in order to come to the strongest possible Board consensus.

#### Maintaining the Current Deletions and Corrections Policies

We are generally satisfied with the way staff has implemented the current deletions and corrections policies, and agree with the recommendations in the paper to maintain the present policy of only permitting the deletions of politically sensitive material if it is also market sensitive. As reported in paragraph 5, the subjects of market sensitive deletions includes banking issues and exchange rate, fiscal, and vulnerability issues.

Management should be given the authority to recommend to the Board withholding publication of a staff report when deletions of highly market-sensitive material would leave the paper silent on significant issues that could mislead the public's assessment of risk. As a practical matter, however, I would expect this "safety valve" to be used extremely rarely.

#### Clearly Indicating, in the Text of Policy Papers, the Board's Position

I agree with the staff that the principles for deletions and corrections of staff policy papers should be brought more into line with those that apply to country papers. In order to ensure maximum transparency, the published

version of the paper should clearly indicate the Board's decision—perhaps by including the Summing Up Statement at the beginning of the paper.

#### Adopting Clearer Publication Procedures

I agree with Ms. Jacklin and Mr. Baukol on implementation options for presumed publication—'presumed' really should mean presumed. The current procedure with respect to LOI/MEFPS should be changed to correspond to this.

The recent problems with the publication (and de-publication) of Argentina's reports indicates to us that the Board does not have sufficient oversight of the publication procedures. Directors should be advised when a Board document is published, accompanied by a list of the deletions. If a Board document is removed from the Fund website subsequent to its publication, Directors should be notified immediately, accompanied by an explanation from the relevant authorities.

The IMF has a responsibility to play a leading role in promoting transparency. We have the opportunity to come to a consensus to adopt a few measures to speed up the march to increased transparency. By working together on this issue, we can obviate the need for more forceful measures to enhance transparency.

Mr. Egilsson and Mr. Farelius submitted the following statement:

#### Key Points

We welcome the progress on publication rates, but find the progress not to be enough—big differences still remain between regions, publication lags still exist, in some cases substantial, and we are concerned over the declining rates on high access cases.

We support moving to a policy of presumed publication for Article IV staff reports, the associated background documents and assorted PINs, all UFR and PPM staff reports, including combined Article IV-UFR staff reports and ROSCs as well as FSSA reports.

Publication is especially relevant in high exceptional access cases, and here we think that publication could be made mandatory.

The Annual Report should contain a list showing which countries publish country reports, and which countries object to publication of country reports.

We strongly support increased transparency among the members and favor a more systematic release of staff papers in general. Increased transparency is a helpful tool to avert crises and encourage members to maintain sound economic policies. As a recent IMF Working Paper concludes, investors tend, to a greater extent, flee countries that are less transparent during a crisis, and transparency can be an important contributor to making portfolio investors ride out market downturns instead of rushing for the exit. Transparency is also essential for the public's confidence in the Fund and for ensuring its legitimacy.

The progress made regarding the publication of policy reports and Public Information Notices (PINs) is welcome. However, the current publication proportion of Article IV and UFR staff reports (64 percent) is not satisfactory even if 26 additional countries have now permitted their Article IV staff report to be published. Especially worrying, and underlining the need to take further steps to increase transparency, is the low publication rate in high access cases. Another cause for concern is the differing publication rates across regions. We also note that there still remains lags in the publication between the Board discussions and the time at which the documents are made public.

As the paper rightly points out, full candor in the presentation of staff assessments of diagnoses and prescriptions to the Board is a *sine qua non* for effective surveillance. Throughout the surveillance process, it is important to guard against the risk that collegial or other considerations turn valuable peer pressure into potential harmful peer protection. While we have some sympathy for those that argue that a more strict policy on transparency could risk that the documents concerned would become negotiated products and that the frankness of the policy dialogue between the staff and the authorities would be weakened, it may be argued that frank discussions have only limited usefulness if they are not effective in promoting more effective policies. Moreover, transparency is vital for a country's ownership to a Fund arrangement. A lack of transparency by borrowing countries' authorities *vis-à-vis* the general public will risk being detrimental for program implementation.

Against this background we have the following position;

We support moving to a policy of presumed publication for Article IV staff reports and extending the same policy to the associated background documents plus assorted PINs.

A policy of presumed publication should also be applied to all UFR and PPM staff reports including combined Article IV-UFR staff reports.

Publication is especially relevant in high exceptional access cases, and here we think that publication could be made mandatory. If a member does

not object to publication or request deletions or corrections, a staff report and associated PIN should be published no later than 15 working days after a Board meeting.

The Annual Report should contain a list showing which countries publish and which countries object to publication of country reports.

We think it could be useful that the same principles are applied for deletions and corrections both to staff policy papers and to country papers. However, the ultimate responsibility for policy making decisions and recommendations rests with the Executive Board. It is important that the Fund speaks with one voice and the contents of published staff policy papers should not be at odds with the outcome of Board discussions.

We see no reason to alter the current policy of allowing deletions of politically sensitive material, if and only if, it is also highly market sensitive. Given the possibility that requests for deletions might increase in number with the adoption of a policy of presumed publication of staff reports, we do not recommend an extension to the deletions policy now.

Management should be granted the authority to withhold publication of staff reports if it is deemed that deletions of market sensitive information would leave significant gaps in the reports that might seriously jeopardize that the overall assessment and the credibility of the Fund, if published. The Board should be informed of such a decision and given an opportunity to discuss the matter.

A policy of presumed publication should also apply to ROSCs as well as FSSA reports. A recent study by Fitch Ratings found that, following publication of a ROSC, a country was more likely to receive an upgrade in its sovereign credit rating than to receive a downgrade.

Publication of FSAP Technical Notes on the Fund's website should be subject to the procedure currently applied to TA reports, whereby prior to their publication they are circulated to the Board for information.

Mr. Lushin and Mr. Palei submitted the following statement:

We welcome the review of the Fund's transparency policy, which is one of the most contentious issues on the agenda of the Board. We thank the staff for the background information and for the description of the possible ways to further advance transparency of the Fund members and of the Fund itself.

Countries in transition as a group are not only preaching the virtues of transparency, but are already actively practicing it, as one can easily see in Tables 2, 5, and 6. Despite the fact that many countries in this group are still

facing difficult policy challenges and sometimes have to deal with extremely sensitive reforms, they are in the avant-garde of the membership in terms of publication rates. Since publication of country staff reports is already a de-facto policy for the countries in transition, for many of them a formal change of the existing transparency policy may have little if any effect on the decisions with respect to publication of Article IV and UFR staff reports. Speaking of Russia in particular, our authorities have consistently advocated the benefits of transparency beginning with the first steps in this area at the Fund. Therefore, a move to a policy of presumed publication of country staff reports is acceptable for us. Moreover, since we see no convincing arguments in favor of publishing Article IV reports and not publishing UFR papers and vice versa, we think that the decision on presumed publication, if taken, should apply to these both types of country reports.

We can conclude from Box 2 of the staff report that the differences between the current voluntary approach and a presumption of publication should not be overly exaggerated. With the presumption of publication in place, the decision to publish or not is still left to an individual member, although such a decision would become more explicit when the Director representing a country explains his authorities' reasons not to consent to publication. In other words, a move from the current voluntary approach to a presumption of publication would, in a sense, make the peer pressure explicit rather than implicit. It remains to be seen whether the proposed change is going to bring about a significant improvement compared to the efficiency of the existing policy (paragraph 12).

The staff paper shows visible progress in transparency since the last review, even though some of us consider this progress insufficient. However, as mentioned above, we have no guarantees that the proposed shift to presumed publication of country reports is certain to achieve significant further gains in transparency. At the same time, we should recognize that other members of the Fund may have different views on the proposed changes. It was no accident that at the time of the previous transparency review there was an about even split on the merits of the policy change, and, quite appropriately, the decision was made to gain additional experience in this area before returning to the debate. It is our view that for the transparency policy to work, it should be voluntarily accepted by the membership. Therefore, when making a decision on the desirability of a shift to the transparency policy based on a presumption of publication, one should carefully compare the potential improvements with the damage to a cooperative nature of the Fund if a small majority would force such a change against the will of many other members. In our view, a significant majority is needed for a move towards adopting the presumption of publication as a dominant principle of the Fund's transparency policy.

The cases of exceptional access represent one category of the UFR staff reports where only a few reports are published. On the one hand, the Fund is heavily exposed in these cases not only in financial terms, but also in terms of its credibility. In our view, this strongly necessitates publication of corresponding staff reports. On the other hand, capital account crises are accompanied by extreme uncertainty and the recovery of investors' confidence is of utmost importance. We are well aware of the arguments advanced by the Brazilian Chair about the importance of ownership and of channeling most of the information on the adjustment program through the authorities' communication channels. It would be helpful to hear views of other Directors representing countries which have resorted to exceptional access. What were the most significant reasons that determined their decisions not to publish the reports? Unfortunately, we did not find such an analysis in the staff paper.

We agree with Mr. Portugal on the modalities of publication of staff reports in languages other than English.

Finally, below we briefly state our position on other issues for discussion:

— if a policy of presumed publication for Article IV and UFR staff reports were adopted by a significant majority of members, we would agree to extend the same policy to the associated background documents (paragraph 31);

— we agree that it is reasonable to apply the same principles for deletion and correction to country and policy papers (paragraph 32);

— on deletion and correction policies (paragraph 33) we tend to agree with Mr. Callaghan that first of all they should be pragmatic rather than dogmatic. While not supporting the deletion of politically sensitive information as a general rule, we admit that there may be some cases when such deletions might be warranted. We also think that some of the corrections used to modify staff reports after Board discussions were in fact aimed at removing politically sensitive references, as pointed out by Mr. Portugal. We note that the staff have excluded DSA from this review of transparency, and the decision on publication of DSA is expected at a later date. This issue, however, is central to how confidential and market sensitive information will be treated in staff reports presumed to be published;

— we agree with all of the proposals in paragraph 34.

Mr. Ondo Mañe submitted the following statement:

In reviewing our experience to date with the Fund's transparency policy, we are encouraged by the increasing number of staff reports and other Fund and country documents that are being published on a voluntary basis. This clearly indicates that the system in place, and that is well summarized in Box 1, is working well. We are, therefore, not convinced by the staff's arguments for changes in the policy at this time. As regards the candor of discussions, we do not think that it should be related to transparency or publication. We view candor as essential to the surveillance exercise, and the staff should report candidly on their discussions with the countries so that the Board can get an unbiased view on policy issues.

In our previous statements on this issue, we have noted the need to take into consideration the diversity of the membership, their different economic systems and level of developments. We also made the argument, like many other Directors, that the Fund was trusted as a confidential advisor and that much confidential information was shared with it, especially by country in programs. It is our view that it is very important to maintain this trust and to respect the views of the membership, thus preserving the cooperative nature of the institution.

We remain opposed to the presumed publication of Article IV and UFR staff reports, for the reasons given above. We would add that the voluntary approach is working, as the number of reports being published on a voluntary basis is rising. On our part, we will continue to encourage our authorities to give their voluntary permission for publication.

On ROSCs and FSAAs, these are voluntary by nature, and we do not see any need to introduce an element of presumed publication. Taking such an approach could reduce the motivation of countries to participate in these very important exercises. In any case, the introduction of the element of presumed publication for these exercises which are supposed to be voluntary, may create mistrust about the intention of the Fund. Similarly, we do not support the publication of FSAP Technical Notes, unless the country voluntarily grants permission for publication. In that case these notes should be circulated to Executive Directors prior to publication.

On deletions, we continue to believe that this policy should be applied flexibly. Similarly, we would agree to extend the deletions policy by allowing deletions of information that could qualify under side-letter policy. We are also of the view that market-sensitive and politically-sensitive issues should be deleted before publications, and that the views of the Executive Director concerned should be respected.

As regards policy papers, we do not think that they should be amended to reflect the Board's views, although we do agree that country-specific information and market and politically-sensitive information should be deleted before publication. However, where the Board's views differ from the staff this should be highlighted, and noted in the Summing-Up.

Finally, we would like to suggest that Fund's documents are also published in other languages besides English.

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

The staff report prepared for today's discussion clearly documents the progress member countries continue to make in improving the transparency of their policies and data by making good use of the Fund's transparency policy. The rate of publication across most categories of country documents, including in our view Article IV reports, has risen. This sustained progress represents an unambiguous sign that the voluntary publication policy is yielding its intended results, which is to encourage member countries to disseminate Fund country documents in order to enhance the public's understanding of prevailing economic conditions and the prospects for reforms. Of course, publication is only one aspect of transparency, which, as was discussed in a previous Board meeting, transcends the dissemination of Fund reports, and covers, among other things, various measures aimed at promoting open public dialogue on economic policy issues, as well as statistical information.

The staff paper focuses mainly on the publication of staff reports rather than the broader issue of transparency including its costs and benefits. A thorough discussion of transparency as it relates to the publication of Fund country documents has to address what we consider is at the heart of the debate, namely the extent to which the push for publication of staff country documents compromises the candor of the analysis and policy recommendations and hence undermine the role of the Fund as a confidential advisor. The staff report acknowledges that this issue needs to be addressed and recommends that the impact of transparency on candor and effectiveness of surveillance be taken up at the next Biennial Review of Surveillance. We have strong reasons to believe a priori that candor is being affected directly and indirectly. As a matter of fact, it should be recalled that a significant share of country authorities and the staff (though not the majority), who were surveyed at the time this issue was examined last year, indicated that loss of candor indeed resulted from publication. This is serious. We strongly believe that any change to our publication policy, which ought to be shaped to a large extent by this issue, should await the outcome of the Board discussion of surveillance. This is particularly the case given that our current policy is working well. At present, we are convinced that the policy of voluntary publication of country reports strikes the right balance between candor and

transparency and should therefore be maintained until further evidence on the benefits of enhanced transparency or the potential for and the effect of diminished candor can be found. The Fund, to continue to be effective, must reassess the pressure tactics being applied on countries.

A move toward presumption is likely to amplify the negative effect of transparency on candor. The environment in which country authorities discuss issues with Fund staff would change. The authorities would certainly feel under pressure to consent to the publication of staff reports, and hence would conduct their discussion in a way that would minimize the likelihood of adverse market or political and social reactions. We are not convinced that a move to presumption is an effective means of encouraging more publication. We should very much be wary of the potential for an adverse reaction by country authorities who feel excessively pressured by an institution that already suffers from an unfavorable reputation in many regions of the world. This could reduce the overall effectiveness of the institution over the long run.

Here, we would like to stress the importance of upholding the cooperative nature of this institution. The issues discussed by the Board today will affect the whole membership and can have important positive or negative implications for a large number of countries, depending on the direction chosen. It is therefore paramount that the widest consensus be sought in taking any decision as important as the one at hand. We urge management to avoid the simple majority approach to changing our policy and to seek a cooperative resolution to the differing views prevailing in the Board. This would be in line with the long-standing consensus-based character of this Board.

Moving to specific proposals, we would not favor a move to presumed publication of UFR and PPM reports for reasons similar to the ones outlined above. Furthermore, in exceptional access cases, we ought to be particularly cautious about the potential harmful ramification of publication. It is not surprising that the record of publication in exceptional access cases has been modest. In times of crises, neither country authorities nor the Fund staff should be pre-occupied with writing reports and presenting the program in a manner that is fit for public dissemination. The focus ought to be on presenting in the most candid manner the risks to the program and the prospects for success.

With regard to the deletion policy, it is clear that permitting deletion of some sensitive material has helped reluctant member countries to accept and benefit from the virtues of transparency by minimizing the risks associated with possible misinterpretation or over-reaction by market participants. We believe that our policy on deletion should give country authorities broad discretion over the type of material to be deleted while having in place the appropriate safeguards to avoid the possibility of altering the documents' core messages. In this regard, we believe the policy should be expanded to allow

the deletion of material that is deemed to be politically sensitive. The delineation that the staff paper attempts to strike between political and market sensitivity is misleading and naive. As we have argued repeatedly in the past, like market sensitivity, political sensitivity can be detrimental to economic stability and/or can undermine the reform efforts of country authorities. In fact, these two types of sensitivities merge and feed into each other. Furthermore, the presence of some politically sensitive material in staff reports could complicate the consensus building process and thus undermine the reform effort, which could be quite damaging at a time when ownership of reform programs is accorded a high weight.

We also believe that the deletion policy should be extended to permit deletions from all country staff reports of information in cases where such information could have qualified for protection through the use of side letter in the context of UFR. The reason given in the staff report for rejecting this extension, namely that it could lead to a large number of deletions, is not convincing. Presently there is an inconsistency in our deletion policy that need to be corrected regardless of the difficulty of implementation. If such information can be proven to be potentially damaging it ought to be deleted.

The same applies to 'third party' deletions. We believe that any time sensitive information affecting a member country is subject to publication it should be reviewed by the relevant country authorities whether it is in this country staff report or any other report.

Finally on publication of country documents, in advocating a more liberal deletion policy to ensure that our publication policy does not lead to unintended negative consequences on the membership, we are also very much mindful of the importance of preserving the Fund's credibility by guarding against undue changes in the core messages of staff reports. We, therefore, can agree to grant management the authority to withhold publication of staff reports in cases when significant deletions in a published report could alter the main messages of the Fund. This authority should extend to cases where country authorities insist on excessive and undue corrections as conditions for publication. In general, management should reject such excessive corrections and deletions and country authorities would have to decide themselves whether to publish the report without the changes.

On the publication of ROSCs and FSAP-related documents, again here the current policy of voluntary publication is working well and there is no convincing reason to change it. Interestingly, the argument presented in the staff report against moving to a policy of presumed publication for these documents applies equally to the publication of Article IV and UFR reports. The staff argues that because of the pressure to publish, country authorities may be reluctant to undergo ROSCs which can undermine surveillance. In the same vein, we would argue that country authorities are likely not to discuss

with the staff sensitive economic issues because of concern that these will end up in the public domain. For some reason, the staff does not place adequate weight on this concern. In any case, to a large extent, the detailed assessments of standards and the FSAP Technical Notes share the same characteristics as Technical Assistance reports and therefore the modalities for their publication should also be similar.

Finally, moving to issues relating to the publication of policy papers, we are uncomfortable with placing in the public domain conflicting information on Fund policies. The public at large cannot be expected to distinguish between the different functions of the staff, management and the Board, or understand the subtleties of the interactions between them. The main source of information for the public is staff papers. It is therefore important that policy documents do not convey proposals that are inconsistent with Board decisions. In any case, in practice, policy papers often present alternative proposals including the pros and cons of each, and even clear-cut conclusions are often qualified. Thus ensuring consistency between summings up and staff papers would not necessarily require extensive editing of staff reports. In those few cases where there is a clear conflict in the staff paper with the collective view of the Board, the staff report ought to qualify its main message to take into account the Board's views. Alternatively, the paper could explicitly state that the Board does not share a particular view, reasoning, or conclusion. These papers should also put forward important issues that come up during the Board discussion but were not discussed in the original paper.

Ms. Indrawati submitted the following statement:

Our chair wishes at the outset to indicate that we are not against greater transparency in the Fund as an ultimate goal. However, today's staff paper has not helped move the discussion constructively towards this goal. In particular, we are disappointed that the paper does not address a pivotal issue in the discussion of the Fund's transparency policy, i.e., the impact of transparency on the effectiveness of the Fund's surveillance, the candor of discussions with member countries and the image of the Fund. Instead, staff has proposed that this issue be considered in the forthcoming Biennial Review of Surveillance. In our view, the cart has been put before the horse, and the Fund's "transparency policy" has again been reduced to a discussion of its publication policy, without the crucial consideration of its implications, despite the fact that many chairs raised such concerns during the last discussion. In general, we believe that a lot more work needs to be done and more time should be taken to assess the outcomes from increased transparency thus far.

Given the lack of any new findings, our position remains firmly against presumed publication for all country reports, including Article IV consultations, UFRs, ROSCs, FSSAs reports, and the associated PINs,

Selected Issues papers and statistical appendices. Staff have not made a stronger case for a move toward presumed publication but have only updated the trends in publications rates. Indeed based on these trends, it is obvious that the policy of voluntary publication is working well. To reiterate an important point from the last discussion, there is no evidence that a change in this approach will enhance the pursuit of the Fund's objectives, i.e. to provide quality advice to members, and to encourage the authorities to be more transparent across a broad range of their activities. It is interesting to note that one of the arguments in favor of presumed publication also recognizes that candor of reporting to the Board needs to be "preserved" if this policy is adopted.

The role of the Fund as a confidential and trusted advisor, and the candor of discussions with the authorities are very valuable assets, as these place the Fund in a unique position to help countries in a way that no other institution can. Conversely, a very public engagement between with the Fund and member countries can have detrimental effects. Disagreements between the Fund and member countries cause confusion to the public, weaken the ownership of Fund programs, and have a negative impact on markets. Many developing countries' financial markets do not have well-established institutional frameworks, depth and sophistication to fully absorb and interpret information with which to respond in a rational and orderly manner. The impact is often negative because of the asymmetric reaction to bad news. Hence, for these countries there is a clear and serious trade-off, which developed countries with a "fully transparent" culture do not face. A more fundamental question is for the Fund to consider if all its actions, both policy advice and other pronouncements, are always right and if this unproductive step to increase publication rates would facilitate its engagement with its diverse membership, and enhance its shaky reputation in some parts of the world.

We further agree with Mr. Portugal that the presumed publication approach is also ineffective in light of Article XII Section 8, which states that mandatory publication can only be approved with a 70 percent majority of the Board, and hence member countries can simply decline publication. The Fund should consider the impact on its reputation if presumed publication is adopted but many countries react to this imposition by choosing not to publish.

Hence, we feel that the push for a so-called more systemic publications policy is no more than an effort to gain technical approval for presumed publication. Any decision taken on a narrow majority in the Board should be avoided, given that on past issues, such as the Twelfth General Review of Quotas, an effort was made to garner a consensus. The use of voting power to force through a decision when there is wide difference in opinion goes against the cooperative nature of the Board with its principle of taking decisions based

on consensus, and makes it clear to all that the voice and participation of a large portion of the Fund membership is irrelevant.

Another important point we would emphasize is that publication does not automatically mean an improvement in governance and policy action, and vice versa. Our chair firmly supports the pursuit of good governance and strong policies but we believe the application of this “one-size-fits-all” publication policy will do nothing to encourage members toward this end. Peer pressure at the Board has been and is a more effective tool to move member countries in the right direction. Social and political institutions and economic structures differ from country to country, and the push for greater transparency should not inflict damage on countries that are not ready for such a rapid change. The responsibility of the Fund in this area must not be downplayed.

In this respect, on the deletions and corrections policy, all material deemed sensitive by the authorities, which if published could undermine their efforts to maintain macroeconomic and financial stability, and/or raise the cost of policy implementation, should be allowed to be deleted before publication. In deciding what is sensitive, we believe that the final decision should be given to the authorities, as they would be in the best position to understand the implications of such material on the economy, financial markets, and social environment. Moreover, in light of additional analyses on the political environment in staff reports, a more liberal approach to deletions is necessary to protect the candor and level of detail of such discussions. We also do not agree that Management should be given the authority to withhold publication of staff reports under any circumstances, as the public reaction to non-publication following a trend of previous publications would be very negative.

Regarding the publication of the Fund’s policy papers, our position is that there should be deletions of politically and market-sensitive and country-specific material but the policy recommendations should not be modified. Following the Board discussions, the views of the Board should be clearly included in the published version of the paper.

Mr. Bischofberger and Ms. Reichenstein submitted the following statement:

#### Key Points

Although overall publication rates continue to increase, we still see room for further improvement.

We support a move to a policy of presumed publication for all country staff reports, i.e., Article IV staff reports including associated background documents, PINs, UFR staff reports and Post Program Monitoring staff

reports. However, the candid dialogue between the Fund and the authorities must not be compromised.

We would also prefer a policy of presumed publication for ROSCs and FSAP-related documents.

Regarding staff reports for exceptional access cases, we see merit in increasing public understanding of the program strategy through publication. Therefore, in such cases, publication should be required.

Concerning the implementation options for a policy of presumed publication, the default option should be applied.

Regarding policy papers, staff's policy recommendations should not be modified after factual corrections and deletions of highly market-sensitive material have been made. We assume that for important policy issues a Chairman's Summing Up or PIN will be published, reflecting the position taken by the Board during the discussion.

With regard to deletions and corrections in country related staff papers, we believe that the current policy is broadly appropriate. However, deletions should continue to be confined to highly market-sensitive information and strict standards should be applied if a member asks for deletion of such information.

We thank the staff for a well written and comprehensive set of documents which provides a balanced overview and valuable background information on the important issue of the Fund's transparency policy. The advantages of transparency with regard to economic policy have been discussed extensively at previous occasions: Transparency promotes market efficiency, it is a prerequisite for the adequate participation of civil society in political decision-making, thereby facilitating the understanding of the Fund's policy and accelerating the reform process. Furthermore, the international community rightly expects the Fund, like its members, to be accountable for its policies and operations. Consequently, we continue to be in favor of the Fund's efforts to enhance transparency.

Although overall publication rates continue to increase, we see room for further improvement. Considerable differences still exist among various types of staff reports. Furthermore, the present policy of voluntary publication supported by peer pressure has shown encouraging results in some regions, but has been less successful in others. Therefore, we support a move to a policy of presumed publication for all country staff reports, i. e. Article IV staff reports including associated background documents, PINs, UFR staff reports and Post Program Monitoring staff reports. Such a shift would make the Fund's transparency policy itself more systematic and transparent, while at

the same time leaving sufficient room for well founded and justified exceptions. To underline the policy of presumed publication, the use of additional peer pressure in form of moral suasion or, like Mr. Egilsson and Mr. Farelius suggest, a reference in the Annual Report to the publication practice of individual countries could be considered.

While we strongly support a policy of presumed publication, the candid dialogue between the Fund and the authorities must be preserved. We note that the implementation of the Fund's strengthened surveillance framework might add to the tensions between candor and transparency. The staff and Management are encouraged to continue to pay due attention to this issue by ensuring close observation of the 2001 guiding principles in the process of drafting and reviewing staff documents. Moreover, we look forward to discuss this issue in the context of the next Biennial Review of Surveillance.

Preferably, ROSCs and FSAP-related documents should be included into the policy of presumed publication. These documents provide useful information for market participants and therefore could make a particularly valuable contribution to a more efficient functioning of markets. However, we are aware that including these documents into the presumed publication policy could result in fewer countries being willing to participate in the initiatives, which would have adverse implications for surveillance.

Regarding staff reports for exceptional access cases, we see merit in increasing public understanding of the program strategy through publication. In addition, in cases where, under certain circumstances, exceptionally high amounts of public money are provided, the reasons behind this decision should be revealed to the public. Therefore, for exceptional access cases, management should not recommend Board endorsement of a program or review unless the authorities have consented to publication of the staff report.

Concerning the implementation options for a policy of presumed publication, the default option should be applied. Under this option, a staff report and the associated PIN will be published, unless a member objects to publication. The staff proposes a time limit of 15 working days following a Board meeting to object to publication or request deletions or corrections. This seems to be relatively long, and we would rather prefer to consider a time limit of 10 working days. In any case, the member should be encouraged to provide the reasons for the decision not to consent to publication.

We agree with the staff that the principles for deletions and corrections of staff policy papers should be brought more into line with those that apply to country staff papers. To avoid extensive editing and to minimize the time lag between the Board discussion and the publication of policy papers, staff's policy recommendations should not be modified after factual corrections and

deletions of highly market-sensitive material have been made. A disclaimer, indicating that the paper contains the staff views and not necessarily those of the Board, should be placed at the beginning of the paper in a way that it can not be ignored. In addition, we assume that for important policy issues a Chairman's Summing Up or PIN will be published, reflecting the position taken by the Board during the discussion.

With regard to deletions and corrections in country related staff papers, we believe that the current policy is broadly appropriate. However, deletions should continue to be confined to highly market-sensitive information and strict standards should be applied if a member requests deletion of such information. In this context, we support the staff's recommendation to withhold publication of a staff report when deletions of highly market-sensitive material would leave the paper silent on significant issues. However, instead of leaving the decision on non-publication to Management alone, the Board should be informed about Management's decision and have the option to object to the decision. In addition, like Mr. Bennett, we expect this "safety valve" to be used extremely rarely.

We support the publication of document SM/03/200 and agree not to publish Supplement 1 due to the confidential information included in the latter.

Mr. Reddy submitted the following statement:

It is encouraging to note that the positive trend in publication rates of country documents noted during the last review has been maintained. That this trend has occurred across all categories of documents further strengthens the belief that the publication initiative is steadily enlarging its support amongst the membership. Presently, all HIPC country papers, and PRSP related reports are being published, as are more than 90 percent of country policy intention documents. Overall more than three quarters of all Fund documents are published. These are indeed very positive developments. We continue to feel that the impressive success of the Fund's transparency policy is grounded in the fact that the basis for publication is entirely voluntary and the markets are left to judge the implications of the actions of the authorities in this regard. We therefore support all efforts to expand the sweep of this policy within the framework of this essential feature-its voluntary nature.

The fact that publication rates are uneven across regions, merely seems to reflect the facts that markets are uneven across regions; possible impacts of publication will be uneven across regions and that the concerned authorities choose to remain cautious while adopting this initiative at this stage in the current country context; rather than the fact that these members are averse to transparency. This unevenness in publication not only reflects the asymmetry of the impact of publication on markets but also the asymmetry of

accountability of the consequences of such impacts—with the member countries bearing the major burden of damage control in the event a Type II error occurs. These considerations therefore further emphasize the need for proceeding cautiously in moving forward with the publication initiative.

In the above context, we are unable to comprehend why efforts to accelerate this delicate process appear warranted, through adoption of a policy of presumed publication—which seems to be the major thrust of the staff paper. One should not rule out the possibility that attempts to accelerate this process through adoption of a presumed publication policy may result in derailing this process and defeating the very objectives of the transparency policy.

#### Presumed Publication

The argument that publication will strengthen surveillance, is in our view not conclusive. The staff point out in Paragraph 13 that there is no clear evidence of the impact of transparency on the candor of the dialogue with members. This clearly indicates the need for more work in this regard before we proceed further to alter the status quo. In this connection we note that the results of the transparency survey reported in the May 2002 staff document revealed that a sizeable percentage of the staff as well as the authorities who were surveyed (41 percent and 33 percent respectively) felt that the release did impair the candid nature of the dialogue between the staff and the authorities. We thus do not feel that it can be argued that there is no impact of publication on the candor of the consultations. If authorities become reticent with mission staff, the role of the Fund as a confidential advisor is compromised. Member countries value the advice given by the Fund and recognize that the best possible advice can be given only in an environment of complete openness amongst the participants. They therefore provide Fund missions with access to senior policy makers, sometimes at the highest level such as heads of governments. They part with confidential information—sometimes even time sensitive and market sensitive information—to Fund staff, which they may not be keen to see in a published staff report. Such an approach radically differs from the same country's approach to data requests from other institutions.

In this connection, the staff suggest in Paragraphs 25 and 27 that adoption of a policy of presumed publication of ROSCs and FSAP related documents would affect a member's decision to participate in this initiative, and thus affect the quality of Fund surveillance. This statement is implicit recognition that the fact of publication of a staff report can and will influence the incentives of member countries who are involved in the preparation of the report. Clearly this argument equally applies to all Fund documents and is added recognition that candor is affected by the prospect of publication.

It is essential to be conscious of the distinction between the desirability of increased publication and the modality of adopting the route of presumed

publication to achieve the desirable. The arguments for publication are broadly listed in Paragraph 11 of the document. Irrespective of their merits, they are arguments for publication per se and not arguments in favor of adopting a policy of presumed publication. While we note that the reason for adopting the policy of presumed publication is to “strengthen the momentum that led to the rising publication rates,” we are not sure that this will be necessarily be the outcome. We believe that adoption of such a policy may not have the desired effect for two reasons. First the member country retains its right to decline consent which it may well exercise through the use of a simple statement. The Board—as Mr. Portugal points out—can mandate publication only with a 70 percent majority with even such a power being exercised only under conditions which “directly tend to produce a serious disequilibrium in the international balance of payments of members.” Second, a very thin majority of the Board was in favor of the presumed publication during the meeting last September. If this position has not substantially changed, then implementing such a major policy decision on the basis of such a slender majority would go against the grain of the cooperative framework which has been carefully nurtured in this institution, and which is based upon the premise that “Fund policy would be set by all for all.” On this important policy issue, we need to search for a consensus—which can be supported by all the member countries. Ramming through a decision with a slender majority may prove counterproductive if some member countries decide to decline publication of all reports uniformly instead of selectively declining consent to some publications—with the former option being possibly perceived by them as less market sensitive. Such a course of action may also seriously impact the credibility of the Fund, a risk the Fund can ill afford to take, at least not in respect of this issue when the objectives are being served and there is movement in the right direction. We believe that the broader interest of the Fund is best served by a search for a consensus on this issue.

The search for the consensus will require more work by the staff—on issues relating to benefits from transparency including from lowered spreads and better access to markets to the publishing countries. In this connection, the staff do note in Appendix II that ‘it is difficult to find evidence that the publication of ROSCs had any favorable effect on borrowing cost.’ It would be additionally desirable to do some clear ex post analysis of the type of risks, vulnerabilities and predictions which have been made in staff reports which have been published as contrasted to the observations in those reports which have not been published. This will provide a sound basis for taking such a critical decision.

A related issue to be considered is the relative importance and priority the IMF places on the needs and perceptions of its different stakeholders and to what extent it is willing to change policy which may have differential impact on its stakeholders. In our view, the Fund should primarily serve the needs of its member countries and only consistent with such needs, should it

serve those of the markets and other stake holders and interest groups. If a significant majority of member countries wish to proceed cautiously on the publication policy path, then the Fund as a cooperative institution, has a responsibility to respect their wishes and adopt such a path, despite the contrary exhortations of a minority of member countries. More work may be needed to be done to win over the majority of members to the suggested policy and the benefits of such a wait clearly outweigh the possible costs of not rushing into a change of policy now.

For the above reasons, we do not believe that this is the appropriate time for moving to a policy of presumed publication. We believe that the present voluntary publication policy should continue, allowing support for publication to enlarge through peer pressure and the member's own judgment on the likely benefits to them. As pointed out by the staff, the Board could take up the issue of presumed publication after the forthcoming Biennial Review of surveillance—which represents an opportunity to examine the impact of transparency on Fund surveillance.

In the meanwhile, much can be done. The staff and Executive Directors can continue to build support for publication. As we understand it, the Fund's Transparency Initiative is built on three additional pillars apart from publication of documents—the standards initiative; improved outreach efforts with the Fund engaging with stake holders in addition to member countries, and enhancing the 'learning by doing' role of the Fund. In our view, while allowing the document publication component of the transparency initiative to proceed at its present not inconsiderable momentum, more attention could be paid to the other issues which have been highlighted during the Board's discussion on the Fund's Communication Policy. These could include efforts to improve the comprehensibility of the documents already being published, through better and simpler presentation, coverage in more languages; as well as a greater focus on printed copies specially in regions where the internet is not fully developed. Further, consideration could be given on whether the public access to Board documents, including proceedings of Board meetings could be reduced from the presently mandated period of 10 years. In our view, these steps could do much to enlarge transparency in the functioning of the Fund.

#### Deletions and Corrections

On the issue of deletions and corrections for staff policy papers, we agree with the staff that the principles governing them should be brought more in line with those that apply to country papers. We are inclined to support the second option in Paragraph 20, wherein, no changes are envisaged to the staff paper, with the Board summing up being published simultaneously. To avoid confusion, the published version of the staff policy paper could flag those

points where there are significant differences from the views of the Board, indicating clearly that the Board had not endorsed those staff positions.

On the more general issue of the deletions and corrections policy, we remain unconvinced that market sensitive information can at all times be objectively identified to the agreement of both the authorities and the staff while simultaneously distinguishing it from politically sensitive information. Release of politically sensitive information may have significant market impact and may possibly affect the ability of the authorities to effectively implement policy. Further, in the light of the increasing trend for the staff to incorporate political economy considerations in their assessments, there is a greater likelihood of politically sensitive material creeping into such assessments. We therefore join Mr. Portugal in urging that along with market sensitive information, politically sensitive information also be considered for deletion, despite the possible difficulties in recognizing such information. Not doing so may validate the present de facto policy of allowing such deletions in the guise of corrections as the instances detailed in Supplement 1 amply demonstrate. The fact that one of these deletions was carried out despite both the staff and Management initially rejecting such a request for deletion reflects the importance country authorities place on deletion of such information and the need for the Fund to respond sympathetically to such concerns.

We continue to feel that where there are sound reasons for allowing third party deletions, they should be considered. While we recognize that, during the course of cross country comparisons, objective facts or points of view derived from such facts will find place in staff reports, we are concerned that subjective opinions which do not have a factual basis may also find place—as has happened in the past. To allow for such cases, we feel that adequate provision should be made to allow for requests for corrections/deletions from affected third party member countries. If such amendments/corrections are not possible, the affected third party member country should have the right of rebuttal—with their statements being published in total along with the other documents.

#### Publication of Other Documents

We agree with the staff that publication of FSSAs and ROSCs should continue on a voluntary basis and any attempt to shift the publication of these reports from a voluntary basis to a presumed basis may undermine the FSAP process itself because member countries may no longer volunteer to participate in FSAPs. A major concern in respect of publication of ROSCs has been their possible use for the purpose of rating or classifying countries into performers and non performers. There is also little empirical evidence for publication of ROSCs in terms of their impact on markets and cost of capital/borrowings. We agree that if member countries give their consent, FSAP

technical notes could be published after deleting the confidential information on individual institutions and the findings of the stress tests.

### Concluding Remarks

In conclusion, we urge that the status quo in respect of the publication policy continue for some more time, while more work is done aimed at building a consensus on the proposed presumed publication policy. In our view, such a stance will be in the best interests of the Fund as a cooperative institution, while serving the objectives of increased transparency.

Mr. Usman submitted the following statement:

Major strides have been made by the Fund over the last few years with the implementation of Transparency Policy as reflected in the vastly increased voluntary publication of staff reports on surveillance and the Use of Fund Resources (UFR). The staff report clearly illustrates the increased momentum for voluntary publication in paragraph 4, as the publication rate of all staff reports have increased. In our Constituency, almost all countries have voluntarily allowed for the publication of reports over the last year. The issue now is, in the light of increased voluntary publication, whether the Fund should now go from voluntary publication to presumed publication.

We are satisfied with the progress achieved under the current voluntary approach and we urge that this approach be maintained and that countries be encouraged to voluntarily and systematically permit the release of staff reports. We can also go along with extending the approach that applies to technical assistance reports to FSAP technical notes.

We believe that the current policy voluntary publication of Article IV staff reports, UFR, ROSCs and FSSAs should be retained, since, as noted in the staff report, it is not clear whether further gains would accrue by moving from voluntary to presumed publication. In this context we agree with Mr. Daïri and Mr. Rouai, that given the current achievements with voluntary approach, countries should continue to be permitted to make their decisions without undue pressure as they continue to recognize the advantages of publication. We also concur with the thrust of the many good arguments made by Mr. Portugal against presumed publication, and support his views for adopting a more liberal deletions policy. We particularly support his argument that the deletions policy should be made consistent with the side-letter policy. The policy should also be made more flexible to allow for deletion of politically sensitive information, since progress in this direction would further enhance the voluntary publication stance.

We remain opposed to moving to presumed publication, because we feel that the candor of discussions between authorities and the Fund staff

would suffer under such a regime, where the authorities will have to provide reasons for not permitting the publication of staff reports. Our authorities consider the Fund as a trusted advisor, and this position should not at all be compromised.

We are also of the view that changing to presumed publication will infringe on the decision-making process and ownership of policies and programs, if countries are presumed to have agreed to the publication of staff reports.

We have always argued that the Fund should refrain from adopting a “one size fits all” approach to its diverse membership. We believe that presumed publication will be such an approach and we fail to see at this time, what tangible benefits our member countries would derive from adopting such a policy. If the suggested change is intended to benefit the market, we should remind ourselves that the Fund’s principal role is to serve its membership, and not the market.

On modification of policy papers prior to publication, we support the staff’s suggestion that policy documents should not be amended to reflect the views of the Board. However, in addition to the publication of the Summing-up, any divergence of the Board’s views from those of the staff should clearly be highlighted in the published staff report. Summings-up and policy documents published should also be electronically linked. It is also our view that policy papers on administrative matters should be published, as it will enhance transparency and governance within the Fund.

Mr. Vittas submitted the following statement:

#### Key Points

While progress has continued to be made in the implementation of the Fund’s transparency policy, several areas of concern remain. In particular, the publication practices for Article IV staff reports continue to differ unduly across regions; publication rates for documents dealing with enlarged access to Fund resources are disappointingly low; and the publication lags remain generally rather long.

To give a fresh impetus to Fund transparency and help alleviate the weaknesses of present policy and practices, we support a shift to presumed publication of Article IV staff reports and background documents, PINs and “normal access” UFR papers. In addition, we believe that in exceptional access cases the publication of all relevant documents should be required, subject only to the safeguards provided by our deletions policy.

We do not fully support the staff proposal regarding deletions and corrections of staff policy papers as we believe that it is important to slightly amend the papers prior to publication to clearly flag points on which the Board has not endorsed the staff recommendations.

The publication of ROSCs and FSSAs should remain voluntary, in our view. However, there is scope for integrating these documents more closely to the Article IV process, which would ensure (at a minimum) that their key findings and recommendations would be disseminated to the public.

### Introduction

We thank the staff for a set of interesting papers and, in particular, for Appendix II of the main paper, which outlines some recent empirical evidence on the benefits of increased transparency. We would encourage further research on this important issue. We also note that the papers for today's discussion do not address fully (if at all) some important issues related to the Fund's transparency policy, such as e.g. the modalities for the publication of IEO reports, the issue of publication lags, in general, as well as concerns the minutes of Board meetings, and the issue of our web site policies and practices. We would appreciate some indication from the staff as regards plans for further discussion of such issues

Like many colleagues on the Executive Board, we do not consider Fund Transparency to be a goal in itself. Nevertheless, transparency is important primarily because it increases the accountability of the Fund and its membership to the public at large. As a result, the Fund's policies and operations are better understood and the institution can benefit from outside scrutiny and advice. In addition, and most importantly, incentives for member countries to adopt and implement sound economic policies are strengthened and the scope for the perpetuation of poor governance is reduced. A further, but arguably secondary, benefit of transparency is that it improves the flow of relevant information and of objective, high quality analysis to market participants. While this may not necessarily lower market volatility in the short term, it should contribute to more accurate risk assessments over time.

The Fund has made great strides in increasing its transparency in recent years. One aspect of this is the increased tendency for the publication of Fund papers, both on country-related matters and on policy issues. It is pleasing to note from the review of recent experience included in the staff reports that publication rates have generally continued to rise since the conclusion of our last debate on this issue. Nevertheless, in several respects, progress to-date cannot be viewed as satisfactory. First, publication rates continue to differ markedly across regions and are still quite unimpressive in some parts of the developing world. Second, the proportion of UFR papers that is published remains generally low. It is especially disappointing that the

publication rate for exceptional access documents declined recently to only 21 percent. Third, despite the welcome reduction in the share of staff reports with deletions, which should have contributed to a shortening of publication lags, the latter remain quite long and often exceed the established guidelines by a large margin.

Let me now outline this chair's position on the issues for discussion

#### Country Papers

In view of the uneven record with the policy of voluntary publication of staff reports and the need to maintain progress towards increased transparency, we believe it is now appropriate for the Board to take a decision establishing a policy of presumed publication of most country-related staff reports. Specifically, in our view, the presumption should apply to Article IV staff reports and the associated Selected Issues Papers, UFR papers (entailing access within the normal limits), the relevant PINs and PPM reports. We are aware that there can be trade-offs between the objectives of transparency and candor. However, in practice, the candor of staff papers does not seem to have been affected since the adoption of more open publication policies and we do not see any convincing reason to expect that this would change if a decision in favor of presumed publication of staff reports is taken. In fact, increased transparency and accountability are equally likely to increase the candor of staff reports than to reduce it and, in any case, the policy on deletions and corrections remains in place to address potential conflicts associated with highly sensitive information.

We share the view that the publication of papers dealing with exceptional access to Fund resources should be required, subject to the safeguards provided by our policy on deletions and corrections. This would be consistent with the new policy and procedures for exceptional access. In addition, in such cases it is especially important to ensure that market participants are well informed not only of the policy intentions and commitments of the authorities concerned, but also of the Fund's analysis and assessment.

On the issue of the modalities of implementation of a possible new policy of presumed publication of staff reports, we do not have a strong preference and are prepared to join a consensus. While we agree that presumption implies that publication should be the default option, precedent and practicality would argue in favor of the other option, which requires the explicit consent of the member prior to publication. We concur with the staff that if this option is chosen, a member not wishing to publish a staff report should be expected to provide an explanation at the relevant Board meeting.

### Staff Policy Papers

We agree that, in line with current practice, staff policy papers should be modified prior to publication to eliminate factual corrections, country-specific references and references to unpublished documents. We also agree that the policy on deletions of highly market-sensitive information should be extended to staff policy papers. However, we do not support the suggestion that the published paper would simply indicate that the paper contains the staff views and not necessarily those of the Board. While we do not favor extensive editing of staff policy papers to ensure that they reflect the views of the Board, we believe it is important to clearly flag in the text of the paper which staff recommendations have not been endorsed by the Board. This would require only a limited amount of additional work prior to publication, would limit the risk of confusion and would be fully consistent with the policy of enhanced transparency of the Fund.

### Deletions Policy

On this issue, we agree in general with the staff's conclusions. In particular, we believe it is important to avoid extensions of our deletions policy that would increase the risk of staff reports being transformed into negotiated documents. However, we have some reservations regarding the proposal to grant management the authority to withhold publication of a staff report when deletions of highly market-sensitive material are so extensive as to change the underlying message of the report. The preferred approach would be for management to refuse to accommodate changes that would modify in a substantive way the Fund's assessment of a member's policies and prospects. At any rate, if the proposal is adopted, it would be important to ensure that it is not used as a vehicle to undermine the objective of presumed publication of staff reports.

### ROSCs and FSSAs

In view of the voluntary nature of ROSCs and FSSA reports, we believe that the publication of these papers should remain voluntary. However, we are in favor of strengthening further the integration of these documents into the Article IV process. ROSCs and FSSAs often provide the basis for some of the policy advice and recommendations included in Article IV reports and the Article IV discussions provide a convenient vehicle for updating ROSCs and FSSAs and ensuring that appropriate follow up action is taken. Thus, in practice, the key findings and recommendations of ROSCs and FSSAs are incorporated in Article IV staff reports and would be communicated to the public, if the latter are published. This, in turn, could be expected to increase incentives for the authorities of the country concerned to publish the relevant ROSC or FSSA documents, since publication would facilitate the public's understanding of the basis of the recommendations.

### FSAP-Related Documents

We agree that the FSAP aide-mémoire should remain confidential and, as already noted, that publication of FSSAs should continue to be voluntary. Other FSAP-related documents should be submitted to the Board for information and their publication should be encouraged.

Mr. Le Fort and Mr. Zoccali submitted the following statement:

We thank the staff for a thorough report on the Fund's Transparency Policy, and welcome this opportunity to discuss a policy that has become so central to the work of this institution. It is worthwhile to note that all the members of the Southern Cone constituency have shared this quest towards greater transparency. They have actively participated in the transparency policy and, as presented in Table 3, have published their staff reports ranging from stand-alone Article IV Consultation Reports to HIPC documentation, as well as high-frequency UFR reports under exceptional access provisions. We would like to offer some general observations and comments on the issues for discussion, including some operational details.

It is heartening to note that the policy of voluntary publication has been consistent with generally rising publication rates of staff reports related both to surveillance and UFR, where nearly all country policy intention documents have been published, allowing for a better understanding of the workings of the Fund and the members' policy programs. However, we would have welcomed a somewhat broader assessment than just the extent of dissemination in the Fund's website. The staff might wish to clarify whether any attempt was made to refine the degree of progress, made more generally by members in explaining their policies, by examining the websites of the ministries of finance and economy or central banks. We surmise that such an analysis would have pointed to a greater impact of the Fund's voluntary publication policy and to a broadening support for increased transparency in the membership, had this aspect also been canvassed. Future reviews, such as the one being proposed in 24 months time, which we support, could also consider incorporating this broader perspective.

Improving the transparency of members' policy and data should be, in our view, an instrument for improving the timeliness of policy actions and the quality of the members' policy framework. In this regard, enhancing the Fund's transparency should be part of this broader strategy, recognizing and factoring in the public impact of Fund projections, risk assessments, and policy recommendations, so that this aid for informed decisions is reconciled with consensus-building and public support for economic programs. In particular, the role of the Fund as confidential advisor should not be eroded under any circumstance if policy effectiveness remains a valued outcome. Taken in a broader perspective, an effective transparency policy must include

deletion and correction provisions to allow for the correction of mistakes and candid policy advice, while at the same time avoiding the disclosure of details that would risk unfavorable market reactions or additional difficulties in program implementation. The asymmetrical impact of Fund projections and recommendations for developing and emerging market economies as opposed to industrial countries with consolidated access to international financial markets is a circumstance which cannot be overlooked.

The less striking publication rate for exceptional access cases in the recent period perhaps best summarizes the impact of these interactions on members' attitudes. Instead of merely highlighting the tension that exists between candor and effective surveillance, further consideration might have been given to further simplifying the correction and deletion process, keeping in mind that such cases often require processing very high volumes of staff documentation, issued with exceptionally high frequency. In post-crisis situations, the current process tends to generate delays which can lead to misconceptions regarding the authorities' intentions. The overall process of interaction with the authorities on deletions, particularly at times when they must deal with many other immediate problems and often involving numerous departments in the Fund, clearly warrants, in our view, further streamlining. At the same time, there are more basic issues that require prioritization. For instance, formats for presentation of LOIs/MEPs are likewise of importance, if consensus-building for legislative action is to be fostered. Rigid presentational formats that install perceptions of Fund-imposed conditionality often do not help the authorities to explain the consistency of their policy intentions with institutional make-ups and national customs.

We would like to take this opportunity to make some factual clarifications on the information provided in SM/03/200. Footnotes 14 and 34 refer to Argentina among the cases in which the authorities neither communicated their publication intentions nor explained why they did not consent to publication. To be precise, EBS/02/190 (11/20/02), EBS/02/168 (9/5/02), EBS/02/125 (7/15/02), and EB/02/83 (5/21/02) all refer to staff reports on deferment of SRF repurchase expectations in a context of protracted negotiations on a Fund-supported program, and therefore were not accompanied by LOIs/MEPs. Moreover, these deferrals were duly reported in the Fund's website. In addition, EBS/03/32 (3/10/03), related to the transitional arrangement which gave rise to policy intention documents, was duly disseminated in the websites of the Fund and the Ministry of Economy. Moreover, the latter contains the set of LOI/MEP and TMU documentation.

It is rather symptomatic that the arguments presented in favor of publication of the staff reports in paragraph 11, implicitly assume that the quality of the financial policy advice is automatically built in with the Fund imprimatur. We would like to emphasize that the Fund's transparency policy should also contribute to improving the quality of the analysis and of

projections, keeping in mind the asymmetrical impact of Fund assertions, particularly given the difficulties of building confidence in post-crisis environments. In this regard, we hope to see some assessment in future reviews of the degree of quality improvements, i.e., reduced value-judgments, and more finely-tuned projections contained in the staff documentation proposed for publication. Even the Fund staff can make mistakes, and for that reason a policy of amendments is necessary. It is highly illustrative that advanced economies accounted for a disproportionate share of all corrections. The relative complexity of these economies may justify this outcome, but corrections, when appropriate, should remain open to all members on an equal basis.

Furthermore, with respect to the deletion and correction policies for country papers, and in particular for UFR reports, the issues raised above of content, format, and timing could exceptionally be overriding the effectiveness of surveillance or the confidence-building effort being supported by the Fund. We see much relevance in Mr. Callaghan's comments regarding the limitations of the current deletion policy, and concur with the need to adopt a wider approach regarding political economy issues. In cases where the reasons are compelling because they would directly undermine the authorities' ability to implement the program or render implementation more costly, and where certain information has qualified for protection through the use of a side letter in a UFR context (i.e., where less-than-likely contingency scenarios are contemplated), we favor permitting deletion of such information. At the same time, to ensure consistent application, we share the staff's proposal that Management be granted the authority to withhold publication of a staff report when deletions could undermine the overall assessment and the credibility of the Fund.

More specifically, on the options going forward, we are encouraged by the progress in disclosure achieved thus far, and support to continue encouraging a more systematic voluntary release of staff reports and other country-related documents. Among the options framed, we have supported in the past the voluntary publication policy on the basis of gaining more experience, while continuing to build broader support for transparency, with the idea of taking up the issue of presumed publication in the future. At present, we feel that the countries of this constituency have gained sufficient experience and, in effect, have already adopted a form of "presumed" publication. Thus, we would be ready to join a majority for the presumed publication of staff reports within a review of the Fund's Transparency policy that would also contemplate correcting some of the more worrisome shortcomings of the current process, as enumerated above. In any event, the explicit consent by a member for publication should still be required even in the cases where publication is presumed, to make sure that deletions and amendments have been appropriately considered.

We favor maintaining the voluntary publication of ROSCs, and consider that presumption of publication of these documents would have serious drawbacks, as noted by the staff in paragraphs 25 and 26 of the main report. We agree, therefore, that the present system of voluntary publication best safeguards the integrity of ESSAs and ROSCs. We also support publication by authorities of ESAP Technical Notes (PENs), omitting stress tests and confidential information on individual institutions, after circulation to the Board for information. On Selected Issues papers, a more basic consideration that emerges is ensuring that the topics selected for analysis are consistent in a more direct way with the authorities' priority concerns to help drive policy actions, and not just for didactic purposes.

On the modification policy for staff policy papers prior to publication, we agree that the principles for deletions and corrections be brought more into line with those that apply to country papers. Particularly where work is ongoing, and where there was a danger of confusion when the summing up differed from staff recommendations, the published version of the staff paper should flag such points, indicating that the Board had not endorsed them. Regarding publication of administrative papers covering internal operations of the Fund and its financial matters, we concur that the present policy of publication not presumed but considered, on a case by case basis, be maintained.

Finally, we can agree to the publication of the staff papers on the Fund's Transparency Policy, subject to appropriate corrections and clarifications in light of the discussion by the Executive Board.

Mr. Kremers and Mr. Litman submitted the following statement:

#### General

While there are convincing arguments for enhancing transparency by changing the publication policy from voluntary to presumed, there are also weighty arguments against the change in the publication policy. A quest for higher publication rates should not undermine the main objective of strengthening Article IV surveillance, which is to provide high-quality policy analysis to member countries and the Board. The quality of surveillance depends on the candor of dialogue with authorities and of reporting to the Board. Therefore, we note with satisfaction the staff's finding that there is no clear evidence of an impact of transparency on the candor of dialogue with the authorities.

The Board actively participates in enhancing transparency, by praising countries which have consented to publication of the country report, and by censuring those countries which objected publication. Even so, we believe that the changing of the policy from voluntary to presumed, will have the effect on

those member countries, who until now do not consent to publication, to change their approach.

The publication rates continue to rise, reflecting the broadening support for increased transparency among the membership. While the publication rate of UFR stand-alone reports was 87 percent, the publication rate of staff reports for exceptional access UFR cases was only 21 percent (4 of 19). The exceptionally low publication rate involving exceptional access is worrisome, as openness is particularly important in these cases. Increasing public understanding of the program strategy might be crucial for its success. Moreover, from the viewpoint of accountability towards the public, both in the program country and in other member countries of the Fund, it is appropriate that official documents regarding exceptional access UFR would be freely available. Furthermore, program countries often choose an economic and financial strategy based on the desire to restore market confidence. In such cases the enhanced transparency is essential.

#### Going Forward

We propose to go forward in enhancing transparency in the following way:

- exceptional access cases: management should not recommend Board endorsement of a program or review unless the authorities have consented to publication of the staff report.

- other country reports: to adopt a presumed publication policy for UFR, PPM and Article IV staff reports with a default option.

- PINs: to adopt a presumed publication policy for PINs, which will mention explicitly whether the member has given its consent to publish its report. If a member did not wish a PIN to be published, a factual statement would be issued promptly to inform the public that an Article IV consultation, UFR or PPM was discussed by the Board. The factual statement would explicitly mention that the country did not wish to publish the report and the PIN.

- the Annual Report should explicitly list the (non) availability of staff reports per country and/or topic.

#### Staff Policy Papers

When there are differences between the staff paper and the Board's view expressed in summings up, there are three possible approaches:

- the published paper would clearly indicate that the paper contains staff views and not necessarily those of the Board. We think it is a too general statement which will not allow the public to understand on which points there is disagreement;

- the published paper would flag these points, indicating clearly in the text, that the Board had not endorsed some staff positions. This approach would fulfill the transparency demands but would present different IMF views on policy matters where a unified view is required;

- the policy paper would be considered a document reflecting the views of the Board and as such would be modified to make them consistent with the summings up. Or, if the differences between the staff's view and the Board's summings up are too wide, the paper will be discussed at the Board meeting. The published paper will reflect views expressed in the new summing up. This is the preferable approach presenting a unified policy stand of the IMF, therefore solving the problems inherent in the two previous approaches.

#### Deletion Policy

Staff identified a few examples in which corrections and modifications appear to go beyond what is permitted under the publication policy. One correction, however, which is not included, seems to be especially confusing. The whole sense of the paragraph concerning the banking system of Ecuador has been changed from negative to rather positive. (last paragraph on page 6 in the Supplement).

The present policy of deleting politically sensitive material that is also market sensitive, should continue. Deletions solely on the grounds of high political sensitivity should not be allowed.

Management should be granted the authority to withhold publication of a staff report when deletions of highly-sensitive material would leave the paper silent on significant issues that could affect the public's assessment of risk and, therefore undermine the overall assessment and the credibility of the IMF. In cases of serious disagreement, the matter may be referred to the Board for its consideration.

#### Publication of ROSCs, FSSAs and FNTs

We agree with the staff's proposal to continue the present policy of voluntary publication of ROSCs and FSSAs and the proposal to circulate FSAP Technical Notes to executive directors prior to publication by the authorities. First priority with regard to ROSCs and FSAPs is to ensure the largest coverage of countries, and to remove any obstacle which might make a

member country wary of a subsequent possible pressure to publish reports. In any case, important aspects of ROSCs and FSSAs would be incorporated in the Article IV surveillance. Of course, ROSCs and FSSAs publication is commendable and their publication policy should be discussed in the next review.

Finally, we encourage the staff to further investigate the merits of transparency, particularly with regard to the value attached to the Fund's publications by financial markets (e.g., in terms of greater policy credibility, more effective crisis prevention and less scope for contagion).

Mr. Yagi and Mr. Miyoshi submitted the following statement:

#### Key Points

Strengthening transparency should not be a goal in itself; rather, it should be a tool to encourage the authorities' efforts to formulate and implement sound policies.

This chair is prepared to go along with the move to presumed publication of Article IV and UFR staff reports, provided that:

- other Directors support our view that the actual practice with regard to the application of the policy on deleting "highly market-sensitive information" is appropriate, as it is in line with the expanded scope of the Fund's analysis in surveillance and program contexts, and the summing-up includes such a reference, and;

- the source of public domain information should be specified, or when it cannot be specified, the staff should make clear their own assessment of the third party's views. This practice should be ensured, for example in the form of a guidance note to the staff, so that the staff are held fully accountable for all their documents.

In the event publication will be presumed, stronger procedures should be established for the publication of UFR staff reports in exceptional access cases than for Article IV staff reports and UFR staff reports in non-exceptional access cases.

We would prefer to see staff policy papers modified to make them consistent with the Board's discussion and conclusions prior to publication. We are concerned that, by publishing separately an unedited staff paper and a summing-up, the staff's views as expressed in the staff paper could often be misunderstood as representing those of the Fund as a whole.

We do not support the proposal that management should be granted the authority to withhold publication of a staff report when deletions are so significant as to change the message of the report and thereby undermine the credibility of the Fund. It should always be the Board's authority to make such important decisions.

We support the staff's proposal to maintain the current policy of voluntary publication of FSSA and ROSCs.

There is no need to reiterate the importance this chair attaches to strengthening the transparency of the Fund's operations and of economic policy-making in general. We support strengthened transparency because it could contribute to making the economy more efficient by improving risk assessment and economic projections of market participants through the provision of quality information. Transparency could also help the authorities implement sound policies and enhance their effectiveness.

We use the word could because we do not think that under all circumstances it would always be better if more Fund documents are published. As this chair pointed out at the previous review, strengthening transparency should not be a goal in itself. We should remember that it should be a tool to encourage the authorities' efforts to formulate and implement sound policies.

In particular, this chair is concerned about whether deletions and corrections to staff reports would continue to be handled appropriately in response to the transformation of the Fund's activities, and whether the Fund would be able to ensure that the staff would be held fully accountable for their own documents. While we are basically of the view that a move to presumed publication is desirable, an assurance about the measures to address the concerns mentioned above is the condition for this chair to go along with the move to presumed publication.

More specifically, there are two issues that we believe should be addressed. The first concerns the scope of deletions. The current deletion policy stipulates that deletions should be limited to "highly market sensitive information, mainly exchange rate and interest rate matters." According to paragraph 5 of the staff paper (SM/03/200), however, deletions are also made in the areas of banking issues, fiscal and vulnerability issues. This chair believes that the actual practice with regard to the application of the deletion policy is appropriate, as it is in line with the expanded scope of the Fund's analysis in surveillance and program contexts. We hope that many other Directors will support this view and that the summing-up of today's Board discussion will include such a reference.

The second issue that we believe needs to be addressed is information in the public domain. Although it depends on the specific circumstances of individual members, the Fund's view is attached great importance in many countries because the Fund has privileged access to the authorities' economic data and to key policymakers. It should be recalled that the impact of specific public domain information could be significantly enhanced by the fact that the Fund refers to such information in Fund documents. While we do not deny the usefulness of presenting third party analysis in staff reports, there have been cases where, for example, the views of unspecified entities such as "market analysts" are quoted without any assessment of those views by the staff. This is problematic from the standpoint of accountability. If publication of staff reports is to be presumed, the source of third party analysis should be specified so that the member concerned has the opportunity to counter the analysis; or when the source cannot be specified, the staff should make clear their own assessment of the third party's views. This practice should be ensured, for example in the form of a guidance note to the staff, so that the staff are held fully accountable for all the documents they create.

This chair is prepared to go along with the move to presumed publication of Article IV and UFR staff reports, provided the above two conditions are met. In the event publication will be presumed, we believe that stronger procedures—such as those suggested by Ms. Jacklin and Mr. Baukol, and Mr. Bennett—need to be established for the publication of UFR staff reports in exceptional access cases than for Article IV staff reports and UFR staff reports in non-exceptional access cases. This is needed in order to ensure and improve the accountability of exceptional use of Fund resources, which are the contribution from other members.

We would prefer to see staff policy papers modified to make them consistent with the Board's discussion and conclusions prior to publication. Unlike country documents, in which the staff is supposed to provide an objective analysis and assessment of members' economy and policies, we do not see a strong need for making clear the staff's views separately when they are different from the views of the Board in policy papers. Rather, we are concerned that, by publishing separately an unedited staff paper and a summing-up, the staff's views as expressed in the staff paper could often be misunderstood as representing those of the Fund as a whole. Even if this option is not accepted, we suggest that the Board's views should be included in the main text of the staff paper when they differ from those of the staff.

We do not support the proposal that management should be granted the authority to withhold publication of a staff report when deletions are so significant as to change the message of the report and thereby undermine the credibility of the Fund. For members that have already agreed to publish staff reports voluntarily, whether a staff report on their economy is published or not has substantial implications for market perception of the state of the economy.

Since a decision on whether deletions could undermine the Fund's credibility is a matter of judgment, it is not appropriate to grant the authority to withhold publication solely to management. From the standpoint of the Fund's governance, it should always be the Board's authority to make such important decisions, following a recommendation to withhold publication by management, sufficiently justified, and with the Executive Director representing the member concerned given the opportunity to present counterarguments.

We support the staff's proposal to maintain the current policy of voluntary publication of FSSA and ROSCs. As the staff notes, the FSAP and standard assessments have been undertaken through the voluntary participation of members, and the introduction of presumption of publication of the related documents could affect a member's decision to participate in these initiatives. If the FSAP and standard assessments were undertaken only for members that agree to publish FSSA and ROSCs, it could undermine the Fund's ability to undertake these initiatives in cases important for surveillance. We support the proposal that publication of FSAP Technical Notes should follow the practice that applies to technical assistance reports and that these documents should be circulated to the members of the Executive Board for information prior to publication.

Finally, we look forward to the next review of the transparency policy, preferably within 12 months, and within 24 months at the latest, in order to review the developments under the policy of presumed publication and consider the way forward for the Fund to better encourage members' formulation and implementation of sound policies, as appropriate.

Mr. Scholar and Mr. Joicey submitted the following statement:

#### Key Points

Enhancing transparency is a critical part of our work on strengthening crisis prevention and improving the accountability of the Fund. We have made real progress in the past few years, but it is important to build on this;

We support a presumption in favor of publication for Article IV staff reports, ROSCs, and FSSAs to encourage more systematic publication across the membership;

We also believe there should be a presumption that IMF missions' concluding statements will be published immediately after a surveillance mission;

There is a strong case for going further in the case of program (UFR) documents. We believe that publication of all program documents should be

routine in all cases. This will help to improve program design and implementation;

We support the current policy on deletions;

Transparency is not just about the release of information, but strengthening public and parliamentary understanding of the Fund's role;

We support measures to increase the transparency of the Executive Board, including publishing the Executive Board agenda on the internet and accelerating public access to Board minutes, voting record and the Fund archives;

We welcome the working group established by Mr. Mirakhor and Mr. Egilsson on enhancing communication with parliamentarians;

More documents should be published in languages other than English, and we encourage the Fund to explore the best ways of doing this.

Enhancing transparency is a critical part of our work on improving crisis prevention. Greater transparency can help strengthen policy frameworks, ensure that vulnerabilities are identified and addressed at an early stage, enhance the effectiveness of surveillance and strengthen the IMF's accountability and credibility.

The Fund has made real progress in its publication policy. And since the last discussion, further progress has been achieved. Executive Directors have made significant efforts to encourage publication: 27 members have published staff reports for the first time. Overall, 135 countries have now published staff reports.

Nevertheless, it is important to build on the progress made so far. Despite the strong commitment by the membership and the Board to transparency, with a clear majority of members having published staff reports, almost a third of staff reports are still not published; over 40 percent of UFR documents are not published; and the publication of exceptional access documents is only 21 percent.

So we believe the time is now right to build on the Fund's transparency policy to make further progress towards systematic publication across the Fund membership:

Article IV staff reports: With a publication rate of 66 per cent, there is now a good case for moving to a strong presumption in favor of publication;

IMF missions' concluding statements: we believe there is also a good case for establishing a strong presumption that concluding statements would be published immediately after surveillance missions (a growing number of countries, of course, already do this and we welcome that);

ROSCs and FSAPs: we support moving to presumed publication. This is consistent with the objective of ROSCs to promote transparency. We also support incorporating the findings of ROSCs into Article IV staff reports;

Use of Fund Resources: there is a strong case for going further in the case of program documents (exceptional and normal access). Strong ownership and public understanding is critical to the success of a program. So the publication and dissemination of program documents should be an integral part of the program design. This is particularly important for exceptional access, where the challenge is often the greatest and publication can do most to strengthen the prospect of successful implementation of the program. But the arguments apply to all programs, so we therefore support routine publication as a matter of course for all program documents. This already happens in many PRGFs, building on the success of the PRSP process. This would also cover LOIs/MEFPs.

Presumed publication for staff reports should mean that they will be published unless Executive Directors and members signal otherwise; and that there is strong expectation that members will not object to publication.

We believe that candor and transparency can and should be taken forward together. It is vital to ensure that published staff reports do not become negotiated documents, and that they contain candid and frank assessments on key issues. We therefore agree that the current practice on limiting deletions to highly market sensitive information, as set out in paragraph 5 of the staff paper, should continue. Our ongoing work on strengthening Fund surveillance is also critically important.

Since the objective in publishing policy papers is to strengthen public understanding of Fund policy, we believe that the published text of staff papers should indicate the position reached by the Board (the second option in paragraph 20).

Transparency is not only about the publication of papers, but about strengthening understanding of the IMF among the public and parliamentarians, and enhancing the Fund's accountability. So the steps to strengthen publication should be complemented by measures to:

- enhance the accountability and transparency of the Executive Board: publishing the Executive Board agenda on the internet; accelerating access to the voting record of Executive Directors and Executive Board minutes; and

opening up access to the archives—the 5 year lag suggested by Ms Jacklin and Mr. Baukol should be the minimum change and should be reduced even further. There should also be a presumption to publish IMF papers on administrative matters.

- strengthen communication with parliamentarians and civil society: we strongly welcome the recent steps taken by Mr. Mirakhor and Mr. Egilsson to establish a Working Group on Enhancing Communication with National Legislators, and look forward to the outcome of this;

- enhanced dissemination of Fund documents. We agree with Mr. Portugal that there is a strong case for publishing documents in languages other than English, and that the Fund should explore the most cost effective and efficient ways of doing this.

Mr. Alazzaz submitted the following statement:

This review of the policy on transparency provides ample proof that the Fund is having high and growing success in getting the membership's concurrence on publication under the existing voluntary guidelines. Indeed, the remarkable extent of the success, as further highlighted in the statement by Mr. Daïri and Mr. Rouai, is by far the most important of the conclusions from the staff report. This is excellent and the only task I see for the Fund on this matter for now is to carry on the work as already agreed.

Going forward, the Fund's focus should be on appreciating the reasons why publication is not favored by the authorities in certain circumstances. Attention should be also directed at reasons explaining the variability of the publications policy across the membership and among the types of documents. Given the extent of the success so far, any attempt now to move away from voluntary to the compulsion implicit in the policy of presumed publication is as unnecessary as it is egregious. Indeed, such recourse to compulsion brings into question several tenets that have been basic in the work of the Fund.

Against that background, I broadly endorse the views in Mr. Portugal's thoughtful statement, including particularly his timely reference to Article XII, Section 8 of the Articles of Agreement. I also broadly share the views expressed in the statements of Mr. Callaghan, Mr. Daïri and Mr. Rouai, Ms. Indrawati, and Mr. Shaalan and Mr. Bakhache. At the risk of partly repeating points already made, I will underscore here a few aspects that I consider particularly important.

The developments over the last twelve months have served to confirm further the correctness of my position on the substantive issues during the 2002 review of the Fund's transparency policy. Specifically, I note again the importance of an adequate feedback on the benefits that have accrued from

increased transparency. The Fund needs to do better than just repeat unsubstantiated assertions about the market response to greater transparency and then seek ways to impose policy changes on countries on that basis as an act of faith.

I find it contrary to the Fund's cooperative nature to consider a move for presumption of publication when the ongoing voluntary approach is already demonstrated as successful. It is important to stress here the need for caution against the unintended consequences of a loss of candor or self-censorship in the work of the Fund. Furthermore, to begin by declaring a policy as "voluntary" and then to slide progressively from "peer pressure" to "presumption" and possibly beyond could bring to doubt the seriousness of the initial accord of being voluntary. These unfortunate but plausible scenarios are difficult to comprehend in view of the absence of any mitigating gains for promoting the Fund's transparency policy.

Transparency also has to be judged in the context of the priority of the Fund's responsibility toward the membership. Clearly, the transparency of the Fund and its members is tested routinely in the proceedings of the Board. Beyond that, transparency vis-à-vis the market is of course in the countries' own interest since efficient business decisions cannot be expected when the available information is faulty. That said, it is important for the Fund to stop short of coercing countries to meet a presumed market demand irrespective of the wishes of the membership at large.

I fully share Mr. Callaghan's view that moving from voluntary to presumed publication may impede the process of an increasing number of countries agreeing to publication. Indeed, insensitivity to the diversity of the institutional make up of the membership will only serve to confirm the correctness of public perceptions that the Fund follows a one-size-fits-all policy. The ability actually to enforce such a policy would also add credence to charges that the Fund's governance is dominated by a few like-minded countries that are able to act irrespective of the wishes of the membership at large. Such inferences are clearly detrimental to the Fund's commitment to a nuanced approach respectful of the differing institutional structures of countries.

As I have already noted, the only task I see as relevant for the Fund now is essentially to continue implementing the present voluntary publication policy with modifications that may be necessary in view of further developments. In that connection, I am for holding the next review of the transparency policy in 24-months' time. Meanwhile, it is important to avoid pressures that may detract from the voluntary policy. On the matter of any impact on the candor of Fund surveillance, I agree with the staff that the matter should be discussed during the next Biennial Review of Surveillance.

On the deletions and corrections policy, I support the extension of the Fund's current policy to politically-sensitive materials. Clearly, the country authorities are best-placed to help determine the relevant political sensitivities. Here, I share Mr. Portugal's emphasis on the importance of a suitable deletions policy since, "It is not possible to reconcile maximum candor, maximum publication, and minimum deletion." In that connection, I agree with Ms. Indrawati that the final decision on judging the sensitivity of a report's content should rest with the authorities. I also agree that the management should not have any discretion to withhold publication of staff reports under any circumstances. Furthermore, as Mr. Shaalan and Mr. Bakhache have noted, the country authorities should review sensitive matters appearing in reports on 'third countries'.

I agree that the staff reports should not be modified to take account of any disagreements with the Board. However, such disagreements should be appropriately highlighted with reference as needed to the summing-up of the Board's discussions.

Finally, it is important for the Fund to be transparent in its own operations. I, therefore, support publication of the staff papers dealing with the institution's administrative matters. Consideration should be given also to publication of Fund documents in languages other than English.

Mr. Duquesne submitted the following statement:

We thank the staff for a balanced and constructive report that reviews the arguments for and against measures to encourage publication of IMF papers. The benefits of transparency have been articulated and detailed several times at previous occasions, particularly during the last review of transparency. True, increased transparency ensures a wider dissemination of information allowing for better assessment by market participants, provides incentives to implement sound policies, increases country ownership of Fund's programs through better information to the population and enhances the image of the IMF as an open and transparent institution.

Last year, this chair supported increased transparency among member countries through a move to presumed publication of the majority of staff documents but accepted to wait one year to assess the results of the voluntary approach. Indeed, some progress has been made to date on this issue but the figures presented in the staff report fall short of our, and more than likely of the outside public's expectations, in particular with regard to the uneven coverage across regions and to the fall in the publication rate of exceptional access reports. One can fear that the positive momentum created by the Fund's transparency policy some years ago will not be sustainable through the voluntary approach implemented so far. At the same time, this policy has raised great expectations outside the Fund and the public is now very keen to

understand more about the position of governments on macroeconomic and financial issues. In our view, these reasons lay the groundwork for a more ambitious approach and we therefore support a move towards the presumed publication of country reports. We are aware of the potential tension between the objectives of candor and transparency but note that, in practice, the candor of staff papers does not appear to have been weakened by the publication of a growing number of documents. Therefore we do not see this issue as an obstacle to moving to a policy of presumed publication.

More specifically, with regard to the issues for discussion, our position stands as follows:

- we support a move to a policy of presumed publication for Article IV staff reports and the associated background documents (Selected Issues papers), PINs, UFR and PPM reports, ROSCs and FSSAs. Regarding the implementation options for presumed publication, like Ms. Jacklin and Mr. Baukol, we support a procedure in which publication is the default option. Under this option, a staff report will be published unless the concerned member objects to publication within 15 working days. We also see merit in Messrs. Egilsson and Farelus' proposal that the Annual Report contain a list showing which countries publish and which countries object to publication of country reports;

- for exceptional access programs, we favor moving to a mandatory publication of staff documents along the lines currently applied to the PRSPs, i.e. management would not recommend Board endorsement of an exceptional access program or review unless the authorities have consented to publication of the staff report. Indeed, as mentioned by Mr. Bischofberger and Ms. Reichenstein, the reasons behind the decision to provide exceptionally high amounts of public money should be made clear to the public;

- we favor maintaining the current deletion and correction policies. Like Messrs. Yagi and Miyoshi, we believe that the current practice in deletion policy described in paragraph 5 of the staff paper is appropriate. We can support the proposal to give management the authority not to publish a staff report if the number of deletions changes the substance of the report. However, we share Mr. Bennett's expectation that this « safety valve » will be used on an extremely rare basis;

- we agree that staff policy papers should be modified prior to publication to eliminate factual corrections, country-specific references and references to unpublished documents. We also agree that the policy on deletions of highly market-sensitive information should be extended to staff policy papers. However, we do not support the suggestion that the published paper would simply indicate that the paper contains the staff's views and not necessarily those of the Board. Like Mr. Vittas, we believe it is important to

clearly flag in the text of the paper which the staff's recommendations have not been endorsed by the Board.

We should however not forget that the publication policy is not the alpha and omega of transparency. Indeed, we have to make sure that our message reaches the outside public and is clearly understood. In this regard, we share Mr. Portugal's disappointment that the staff paper does not discuss the issue of publication in languages other than English, a point our chair, among others, stressed last year. We acknowledge the costs entailed by more systematic translations of staff documents but believe that the associated benefits are sufficiently important to warrant further discussions on this subject. We therefore urge the staff to report on this issue rapidly.

Finally, we support the publication of document SM/03/200 and agree with the staff not to publish Supplement 1.

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

We thank the staff for the well-written set of papers they have prepared for this discussion.

The guiding principles of the Fund's transparency policy that our Chair has expressed on previous Board meetings on this issue remain valid. Transparency should not be understood as an end in itself, but mainly as a tool to improve the Fund's surveillance and the effective use of its resources. Publication should contribute to enhance the accountability of the Fund's advice. For a country, the publication of staff reports should be understood within the context of a wider policy of providing timely information about economic policy so as to contribute to its success through stronger market confidence. But to achieve its goals, the Fund's publication policy must preserve a critical equilibrium between transparency and confidentiality. The attainment of higher transparency should not undermine the Fund's ability to secure a frank and confidential dialogue with the authorities, without which the advice of the institution would be far less effective.

Increased peer pressure and persuasion by the staff and the Board are proving to be effective in improving publication rates while keeping at the same time the voluntary and cooperative nature of the transparency policy. The numbers we find in the report seem to show that more countries are willing to move on to publication and publication rates do follow an upward trend. Evidence on another critical issue, the effectiveness of Fund surveillance, will be made available in the course of next year's Biennial Review of Surveillance.

A gradual approach should help build a broad support across membership, obviously a better basis for understanding and implementation

by countries than mandatory requirements. Our decisions should take into account the obvious fact that the public impact of IMF reports is not symmetrical across membership. IMF reports have a lesser impact, maybe no impact at all, on the economic and political life of many countries. In others, however, the reports are an annual event that feeds—sometimes at great length—the internal political debate. The concern shown by these members should therefore not be overlooked.

In line with these general remarks, we have the following position on the proposed issues for discussion.

Voluntary v. Presumed publication of Article IV and UFR reports. For the reasons explained above, we would prefer to maintain the current publication framework and review it next year in the context of the Surveillance review. This being said, we would be prepared to move forward with the general view and accept the adoption of a regime of presumed publication for Article IV staff reports. The report suggests two implementation options and we would rather select the first one, explicit consent by the member country, in the belief that peer pressure plus the need for an explanation in support of the decision make this avenue sufficiently effective. The modality would safeguard the principle of a gradual implementation of the presumption of publication.

In the case of UFR reports, we favor the current policy of voluntary publication. In UFR reports the necessary observance of the equilibrium between transparency and candor becomes more tight. As the country is in a crisis, the markets become more sensitive to the information on the reports and the risks of a less candid exchange of views with the authorities becomes higher.

#### ROSCs and FSSAs

We support maintaining the current policy of voluntary publication. We are at a stage where the main goal is to widen acceptance of ROSCs and FSSAs by encouraging countries to volunteer for these reports. Establishing a presumption of publication would introduce an unnecessary and potentially perverse incentive not to undertake the reports.

#### Deletions and Corrections

We are somewhat concerned about the negative tone that the staff report attaches to deletions and corrections. In our view, both deletions and corrections should be understood as a positive instrument that serves the objective of safeguarding the accuracy of the reports and the better evaluation of their potential effects on the markets. Deletions and corrections are the instruments that are available to the authorities with a view to providing a

feedback on the staff reports. The number of deletions can be expected to increase over time, simply because of the dimension and the complexity required from the documents produced by the staff.

A negative approach to deletions could create a perverse incentive in terms of a self-imposed pressure on the staff to tone down the information and assessments contained in the reports in order to ensure their publication with the minimum number of deletions. This can result in the Board being less accurately informed. Setting a positive tone on deletions and corrections would reverse this incentive. Deletions and corrections would only ensure that the really sensitive information is not published.

In line with this approach, we support the extension of the current deletions policy to information that could have qualified for protection under the use of a side letter for all country reports. That is, the deletions policy would affect information that, if published, could be seen to undermine the ability of the authorities to implement the program or render the implementation more costly.

On the issue of granting Management the authority to withhold publication of reports when deletions might have undermined the overall assessment on the country, we do not see that it would significantly add to the current process. The current deletions policy requires the consent of the staff and, thus, that of Management. It seems unnecessary to add new procedures to address situations that would be very marginal. Moreover, the procedure looks very asymmetrical as the cost of not publishing lies entirely on the side of the country: it would not be sound practice to condition a country's deletions policy to the fear that later publication might be refused by the institution.

#### Policy Reports

On deletions and corrections of policy papers we support the introduction of the second option in paragraph 20. When published, policy papers should clearly flag those points in which the Executive Board has not endorsed the position of the staff. It should be made clear in the documents that it is the Board's prerogative to establish the orientations of the policies of the Fund.

Mr. Zurbrügg and Mr. Steudler submitted the following statement:

#### Key Points

Progress has been made, but further steps are necessary to improve publication rates in certain report categories and across regions.

We support presumed publication for all country papers (Article IV staff reports, including Selected Issues papers and statistical appendices, and UFR) to maintain the momentum of increased transparency and to streamline our publication policy. For consistency reasons, publication of FSSAs and ROSCs should remain voluntary.

For exceptional access programs, we support mandatory publication of Article IV and UFR reports. Reestablishing and strengthening market confidence is key in these cases and transparency plays an important role.

We agree with the staff that deletions of politically sensitive material should only be allowed when it is also highly market sensitive. Parsimony in deletions is the best guarantee for maintaining the credibility and quality of published Fund documents.

We welcome the general increase of publication rates for country documents since the last review. Regrettably, important disparities between regions remain and publication rates for UFR staff reports remain low. Overall, we consider the progress achieved under the Fund's transparency policy as satisfactory. We remain convinced of the merits of transparency, and we should not lose the momentum. While peer pressure has led to higher publication rates even under the voluntary policy, it does not seem to have had positive effects across all regions. Relying on this effect alone will not be enough to make further improvements. In order to increase publication rates further, we maintain our position that presumed publication would encourage a more systematic release of country reports.

The arguments for systematic and timely publication of country staff reports are not new: it can play a role in mobilizing support for policy actions, increase credibility and accountability of authorities as well as the staff, create a sense of ownership, thereby promoting confidence in general. Publication policy must not be seen as a nuisance, but as an opportunity to enhance, through a joint effort, the legitimacy of the authorities and the Fund as an international public institution.

We believe that moving to a policy of presumed publication for Article IV consultation reports, including Selected Issues papers and statistical appendices, and staff reports on UFR would also have the merit of harmonizing Fund policy and reduce confusion. Documents consulted by the wider public, i.e. staff policy papers and country papers, should be covered by the same policy of presumed publication.

In the case of exceptional access cases, we think that the particular circumstances justify an even higher transparency standard. All the benefits from publication are even more relevant in such cases, since dealing with capital account crises relies crucially on rapidly restoring and strengthening

market confidence. Publication will help reduce market uncertainty regarding program parameters and the underlying assessment. We are very disappointed by the publication record under the current framework and support moving to mandatory publication in exceptional access cases.

We are encouraged by research findings that transparency reforms lead to falling sovereign spreads due to better information of the markets. This should be especially enticing for countries in need of access to international financial markets.

We believe that presumed publication of country reports would not lead to a significant loss of candor of reports. While we look forward to discussing the effect of transparency on surveillance on the occasion of the next review of surveillance, experience—both by my authorities as well as by the staff—so far would not lead to an opposite conclusion.

The lags in publication are still an issue of concern. The fact that most corrections were circulated prior to the Board discussions did not help to reduce lags significantly. Given the continuously high lags, we were surprised that the staff did not follow up on this issue. One way to address this concern would be to move to a policy of presumption under which the publication of a staff report is the default option, as described by the staff.

On modification of policy papers, we agree to bring the principles in line with those applied in country papers. This seems to be the easiest solution. The published paper would then need to clearly indicate that the paper contains the staff's views and not necessarily those of the Board.

On deletions and correction of staff papers, we believe that deletions should be limited to a minimum. We see no basis for extending the deletions policy by allowing deletions of information that could qualify under the side-letters policy from all country staff reports. The current policy is sensible. It allows the deletion of highly market sensitive material, in order to retain crucial information in the report for the Board discussion. Generally, the deletions policy should be applied in good faith. Peer pressure could play a role in these efforts. To retain the credibility and quality of the Fund documents it is crucial to avoid going in the direction of negotiated documents. In the spirit of check and balances, Management should have the authority to withhold publication of reports, which—due to significant deletions affecting the message—threaten the Fund's credibility. As regards corrections, I am concerned by the disproportionate share of corrections that are accounted for by the advanced economies.

FSSAs and ROSCs should continue to be published on a voluntary basis. For the sake of consistency, the voluntary nature of these assessments is to be accompanied by a policy of voluntary publication. At the same time, we

would highly encourage publication of these reports, particularly by countries with market access. Finally, we agree with the staff that FSAP technical notes that are not circulated under Article IV discussions should be treated like technical assistance reports.

Mr. Wei submitted the following statement:

At the outset, we thank the staff for a comprehensive set of papers briefing us on the progress made under the Fund's transparency policy since the last Board review and making suggestions for future policies. It is encouraging to see the progress made so far with the increased publication rate under the voluntary publication policy. As noted by the staff, almost three quarters of the Fund's membership has agreed to publish at least one country staff report. The staff lists in detail the publication figures for each kind of report demonstrating the considerable progress that has been made. As always, we continue to support the Fund's efforts to improve transparency. We believe that the public is now better informed on both the Fund's internal policies and the policy advice given to member countries through greater publication. However, in moving forward, the Fund must be very cautious in endeavoring to serve the best interests of its member countries while at the same time fulfilling its mandate. Like Mr. Portugal and many others, we are not convinced that our publication policy should be changed from the voluntary principle to the one based on presumption. Instead, we would like to maintain the current voluntary publication policy for Article IV, UFR, ROSC and FSAA reports. We have some concerns about moving towards presumed publication.

First, the current voluntary publication appears to be effective. With the increase in the number of published reports and the number of countries publishing their reports, we do not see any merit in change. Meanwhile, there is no proof or evidence that presumed publication will further enhance publication. In this regard, we share Mr. Callaghan's view that it might even reduce the publication rate if member countries feel that there is some form of coercion involved.

Second, before making new decisions we need first to ask, "Will this decision better serve the role of the Fund and member countries' interests?" As acknowledged by all Directors, a high publication rate and transparency should not be the final aims. The quest for higher publication rates should not undermine the Fund's main function—to provide member countries with policy advice through strengthened surveillance to ensure their sound economic development. Once member countries feel the pressure, the resulting lack of candor during the consultation process will eventually lead to lower-quality papers and thus affect Fund surveillance and its role as "confidential adviser." Given that countries have different political regimes, different cultural and social conditions, and might be at the different stages of

economic development, we cannot set up a one-size-fits-all policy on publication. We believe that member countries know best whether and when to publish their papers and their wishes should always be respected.

Third, we share the view of Mr. Portugal that instead of moving to presumed publication, we can create positive incentives to encourage member countries to improve their transparency. The staff is encouraged to conduct research in this area.

Whether to move to presumed publication? It would be unwise if we decide by the simple majority vote. The publication issue is closely related to the interests of all member countries, and we cannot just ignore those countries that have less voting powers. The diversification of membership and the number of members needs to be carefully taken into account. The voice of the whole membership needs to be heard and we must maintain the spirit of cooperation—the essence of our institution.

As we search for ways to improve public sector transparency, we think it is time for us to find better ways to improve private sector transparency too, since asymmetrical information disclosure will sometimes place the government or public sector in an unfavorable situation. I hope the staff can research this area and make suggestions to enhance private sector transparency.

For deletion and correction policy concerning policy papers, we share Mr. Daïri's view that staff papers can be published without changes. However, it should be prominently and clearly stated in the report that it represents the staff's views only and that the Board's view may be referred to in the summing up.

As for the deletion policy, we differ with the staff on the deletion of politically sensitive information and associate ourselves with Mr. Portugal. It is almost impossible to give an exact definition of politically sensitive information. Politically sensitive material should not be included in country reports in the first place and if it is necessary to include it, the authorities should have the right to delete any sensitive information if they believe it will have an undesirable effect on the economy. To this end, the authorities should be the final judge.

We also support Mr. Portugal's view concerning the "side letter" in the deletion policy.

We support publication in languages other than English.

Mr. Daïri made the following additional statement:

When we agreed on the presumed publication of the UFR reports, we were clearly within the boundaries of our mandate and the powers vested in the Board by the Articles of Agreement and the Board of Governors. It is indeed the right of the Board to set the condition for the use of Fund resources, notwithstanding the need to protect confidentiality and the role of the Fund as a confidential advisor.

Extending the presumption of publication to surveillance papers brings us to new, uncharted territories and raises important legal questions. First, what would be the implication for the relations with members, including in assessing the degree of cooperation with the Fund and the fulfillment of the member's obligations? Second, do we as a Board have the legal authority to push the interpretation of the voluntary nature of publication to the extreme by using the notion of presumption of publication? Third, is it right for the Board to rely on arithmetic majorities for an issue that is of this importance? And finally, is it the end of the process or is there scope and intention for going further, possibly by making publication compulsory, as alluded in Mr. Bennett's preliminary statement referred to?

Beyond the well known trade-off between transparency and candor, which we will need to return to in the context of the biennial surveillance, these legal aspects need to be clarified. Unless we have a satisfactory response to these questions, I may have difficulty in being associated with any decision that could result from this meeting. Without prejudging the outcome of the current discussion, I sincerely hope that the cooperative spirit of the institution and the consensus-based decision making will be strengthened and not weakened by the end of the discussion. It would indeed be sad if the achievements in transparency and international cooperation were to be spoiled by the creation of a rift between the industrialized and developing countries at a time when some circles say that there is no need to increase the voice and participation of developing and transitional economies because of the consensus-based decision process in the Board.

The Acting Chair (Ms. Krueger) said that the staff from the Legal Department would address the question raised by Mr. Daïri.

Mr. Vittas made the following additional statement:

I welcome Mr. Yagi's indication to accept a shift to a policy of presumed publication of the staff reports, subject to a couple of conditions. I also thank Mr. Le Fort and Mr. Zoccali for their readiness to join the majority for moving to a presumed publication of the staff reports. In the spirit of compromise, I am prepared to accept the points that Mr. Yagi made

concerning our deletions policy. Of course, we support any suggestions for improving the process of implementation of our policy on transparency.

Since I have the floor, let me make some other points I did not address in my preliminary statement. Like several other colleagues, I am attracted by the idea suggested by Mr. Egilsson and Mr. Farelius that the annual report should include a list with the publication practices of member countries. I hope that the staff will further explore the merits of this suggestion in future reviews of the transparency policy. I would also like to support the idea of publication in languages other than English. Mr. Portugal has made a very useful suggestion which could help contain the costs of implementing this option. Finally, I have a lot of sympathy for Mr. Scholar and Mr. Joicey's suggestion concerning the prompt publication of the concluding statement of Article IV missions and wonder whether the staff have statistics on recent practices in this area.

Mr. Portugal made the following additional statement:

I would like to add two comments to my preliminary statement.

First, referring to the suggestion that some Directors made that management should not recommend to the Board endorsement of programs or reviews in case of exceptional access unless the authorities consent to publication, I did not refer to this issue in my preliminary statement because it is not a staff proposal and I was the first one who issued a statement.

I am opposed to this proposal and I would like to explain why.

There were three arguments that were presented in favor of this suggestion. One was that LOIs do not distinguish between what is conditionality and what are mere intentions of the authorities. Without this, the private sector would be uncertain about what are the true contents of the program.

The other argument was that the Fund has a fiduciary responsibility that would be heightened in the case of large lending.

And the third is that the policy of voluntary publication is not working well in this case because only 21 percent of reports were published.

I do not think it is correct to say that country documents regarding country intentions do not discriminate what is conditionality and what are policy intentions. All conditionality is specified as so either in the LOIs or in the TMUs that are published, because if they were not, they would not be legally binding.

Regarding the second argument about the fiduciary responsibility, I think it is somewhat misplaced because our fiduciary responsibility is with respect to the shareholders and with the governors who receive the entire information. As for the third reason, the low rate of publication, we need to inquire why in the case of large access the rate of publication is lower rather than have a simplistic and command solution to try to solve the problem. Maybe one of the reasons is that contrary to what some Directors have argued, the potential benefits of publication in this case might be smaller compared with other countries. In fact, the staff working paper, which is mentioned in this paper, suggests that for countries that are already starting from a high level of transparency and that have large debt markets, there is already substantial research from the private sector, and the benefits of publication might be smaller than in other countries. Maybe the potential costs might be bigger if some sensitive material or some mistake by IMF is published. So rather than trying to solve the concrete problems by compulsion, we should try to solve the problems by looking into them and seeing what is the appropriate response.

There is a more fundamental reason why I am opposed to this suggestion of mandatory publication as a precondition for management proposing the program to the Board. This is because I believe, like Mr. Daïri has said, that this runs against our Articles of Agreement. Article I says that the Fund will make the general resources available to members under safeguards and while I have seen many claims with respect to publication, I surely do not think it can be said that it is a required measure to safeguard Fund resources. The Fund has been lending for 50 years now without this requirement, and has been able to maintain the temporary nature of this lending and to recover loaned funds. I think we cannot under the Articles of Agreement restrict the member's access to Fund resources for reasons that are not connected with the need of safeguarding Fund resources. Of course, the Fund can still vote to publish a country report without the member's consent, but, of course, this is a different issue that has nothing to do with large access. This policy already exists in the Articles of Agreement. As I mentioned in my statement, Article XII, Section 8 allows the publication of certain country reports by a majority of 70 percent. Any Executive Director would be able to bring this issue to the Board if they wish. I think that we cannot approve any decision concerning this issue by simple majority, because in addition to violating Article I, this would be an indirect way of circumventing Article XII, which requires a 70 percent majority for such a decision. It would be a very nontransparent way of trying to promote transparency, to try to circumvent Article XII, which requires a 70 percent majority. This was the first issue to which I would like to add to my preliminary statement.

The other issue I would like to comment on is Mr. Yagi's and Mr. Miyoshi's request that Directors support as appropriate the actual practice regarding the application of the deletions policy, which they say should appear

in the summing up. I just listened to Mr. Vittas, who said that he accepts that. Here, I would like some clarification on whether Mr. Yagi and Mr. Miyoshi are proposing that the summing up makes explicit reference that deletions will be allowed not only in exchange rate and interest rate, but also in banking issues, fiscal issues, and vulnerability issues, as they mention in their statement. Or, whether what they are proposing is just a general reference that deletions would be carried out according to the actual practice, without explicitly identifying what this practice is? I would be prepared to accept the first alternative, which would be a detailed reference, enumerating all the areas that Mr. Yagi mentioned in his statement, as areas where deletions would be accepted. But, I would be opposed making a generic reference to current practice, because as we have seen in Supplement 1, current practice includes the use of deletions as corrections, the use of corrections to revise staff views, and the use of corrections to remove politically sensitive material. If we make a general reference in the summing up to the actual practice, in my view, all that is included in current practice, which could be good or bad, would be included. I wait for this clarification to see how I would position myself on this issue.

I have other topics, but I would wait for the discussion to carry forward.

Mr. Bennett made the following additional statement:

I would like to thank Mr. Yagi and Mr. Miyoshi for their preliminary statement and for the indication that they are willing to join a stronger consensus in favor of greater transparency. I can certainly go along with the two points that Mr. Yagi and Mr. Miyoshi elaborated on in their statement.

In response to Mr. Portugal's point of whether we should have a specific list or simply a generic reference to existing practice, Mr. Portugal is right that the list we have been working with over the years has evolved and is enumerated in paragraph 5 of the staff paper, and refers specifically to market-sensitive deletions including bank, exchange rate, fiscal, and vulnerability issues. It would be helpful if these were explicitly identified in the summing up because the current practice allows these issues to be deleted.

I would like to associate myself with Mr. Callaghan's comments in his preliminary statement that there should be a pragmatic, not a dogmatic approach, to the deletions policy. The way Mr. Callaghan cast this issue and carefully chose his words is a sensible approach.

I would also like to associate myself with the last paragraph in Mr. Scholar's preliminary statement, which discusses issues that would enhance accountability and transparency of the Fund. In particular, Mr. Scholar reminds us that the Board's agenda is still a deep, dark secret

from the outside world, and NGOs have to struggle, though not too hard, to get copies of our agenda. We should join our sister institution, the World Bank, in its practice of making its agenda publicly available. If we could have a unanimous agreement to do that, it would be a helpful sign that we are becoming more open.

Finally, Mr. Vittas associated himself with the point that Mr. Egilsson raised in his statement—a suggestion that the annual report should contain a list showing which countries publish country reports and which countries object. This is again a useful suggestion and we would certainly support it.

Ms. Jacklin made the following additional statement:

I would also like to thank Mr. Yagi and Mr. Miyoshi for their very helpful statement, and indicate that we would also like to see in the summing up the reference to the current interpretive practice described in paragraph 5 of the staff paper that shows reasonable flexibility on deletions that the staff has used in the past to deal with highly market-sensitive information.

We also support Mr. Yagi's concern that when the public domain information is used in a staff report, it should either have the source of that information specified or the staff's own assessment on whether they agree or disagree with information that is not specifically attributed to a particular source.

We also agree with Mr. Vittas's suggestion to integrate ROSCs more into Article IV consultations, which will be useful in strengthening the surveillance processes.

We agree with Mr. Daïri, Mr. Scholar, and other Directors' suggestion to make publication of our administrative issues presumed.

Generally, in terms of the benefits of transparency to the institution, I would like to make two points. First, we think transparency is a benefit to countries and will lead to improved quality of work of the Fund because in a sense, it makes the Fund staff and management more accountable. Our work is in the public domain and if the staff or management have not gotten something quite right, it is useful to have a public and widespread analysis of what we are doing in our daily work. So, I view transparency as also a way of making us institutionally more accountable.

Second, as we move toward more transparency, it places a substantial burden on management to better assure that the quality and content of the staff papers are of the highest standards and are sensitive to the implications raised by those concerned about a move toward presumed publication. We should all be encouraging management to spend increased time and effort on getting the

content and the message right, and that goes along with increased transparency in the institution.

Mr. Shaalan made the following additional statement:

I wanted to mention two points. First, Mr. Portugal was a little more cautious than I would be on the proposal of mandatory publication of papers for large access users of Fund resources. I see mandatory publication of such reports as flying right in the face of Article XII, Section 8 of the Articles of Agreement, which specifically states two conditions for publication of these reports. One condition, mentioned by Mr. Portugal, is that 70 percent of the total voting power at the Board is needed to require such publication. Certainly, you cannot say that a 50 percent majority of the votes cast in the current discussion, for instance, would permit such a publication; this would be contrary to the Articles of Agreement. The second condition is that the country has to represent a systemic danger to the world economy for the Board to take a decision to publish such a report. We cannot say that because these countries are heavy users, they represent systemic problems to the world economy. So on both counts the proposal is totally unacceptable.

Second, I would like to comment on the staff's attempts to make a distinction in the deletions policies between politically sensitive deletions and politically sensitive matters that translate into market-sensitivity. The staff proposes to make a distinction between the two, but I challenge them to be able to make a distinction between what is politically sensitive without market implications and what is politically sensitive with market implications, and find this totally unacceptable.

Mr. Campos said that like Mr. Vittas, he supported Mr. Portugal's proposal for the publication of documents in languages other than English.

Mr. Bischofberger stated that he wished to associate himself with those Directors supporting Mr. Yagi's request, and that, as mentioned by Mr. Portugal, the summing up of the current discussion should include a reference to the current practice regarding the topics included in the deletions policy. As indicated in his preliminary statement, the criterion of highly market-sensitive information should be applied according to strict standards established by the Board.

Mr. Boitreaud commented that, like other Directors, he thanked Mr. Yagi and Mr. Miyoshi for their constructive preliminary statement and was ready to accept both their suggestions in terms of the deletions policy—that the summings-up include the list of the highly market-sensitive information mentioned in paragraph 5 of the staff report and that the source of the public domain information was specified in the staff report or that the staff made its position clear on such information. Second, his chair supported Mr. Scholar's proposal to publish the Board agenda.

Mr. Yagi clarified that his suggestion on more clearly defining the elements of the deletions policy was not intended to loosen the high market sensitivity criterion. Mr. Bischofberger said, the integrity of the standards by which the criterion was determined should be maintained. Currently, the highly-market sensitive criterion was defined to include mainly interest rate and exchange rate matters. However, the Fund's surveillance and program work had expanded to include other matters that were also highly-market sensitive, such as vulnerability issues. Accordingly, these matters should also be included in the application of the deletions policy, although a formal change in the wording of the transparency decision in this regard was not necessary. The staff should exercise a pragmatic approach to the application of the policy.

Mr. Le Fort recalled that he would be willing to support a majority that favored the presumption of publication for the Article IV and UFR staff reports. However, that support was predicated on a review of the conditions governing the deletions policy. In particular, he was concerned that some items included in staff documents might have costs and risks negatively affecting the implementation of a country's adjustment policies. Also, publication should not be mandated, but remain voluntary, whether presumed or not. In particular, it should not be mandatory to publish UFR documents under any type of access.

Mr. Zurbrugg joined other Directors in supporting the conditions mentioned by Mr. Yagi and Mr. Miyoshi and was ready, if there was a broad enough consensus, to support the practical measures suggested by Mr. Scholar and Mr. Egilsson in terms of lists and the publication of the Board agenda.

Ms. Indrawati reiterated her view that the staff's explanation and analysis regarding the serious trade-offs with respect to transparency was unsatisfactory, especially in relation to the trade-off faced by many of her constituents between maintaining candor in discussions with the Fund and publication of staff documents, which was only one interpretation of transparency. The diversity of the Fund's membership also required the ability of the Fund to provide a reasonable and pragmatic approach to deal with such diverse stages of development, with different political and market settings, and sometimes with very specific market players. It was hoped that any decisions emerging from the current meeting would not limit the institution's ability to deal with its diverse membership. Endorsement of the voluntary right for the membership on the publication did not mean that her chair was against transparency or against good governance. In fact, her chair was very supportive of the accountability and the credibility of the institution, but believed that the interpretation of how to achieve the objective should be based on the diversity of its member countries.

Mr. Reddy said that Directors expressing reservations about the presumption of publication were not arguing against transparency and against publication. Indeed, they were in favor of transparency and publication. But as the current process was progressing satisfactorily, there was no need to push the issue at that particular point in time. His chair also reiterated that the voluntary and cooperative nature of the institution was currently at stake.

Mr. Litman expressed his support for Mr. Yagi and Mr. Miyoshi's views on the deletions policy.

Mr. Martí said he could go along with Mr. Yagi's proposals, with two changes. First, while being prepared to move to presumed publication, publication should remain voluntary as peer pressure and the necessity to provide a reasonable explanation of why not to publish should be enough for most members to comply sufficiently and to reach the desired level of transparency. The second point concerned the actual practice of the deletions policy. That wording could be accepted if "actual practice" meant what his chair believed it meant: for instance, if the sampling of cases of deletions contained in the supplement to the staff paper was random, that would be a good example of actual practice. That sampling showed a flexibility for which the staff and management should be congratulated because it fit the needs of the countries concerned, not just the needs of the institution in general. If actual practice was what past practice had been, given the staff paper, his chair was willing to go along with Mr. Yagi's proposals.

Mr. Alazzaz stated he wanted to associate himself with the comments made by Mr. Reddy, Mr. Shaalan, Mr. Portugal, and Mr. Daïri.

Mr. Kiekens made the following statement:

Let me point out where I differ from what the staff has proposed and from what almost all Directors have agreed with. The staff does not propose to introduce a presumption of publication for ROSCs, because ROSCs are voluntary. To me, this appears paradoxical. It is precisely because ROSCs are voluntary that we can presume that a country who requests a ROSC is willing to publish the result. ROSCs are essentially reports about the level of transparency in a country, or a tool to publicize how well a country is complying with international standards and codes. In other words, ROSCs are essential for helping countries achieve transparency. We can therefore legitimately presume that the country agrees with their publication. I suggest that the Board reconsider this issue.

Like ROSCs, FSAPs are also voluntary. However, they are reports about policy advice, and not primarily tools for increasing transparency. Our publication policy for FSAP reports should therefore be aligned with our policy for Article IV consultation reports.

Several Directors have suggested that ROSCs should be included in Article IV consultations, and should be published with them. I cannot agree with this suggestion, because ROSCs are voluntary, while the consultations being reported are compulsory. Moreover, ROSCs are descriptive of a country's level of adherence to standards, while Article IV reports contain policy recommendations. We should therefore allow countries to make separate decisions about whether or not to publish ROSCs and Article IV staff reports.

Presumptions can be useful if they reflect reality. For instance, in a contractual relationship, a presumption about the contracting parties' behavior facilitates the management of the contract, if the presumption is consistent with the intentions of the contracting parties. Similarly, the management of public services can be streamlined by introducing presumptions about how to proceed, as long as the presumption is consistent with what most citizens want. But if the presumption does not correspond to reality, it will create an administrative burden. Worse, it may not be a presumption at all, but a trick to force the other party (or the citizen) into a trap he would wish to avoid.

All that being said, I agree to introduce a presumption that Article IV staff reports and reports on the use of Fund resources will be published by countries with the following provisos.

The existing practice with respect to deletions of market-sensitive information as it has developed over time should be retained. The decision on publication provides that market sensitive information is primarily related to interest and exchange rate policies. But practice has shown that market sensitive information can also concern the banking sector, issues of debt sustainability, and fiscal policy in general. I suggest that we amend our decision on the publication of staff report accordingly.

The staff suggest that it is expected that the staff papers will be published within 15 working days. An alternative would be to publish within 30 calendar days. I clearly prefer the latter option. A period of 15 working days is more difficult to manage. What is meant by "working days?" Does this mean "working days" here in Washington, or "working days" in the country concerned, or even "working days" in both countries? This shows that you need more than a calendar to tell exactly when the deadline will fall—and when to publish. If we apply a "calendar month," we can easily agree that a report discussed in the Board on the 25th day of any month will be published on the 25th day of the next month. I therefore prefer the "calendar month." Moreover, a span of one month is more realistic than a span of 15 working days for completing the review and deletions processes. And we have a precedent, in that we already used a calendar month when we introduced the presumption to publish Recent Economic Development papers.

The staff further asks Directors whether they prefer a publication only after the Director of the country concerned has explicitly agreed to publication, or whether they would accept automatic publication unless an explicit objection is lodged. My choice is Option 1, which has the Director continuing to sign off on the documents before they are actually posted on the IMF website. This ensures that the authorities have indeed had time to review and request those deletions or corrections that are justified.

Several Directors favor compulsory publication of staff reports on the use of Fund resources when the access is beyond normal limits. I oppose making distinctions between high access cases and normal cases when it comes to publication. Publication policy should be the same for all reports on the use of Fund resources, irrespective of the level of access. Indeed, what is high access for one country may be normal access for another, similar country, because in economic terms, countries' quotas are often arbitrarily determined.

Let me now discuss the substantive question of whether we should presume or compel the publication of staff reports on the use of Fund resources, or alternatively, whether we should retain the present policy of voluntary publication without any presumption as to whether the country will publish. I think we should not introduce an obligation to publish the staff report, for the reasons given by Mr. Portugal and others. If we ever introduce an obligation to publish, it should apply only to policies that the countries decide for themselves, namely the Letter of Intent. The obligation to publish could also apply to statistical data that the Fund judges necessary for the markets to make reasonable assessments of countries' policies and prospects. The Fund should not be so arrogant as to believe that a knowledge of Fund's opinion in all its details is necessary for the markets to make good judgments. What the markets need is reliable information on countries' policy intentions as spelled out in the letter of intent, and reliable and timely statistical data.

#### Other Topics

Should we make deletions or otherwise adjust the staff reports on general policy items to make them agree with the Board's conclusions, before allowing them to be published? We should not. The public must have good idea of what the Board was considering when it discussed a policy paper. If the public receives the staff papers that have been altered after the Board meeting, the public cannot form a valid idea of what the Board discussed, because they are not given the paper that was before Directors. If the Board would nonetheless decide to amend the staff papers before publication, to make them consist with its decisions, we should make it clear to the public that the published reports are no longer the staff reports presented to the Board, but are the outcomes of Board meetings. I do not think this is what the Board wants.

The staff proposes another change in our publication decision. Nowadays, a country is entitled to ask that market-sensitive information be deleted from a published staff paper. When a country and Management cannot agree on what deletions are justified, it is the Board that decides. The staff now proposes an additional rule, allowing the Managing Director to prevent the publication of a staff report if the deletions are judged to change the meaning of the report. Countries would have no recourse against such decisions by the Managing Director. I propose that we create such a recourse, to be granted by

the Board, in the same manner as when there is disagreement on which deletions are acceptable.

Today technical studies accompanying FSAP reports are not circulated to the Board but can be published at the request of the country involved. We should reconsider this practice. The Fund should not publish such reports before they are circulated to the Board.

Mr. Portugal and others rightly insist that more program documents, Letters of Intent, and PRSPs should be published in languages other than English. We all know for some countries such documents are originally drafted in another language, most often French or Spanish. The Fund has a website in French and Spanish, in addition to its English website. I fail to understand why we still do not see these documents published on the French and Spanish website if they were originally written in those languages, as the Board already decided some time ago. I would like to ask the staff why this decision has not been implemented.

Several Directors have challenged some of the staff proposals as inconsistent with the Articles of Agreement, or have asked for clarification of those provisions in the Articles of Agreement that deal with publication of Fund advice. I regret that the staff paper for today's meeting was approved only by the Director of the PDR department. It should also have been approved by the General Counsel of the Fund. Moreover, in addition to the names of members of PDR to whom Directors could address questions before the meeting, there should have been the name of someone from the Legal department as well.

Finally, how will we formalize our decision today? Will this be done solely and exclusively by your summing up, or will we formally amend our decision on publication of Fund documents? If we want to be transparent about our decisions, we should proceed to amend our previous decision.

The staff representative from the Policy Development and Review Department (Mr. Gajdeczka) commented that on publishing documents in languages other than English, a mechanism was being set up and would be active before September 2003 for the publication of documents that originated in foreign languages.

Mr. Portugal said that the staff had mentioned that documents already prepared in foreign languages would be published, but his suggestion, which was supported by a number of Directors, was to translate documents from English into other languages where it was important to have those documents published in other languages. Could the staff mention if they would address that issue?

The Acting Chair (Ms. Krueger) said that the Director of the External Relations Department would address the issue raised by Mr. Portugal.

The Deputy General Counsel (Mr. Holder), in response to questions and comments from Directors, made the following statement:

There has been quite a range of questions, both basic and incidental, of a legal nature. From earlier interventions of the Executive Directors I would distill two general points. First, on the possibility of moving to a presumption of publication for the Article IV staff and UFR reports, some Executive Directors questioned the nature of this proposal in terms of the general principle of the consent of members, which has also been referred to in the past Executive Board papers and by the staff. In the paper, specifically under the heading where this is discussed, a distinction is made between voluntary publication by the member and presumed publication. Although the term “presumed” is used in contradistinction to “voluntary,” presumed publication nonetheless is publication with the consent of the member because in general terms, the presumption, is not an irrevocable presumption, but rather it shifts the burden by requiring the member to act. The result is that if the member objects within the normal time period, no publication can take place. Therefore, the general proposition that the Article IV staff report and other Fund reports cannot be published without the member’s consent in two circumstances, is still respected. I should clarify that those two circumstances are because the paper contains confidential information given to the Fund on the basis that publication will not result without the consent of a member and because of Article XII, Section 8 of the Articles of Agreement.

My second point is that Article XII, Section 8 of the Articles of Agreement, although it is a reasonably convoluted paragraph, gives greater protection to the members than the Executive Directors who have referred to it as a protection have suggested. It is not a provision that says that the Fund can publish by a special majority, but it says the Fund can publish by a special majority of 70 percent in a category of situations. If the situation does not fall within that category, the legal interpretation is that the Fund cannot decide to publish at all. So Article XII, Section 8 actually protects the member to a greater extent than some Executive Directors have mentioned.

Mr. Kiekens said he agreed with the explanation provided by the Deputy General Counsel. One practical conclusion was that any decision by the Board on non-voluntary publication should only be on a case-by-case basis, and not on a general basis. That was because a broad category or specific category, as determined in the Articles of Agreement, ruled that subject, and it must be determined that in any particular case, that condition was in place.

Mr. Daïri asked whether there was any difference in terms of what the member was expected to do in presumption versus voluntary publication. For example, did the member have to explain why he did not want the publication, in which case it created an additional obligation on the member? On the second point, Article XII, Section 8 referred to the views of the Fund (i.e., the Board), but a staff report on an Article IV consultation was not the view

of the Fund; rather, a staff report on an Article IV consultation or a UFR case reflected the staff's views. The Fund views were the views of the Board.

Mr. Portugal thanked the Deputy General Counsel for the explanation which indicated that Article XII, Section 8 of the Articles of Agreement gave an even greater protection than he had believed. His chair agreed with Mr. Kiekens that any decision on such an issue would have to be on a case-by-case basis rather than on a general basis. Presumed publication was publication with the consent of the member, as was mentioned, so it was very important that this point was reflected clearly in the summing up of the current meeting. In a way, that eliminated the suggestion about modalities of presumed publication, because if presumed publication was publication with consent, that consent had to be explicit.

Mr. Shaalan said Mr. Portugal and Mr. Daïri had also referred to his point that if publication of a report continued to be on a voluntary basis, what was the value of presumption?

The Deputy General Counsel (Mr. Holder) said the difference between voluntary and presumed publication was the operational mechanism itself. There was an onus on the member in the case of presumed publication, because the difference was that unless something happened on the side of the member, publication would take place. The difference was not in terms of mandatory publication, but was because of the onus on the member. There was a mechanism whereby if the party was silent, by definition of the procedural mechanism, that was taken as consent. That was the distinction that some of the earlier Board papers on the topic had explained.

Mr. Shaalan remarked that his understanding from the Deputy General Counsel was that if the member was silent, presumed publication was approved. But what would happen if the member indicated that it did not wish to publish?

The Deputy General Counsel (Mr. Holder) replied that if the member said it did not wish to publish a document, there would be no publication.

Mr. Shaalan asked what the difference was between voluntary and presumed publication other than the point the Deputy General Counsel just mentioned.

The Deputy General Counsel (Mr. Holder) replied that there was not a great difference between voluntary and presumed publication. The essence of a presumption was that the balance shifted. In the legal area, there was a difference between the rebuttable presumption and the irrebuttable presumption. The irrebuttable presumption was slightly illogical, because some would say it should not be called a presumption. A presumption meant that in terms of the approach of the decision maker or the form of the outcome, there was a shift in emphasis, which was the difference.

Mr. Portugal commented that it was very important that the summing up of the current meeting should reflect the understanding of what occurred if a member said no to publication, as the Deputy General Counsel indicated.

Mr. Shaalan pointed out that he brought up the issue because if there was an element of compulsion by the institution on members to do something they did not wish to do, that ran against the objective of promoting ownership and the cooperative nature of the institution. Also, that kind of pressure was not acceptable for many countries.

The Deputy General Counsel (Mr. Holder) said the third point that came from the preliminary statements was the suggestion that in UFR cases of high access, publication should be required. The U.S. statement raised that issue directly in the introduction but it was apparent later on in the statement that the application of such a policy—that management would not recommend the use of Fund resources in a situation of high access—was already in existence for the PRSP. That changed the emphasis somewhat, but it was a question, as the Executive Directors rightly asked, of whether it was consistent with the Articles of Agreement. In the view of the Legal Department, it was consistent because it was not seen as a core element of conditionality but, rather, it was viewed as a procedural condition. That was because it was a recommendation of the management, and so the proposed policy was a condition. It was quite possible for an Executive Director to place the UFR case in question as a proposal on the Board agenda and, therefore, it was a specific procedure which would initially prevent a proposal for use of Fund resources in that circumstance from coming to the Board.

Mr. Shaalan remarked that he did not fully understand the Deputy General Counsel because he mentioned high access in relation to the PRSPs, but the PRSPs were for very low access countries.

Mr. Reddy wanted to clarify whether his understanding of the legal position was correct: if a member country notified the Fund that no publication should be undertaken by the Fund without the explicit consent of the member, effective notification was given as far as that member country was concerned. But then would the whole process become voluntary and would the decision on the publication be inoperative?

Mr. Portugal said the Deputy General Counsel's analogy of the case of the PRSP documents was not accurate because the PRSP documents were documents of intention prepared by the member, rather than the Fund. The PRSP document was prepared in the context of a public process, which was unlike what happened with the staff reports. What was the Deputy General Counsel's opinion on whether the Articles of Agreement applied to the PRGF, given the PRGF was a trust fund established by donors who could specify whatever conditions they wished, whereas the case of use of the general resources of the Fund was different? The Managing Director recommending the PRSPs to the Board was not a useful analogy to the current discussion because the PRGF was governed by the trust fund agreement and because PRSPs were not staff reports, but were documents prepared by the member, like the LOI.

Mr. Wei wondered, on the modalities for the Fund to pursue the presumed publication policy, whether the operational procedure could be reversed by asking the members who were able to publish to say yes, while the members who were not able to publish could remain silent without sending back a note to explicitly say no.

The Acting Chair (Ms. Krueger) stated that the Deputy General Counsel could respond to questions, but proposed that, as there had already been significant discussion, the Legal Department could provide the Board a short written statement explaining the issues on publication. There appeared to be some divergence among the members of the Board on several issues. Perhaps it would be worthwhile to have informal consultations before considering a summing up. Any further discussion could be postponed until after the Board received the paper from the Legal Department. If such a proposal were not acceptable to the Board, the discussion could resume after the lunch break.

Mr. Portugal asked whether the Acting Chair's proposal was to break the meeting without a conclusion.

The Acting Chair (Ms. Krueger) replied that she proposed to break the meeting without a conclusion and have two next actions, which would be pursued simultaneously. The first would be to have informal discussions with Directors to reach an appropriate compromise. The second action would be to circulate a paper from the Legal Department that explained and interpreted the issues on publication. Following that, the Board would meet again to conclude its discussion and consider the summing up.

Mr. Kiekens said that he was willing to be pragmatic, but cautioned against procedures that would shape the policies of the Fund behind closed doors in circles where not all Directors could participate fully, openly, and transparently. The Board must preserve the individual rights of any Director to participate fully in an open discussion.

The Acting Chair (Ms. Krueger) stated the intent was not to exclude Directors' participation, but given the parameters of the particular issues, informal discussions could give some sense of Directors' positions so the Board could move forward. Directors would have the opportunity to discuss any remaining issues before the summing up was presented.

Mr. Egilsson expressed support for the Acting Chair's approach, as the current situation would likely improve after a period of reflection.

Mr. Portugal suggested the Board could do both what the Acting Chair and what Mr. Kiekens proposed and could leave the summing up for a later time. Perhaps the best way to proceed would be to conclude the discussion in the afternoon and to listen to the staff answers because there were a number of issues that had not yet been discussed, and then to have a summing up at a later date.

After recessing at 1:06 p.m., the Executive Board reconvened at 2:30 p.m.

The Acting Chair (Ms. Krueger) recalled that the staff had responded to questions on some legal issues and that the Legal Department would prepare a brief paper for Board consideration. The current staff paper had been cleared by the Legal Department, and the Secretary's cover note to the Board should have included the name of a contact person from the Legal Department. For the afternoon session, the Director of the External Relations

Department would respond to the question on the translation of documents, and then the staff could answer any remaining questions.

Mr. Reddy supported the Acting Chair's proposed way forward and wanted to confirm that his understanding of the suggested procedure was correct. The Board would receive some clarification from the Legal Department, which would perhaps lead to more discussion and might or might not be followed by a summing up, depending on whether the response of the Legal Department led to more discussion or even the consideration of discussions with the authorities. As was indirectly mentioned in his chair's preliminary statement, the issue of the Fund's credibility was at stake because if a country under the presumed publication policy did not want any publication unless they explicitly said so, the policy became inoperative if a number of countries did that. It was also quite possible that the markets would not necessarily react adversely. The issue of the Fund's credibility was at stake and Directors were urged to take a considered view on the matter.

The Acting Chair (Ms. Krueger) confirmed Mr. Reddy's understanding of the proposed procedure. The only question that might be an issue was whether the Board would have a draft summing up, a paper from the Legal Department, and hold the follow-up discussion in one or two sessions, but that did not need to be discussed immediately. Directors would certainly receive the paper on the legal issues, and would have an opportunity to discuss that before proceeding further.

Mr. Portugal asked whether the Deputy General Counsel would continue to answer more questions and participate in the meeting or would the Board learn of his views only in writing.

The Acting Chair (Ms. Krueger) replied that, subject to the Board's approval, there were enough questions that warranted having the legal issues explained in writing, and further questions on the legal aspects could be addressed after that.

Mr. Portugal said there was not a conflict between both suggestions, and perhaps the Deputy General Counsel could finish presenting his argument, and then the legal paper could be considered by the Board at a later date.

Mr. Reddy supported Mr. Portugal's point because the Board was in the middle of a discussion and had already started asking some questions, so the process should not be stopped.

The Acting Chair (Ms. Krueger) considered that perhaps there was too much weight on the suggestion that there had not been enough attention to the legal issues in the paper, and called on the Director of the External Relations Department to respond to the question of the translation of documents.

The Director of the External Relations Department (Mr. Dawson) made the following statement:

Directors may recall that on March 5 the Executive Board discussed the external communications strategy, and in that context they also discussed the conclusions of a report from an interdepartmental task force on language publications.

The outcome of the Board discussion—I will get to how we have followed up on it—was that although some Directors favored an exceptional allocation of resources for this purpose, most considered that this should be accommodated within existing budget ceilings on an as-needed and case-by-case basis. That is contained in the PIN that was released on March 14.

On the follow up, the External Relations Department is preparing a pilot project that will last for six months starting in August. We will post PINs and Mission Concluding Statements (same version as given to the authorities), in one additional language per document on the Fund's external website. That would mean, for example, that the Swiss authorities would have to choose which of their three languages they wish to use.

Area departments or TGS/LS must verify the accuracy of the non-English text, and the authorities must authorize both versions of the document before posting. These, therefore, are documents that have essentially been translated by the authorities, although in reality in some cases it is done by the Fund resident representative's office, as is the case for some mission concluding statements.

The English language material will be posted on the external website before or with the other language version; that is, the non-English language version will not be posted before the English language version.

The posting of English language material will not be delayed while waiting for preparation or clearance of another language version. To ensure timeliness and demonstrate the usefulness of this posting, the non-English language version should be received in EXR no more than 30 days after the English language version. Material received after that period will be posted as we have time.

I should note during much of this time we are going to be particularly constrained because separately from this we are starting to do some Arabic language posting because of the Annual Meetings coming up this fall. That does cause some additional resource constraints.

The links to other language versions must be to the authorities' sites or, for PRSPs and JSAs, to the World Bank site, i.e., not to newspapers and

non-official sites. The linked text can be in either English or the target language. The format for posting on the website may vary from one language to another. In other words, in some cases in English it could be HTML but in Russian, for example, in PDF. We need to have that flexibility. Posting is limited to English and one other language per PIN or mission concluding statement.

Material posted as part of the pilot project may not be sorted or collected by language or series. (We just do not have the capacity to do all of this.) Links to these items may only be available from the English language material.

At this point, we expect the pilot would conclude on January 31, 2004. We are also, in the same spirit, following up on the earlier discussion by working with TGS to further develop the infrastructure for the existing Spanish and French websites on [www.imf.org](http://www.imf.org), which will result in search features, e-mail notifications, and series, databases and scripts comparable to those found on the English language website.

Toward the end of the pilot project, EXR will review the benefits and costs of this project, and will report to the departments and the Board, if you wish, on the project and the possibilities for future extension.

In addition, I would note we will continue, in the case of policy intention documents available in local languages in the original, the practice of linking to authorities' web sites, or posting on the IMF website in the case of major languages that exist on the home page, Spanish, French, and German.

That is essentially where we are at this point, and we will get back to you with more information later on.

Directors will have noticed that I have not gone heavily into the issue of the cost of translation, because that is at least how we interpreted the Board's discussion in March: We are trying to do things within existing resources, and at least from the EXR point of view, we think we have the resources to do this for the time being. There will be some additional burden on area departments and TGS/LS in terms of verifying translations, but I hope it will be manageable.

Mr. Kiekens considered the progress report provided by the Director of the External Relations Department to be encouraging. Perhaps the text of the projects mentioned could be circulated to the Board.

The Director of the External Relations Department (Mr. Dawson) agreed to Mr. Kiekens's request.

Mr. Zoccali requested clarification on the LOIs, MEFPs, and TMUs, and asked whether the pilot project also envisaged their translation and inclusion in the case of the use of Fund resources.

The Director of the External Relations Department (Mr. Dawson) responded that the Board had agreed in March that additional translating would be exceptional and case-by-case. The additional costs for including such documents could be substantial. In response to an earlier point raised by Mr. Zoccali, the entire bundle of documents that was recently the subject of a discussion at a Board meeting on Argentina would be posted on the Fund's web site.

The Deputy General Counsel (Mr. Holder) said he had concluded his general comments and would be circulating a brief note about the three main issues on publication.

Mr. Reddy asked the Deputy General Counsel for confirmation that if a country under the presumed publication policy involved the Fund by saying that no publication was allowed without the prior permission of the authorities, that would be legally consistent with the policy.

The Deputy General Counsel (Mr. Holder) replied that Mr. Reddy's understanding was correct with one caveat: the question had to be confined to the specific area currently under discussion, that is, documents that required the consent of the member for publication. Given the range of documents of these kinds, if a member made its intentions clear, those would be the effective instructions.

Mr. Daïri asked whether the member would be required to explain why it agreed or did not agree to the publication.

The Deputy General Counsel (Mr. Holder) responded that Mr. Daïri raised a very interesting point because it highlighted the issue of what was the Fund's limit to the prescription of a condition that might condition the process of publication. There was a suggestion that given peer pressure, it was entirely appropriate for the member to explain a negative response to the presumption or the request for publication. To the extent that the condition was not met, however, it would not mean that the Fund could proceed to publication, so the circumstance should not inhibit the member's right to agree to publication.

Mr. Daïri commented that he wanted confirmation that if a member did not want to provide the reasons for not publishing, the Fund would view the member as not cooperating adequately with the institution.

The Deputy General Counsel (Mr. Holder) remarked that Mr. Daïri's statement was appropriate because it had to be seen in the context of an obligation to the Fund.

The Acting Chair (Ms. Krueger) asked Mr. Portugal about his suggestion and whether he had particular issues that the staff should address.

Mr. Portugal asked the staff to explain the rationale for its objection to the deletion of highly-politically sensitive material.

The Deputy Director of the Policy Development and Review Department (Mr. Allen) replied that the staff was not qualified to make an objective judgment of what was highly politically sensitive, so it would not be appropriate for the staff to administer such a policy.

Mr. Portugal agreed that, although the staff was not qualified to make judgments and present opinions on political issues, the staff sometimes raised the issue in the staff reports. A good alternative was to rely on the opinion of the member, because the member knew best what was politically sensitive in its own country. The current situation described in Supplement 1 to the staff paper was that there had been 14 cases, a larger number than last year, of deletions disguised as corrections to delete politically sensitive material. He wondered whether that was due to the staff not complying with the policy or because the policy was inadequate, and had to be changed. It was difficult to understand that, although political determination was emphasized as very important for program implementation and political constraints were considered, the Board did not consider the issue of deletion of politically sensitive material.

Mr. Shaalan supported Mr. Portugal's point that if the staff was not qualified to make a judgment on what was politically sensitive, it was perfectly appropriate to leave that judgment to the country.

Ms. Indrawati said she also supported Mr. Portugal and Mr. Shaalan in that area.

Mr. Bennett remarked that he thought the test the staff had used in the past, which was appropriate, was that politically sensitive material could be deleted if it were highly-market sensitive. The staff was quite capable of identifying politically sensitive material, although it was difficult to judge the nuances at the margin.

Mr. Portugal pointed out that highly-market sensitive material was permitted to be deleted, not politically sensitive material. It was merely coincidental if something which was politically sensitive was deleted, because the deletion was based on the fact that the material was also highly-market sensitive. The Fund's policy seemed contradictory because although political determination and political constraints were said to be very important, the Fund was not prepared to live up to that policy by avoiding risks from publication that could further complicate political constraints and by allowing the deletion of politically sensitive material.

Mr. Shaalan said he also found it difficult to follow Mr. Bennett's logic. The fact that the staff said they were not qualified to make a judgment on political issues contradicted the fact that the staff was asked to make a distinction between political issues which were market sensitive and which were not market sensitive.

Mr. Bennett responded that in his experience, the overlap between politically sensitive issues and market sensitive issues was often very high, sometimes 100 percent, and

politically sensitive issues often, if not always, met the market sensitivity test and were deleted.

Mr. Egilsson expressed his support for Mr. Bennett's position. Highly-market sensitive issues were deleted to prevent the disturbance of markets, the creation of room for arbitrage, and the abuse of the information. But if the Fund deleted political information that was not market sensitive and did not affect the markets, then it was sending the wrong signals to the markets, and was signaling that the Fund took decisions on different assumptions than was actually the case. It was a very serious issue if the wrong signals were sent to the markets by deleting politically sensitive issues that did not have market relevance.

Mr. Daïri agreed with Mr. Bennett, provided the Board understood that all politically sensitive issues were by definition also market sensitive.

Ms. Indrawati expressed support for Mr. Daïri's position. Country authorities should have the final decision on what was politically sensitive material because the staff's judgment was not adequate or competent to judge politically sensitive matters. Explicit recognition should be given to the authorities' right to decide which areas were market sensitive, because they were in the best position to understand the market implications and the broader considerations of each case.

The Acting Chair (Ms. Krueger) recalled that the current policy was based on an objective test of market sensitivity, such as information about the authorities' changing the exchange rate in three days, which would lead market participants to behave in a counterproductive way. The issue was whether political sensitivity could also be defined in the same way. The inability to have an objective definition or test of political sensitivity was not the same as declaring the staff were incompetent to recognize political problems; those were two different issues. The problem on political sensitivity was that if the government was given the final say, it could define everything as politically sensitive. The solution to the problem was to find an objective test. If Directors could come up with a reasonably objective definition that could be used, the staff could administer such a policy. It might be useful to give the staff some time to try to find a definition or a criterion that was more objective and met some of the Directors' concerns.

Mr. Portugal suggested that the side letter policy, a criterion that the Fund already used, could also be used for the Fund's deletions policy. The side letter policy allowed inclusion in the side letter of anything that, if published, would endanger the authorities' ability to carry out the program or would make implementation more costly. There appeared to be sufficient objectivity in such criteria for the staff to apply such a policy because it was already the current Fund policy. It was not logical that it was acceptable that side letters were not published, that Executive Directors did not even receive copies of such letters, and that Directors were only permitted to view such letters, but that information that could endanger the authorities' capacity to implement a program or raise the implementation cost was unacceptable for deletion.

The Acting Chair (Ms. Krueger) thanked Mr. Portugal for his suggestion and said it would be considered.

Ms. Jacklin said that her understanding of the side letter policy was that it dealt with Fund-supported programs and addressed issues that made performance difficult or more costly; it was unclear how the same criteria could be applied in the context of the Article IV staff reports. The current staff proposal for the Article IV staff reports was moving from voluntary publication to voluntary but presumed publication so if there were substantial political sensitivities that the authorities were concerned about, they could still choose not to publish the report. The side letter exception would continue to apply in the case of all program documents.

Mr. Bennett remarked that Mr. Portugal's suggestion was interesting, although if the issues were truly hindered by the authorities' ability to carry out the program or made implementation more costly, they should be in the side letter, not in the document.

Mr. Portugal agreed with the suggestion that the staff should apply the policy of presumed publication to Article IV staff reports and to the UFR reports because governments implemented policies outside of Fund-supported programs. The criterion should be not to publish anything that would render the implementation of a given policy or action by the government more difficult or more costly.

Mr. Da'iri supported Mr. Portugal's point and said it should be viewed as the kind of measure or event that could qualify for inclusion in a side letter because there were several episodes where a member country contemplated, for example, taking measures outside any program and might feel that those were very sensitive issues that they did not want published. The criteria would also suit the Article IV staff reports.

Mr. Zoccali supported Mr. Portugal's point because in practice, implementation of Fund-supported programs might be more difficult or more costly due to assertions or projections, which tied into the discussion of ownership. Sometimes the presentation also suggested an imposition, which often produced the opposite reaction than what the Fund wished to evoke.

The Acting Chair (Ms. Krueger) stated that from her experience of reviewing draft reports before being circulated to the Board, the staff was reasonably careful in most of its presentations to avoid undiplomatic presentations. It might not be quite as severe a problem as was suggested; there was already some check on that, and it was not the case that the staff drafted inappropriate comments that required deletion.

Mr. Egilsson pointed out that the discussion of what was politically sensitive and what was too costly or difficult to implement should not be taken too far because in the extreme case, all political discussion made implementation more costly and more difficult.

The Acting Chair (Ms. Krueger), in concluding the meeting, stated that the discussion was very useful and it raised a number of issues that the staff needed to consider further. A

legal note on publication issues would be circulated to the Board. There were a number of dimensions to the issues before the Board, and although any decision that might eventually be reached might not be in complete agreement with all Directors' views, there had been a sufficiently robust exchange of views to pursue informal discussions on forging a broadly acceptable compromise. A further Board meeting would be held at a later date that could conclude the discussion. A summing up would also be considered at a later Board meeting.

#### **DECISION TAKEN SINCE PREVIOUS BOARD MEETING**

The following decision were adopted by the Executive Board without meeting in the period between EBM/03/61 (6/25/03) and EBM/03/62 (6/27/03).

#### **4. RELEASE OF INFORMATION—REVIEW OF FUND DATA STANDARDS INITIATIVES**

The Executive Board approves the release of the staff paper on the fifth review of the Fund's data standards initiatives to other organizations as set out in SM/03/213 (6/18/03).

Adopted June 25, 2003

APPROVAL: October 10, 2003

SHAIENDRA J. ANJARIA  
Secretary