

December 18, 2001  
Approval: 12/26/01

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 01/96

10:00 a.m., September 17, 2001

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## **Executive Board Attendance**

E. Aninat, Acting Chair

### **Executive Directors**

S.M. Al-Turki  
A. Barro Chambrier  
T.A. Bernes  
M.J. Callaghan  
R.F. Cippà  
K. Bischofberger  
P.C. Padoan  
D.I. Djojosebroto  
V.L. Kelkar  
W. Kiekens  
O.-P. Lehmussaari  
R. Quarles  
  
A. Mirakhor  
  
H. Oyarzábal  
S. Pickford  
M. Portugal  
  
Wei Benhua  
J. de Beaufort Wijnholds  
  
A.G. Zoccali

### **Alternate Executive Directors**

D. Ondo Mañe  
P. Charleton  
D.C. Guinigundo  
W. Szczuka  
  
H. Vittas  
Low K.M.  
R.A. Jayatissa  
J. Prader  
  
M. Lundsager  
G. Bauche  
M. Daïri  
A. Lushin  
  
S.P. Collins  
  
I. Usman  
M.B. Chatah  
  
Y.G. Yakusha  
H. Toyama  
G.R. Le Fort

S.J. Anjaria, Secretary  
A. Mountford, Acting Secretary  
J. Prust, Acting Secretary  
J. Puig, Assistant  
O. Vongthierres, Assistant

**Also Present**

IBRD: A. Cholst, Europe and Central Asia Regional Office. African Department: A. Basu, Deputy Director. Asia and Pacific Department: Y. Horiguchi, Director; A. Singh, Deputy Director. European II Department: J. Odling-Smee, Director; J. Dodsworth, L. Hansen, M. Luecke, P. Mathieu, D. Owen, G. Pastor, M. Shadman-Valavi, E. van der Mensbrugghe. External Relations Department: T.C. Dawson, Director; G. Hacche, Deputy Director; D. Hawley, W. Murray. Fiscal Affairs Department: E.M. Sunley. Legal Department: F.P. Gianviti, General Counsel; W.E. Holder, Deputy General Counsel; R. Gordon, J. Jones, D.E. Siegel. Monetary and Exchange Affairs Department: T.J. Balino. Policy Development and Review Department: M. Ahmed, Deputy Director; M. Allen, Deputy Director; D. Desruelle, L. Ebrill, M. Fetherston, A. Mourmouras. Research Department: K. Rogoff, Economic Counsellor and Director. Secretary's Department: A.S. Linde, Deputy Secretary, S. Bhatia, L. Hubloue, A. Mountford, P. Ramlogan. Statistics Department: G. Barinshtein, C. Enoch. Technology and General Services Department: B.C. Stuart, Director; C.C. Gleichenhaus, F.P. McLaughlin. Western Hemisphere Department: T.M. Reichmann. Office of the Managing Director: A. Bauer, R. Moghadam, R.S. Teja. Advisors to Executive Directors: E. Azoulay, A. Baukol, M. Beauregard, M.P. Bhatta, S.S. Farid, A. Fidjestøl, O.E. Garner, O.A. Hendrick, A.R. Ismael, N. Jadhav, D.H. Kranen, Liu F., F. Manno, M.F. Melhem, Y. Patel, H.E. Phang, S. Rouai, M. Yanase, F. Zurbrügg. Assistants to Executive Directors: A.S. Al Azzaz, A. Alber, S. Alcaide, V. Bhaskar, J.G. Borpujari, N.J. Davidson, V. de los Santos, M. Di Maio, T. Elkjaer, N.H. Farhan, A. Jacoby, N. Joicey, C. Josz, T.-M. Kudiwu, I. Kupča Y. Lissovolik, A. Maciá, R. Manivat, B. Mellor, G. Nadali-Ataabadi, P.A. Nijse, K.S. Oo, Y. Saito, K. Sazanov, C.A.E. Sdravovich, B. Siegenthaler, T. Skurzewski, Tong Y., S. Urinbaev, D. Vogel, D.B. Waluyo, N. Watanabe.

## 1. ANNUAL MEETINGS

The Executive Directors discussed the issue of whether to hold the 2001 Annual Meeting as scheduled on September 30, in Washington, D.C.

The Acting Chair (Mr. Aninat) made the following statement:

Following the tragic events of last Tuesday, September 11, Fund management has been in very close consultation with World Bank management and with the relevant U.S. authorities, our host country for the Annual Meetings. Following these consultations, Fund management is proposing to the Executive Board that our Annual Meetings and related ministerial meetings not be held on September 29-30, 2001. World Bank management is making a similar proposal to their Board.

It has been agreed that the normal business of the Bank and the Fund will not be interrupted, and that alternative arrangements for conducting the required business of the meetings will need to be determined. We should expect to return to the normal schedule for the Bank and Fund Meetings in 2002.

Let me add that this course of action is being suggested out of our deepest respect and sympathy for the families of all those touched by the horrific events of last Tuesday, and in order to allow law enforcement personnel to be dedicated fully to the extraordinary and immediate priorities at hand.

Let me also take this opportunity to express our foremost appreciation to the District of Columbia, in particular, for their hard work to prepare a secure environment for the Meetings.

The Secretary made the following statement:

I will read out the text of the proposed decision:

“Pursuant to the Fund’s By-Laws, Section 3 (a), due to special circumstances, the Executive Board decides that the Annual Meetings will not be held on September 29-30, 2001, as scheduled. An alternative date will be determined later.”

The Acting Chair (Mr. Aninat) indicated that Directors agreed with the proposed decision, and a statement to that effect would be released to the press. Simultaneously, the World Bank’s Board was considering similar proposals and a similar press statement was also being prepared.

Mr. Kiekens remarked that, in addition to the Annual Meetings, there was also an IMFC meeting scheduled to take place in conjunction with the Annual Meetings. He wondered if a decision could be made on the IMFC meeting at the same time.

The Acting Chair (Mr. Aninat) responded that the formal requirements for the two sets of meetings were different. The Board had just decided on the Annual Meetings, but still had to discuss and assess the issue of the IMFC meeting separately. Managements of both the Fund and the Bank were currently exploring options for holding the IMFC and Development Committee meetings later during the year. In their deliberation, they would have to assess the venue, logistics, and calendars, as well as consult member authorities, through the Executive Boards. Given the circumstances, it was imperative that the business of the Fund and the Bank be carried out in a forceful and proactive manner.

The Executive Board took the following decision:

Pursuant to the Fund's By-Laws, Section 3(a), due to special circumstances, the Executive Board decides that the 2001 Annual Meeting will not be held on September 30, 2001 as scheduled.

Decision No. 12572-(01/96), adopted  
September 17, 2001

## **2. TURKMENISTAN—DATA PROVISION TO FUND**

The Executive Directors continued from Executive Board Meeting 01/95 (9/14/01) their consideration of issues relating to data provision to the Fund with respect to Turkmenistan (EBS/01/129, 8/3/01).

The Acting Chair (Mr. Aninat) made the following statement:

I would like to briefly summarize my understanding of the views expressed by the Board—including Mr. Cippà's statements with regard to the authorities' renewed commitments to address the existing issues on data provision—during the previous discussion on data provision issues in the case of Turkmenistan (EBM/01/95, date 9/14/01).

Directors welcomed the fact that the staff had brought the issue to the attention of the Board. The staff had carefully followed the so-called graduated approach defined by the Board for dealing with issues of data provision by member countries. Numerous meetings and letters from the staff and management had yielded promises of improved data provision from the Turkmen authorities. Management and the staff had made every effort to urge the authorities to provide the information required to conduct surveillance. However, according to the assessments of management and the staff, the data that had been provided thus far were not sufficient to conduct the Article IV consultation. While Directors recognized that Turkmenistan was certainly

required to provide the data specified in Article VIII, Section 5, many Directors were reluctant, for a variety of reasons, to take a decision at the current juncture on whether Turkmenistan was in breach of its obligation and preferred to give the authorities the benefit of the doubt.

Most Directors felt that a broad discussion of requirements for data provision by member countries beyond the explicit data requirements currently included in Article VIII, Section 5 would be most helpful for a future decision with respect to Turkmenistan. Therefore, I propose that the Board postpones taking a decision on the breach of obligations, but meanwhile continues to strongly urge the authorities to provide the data required under Article VIII, Section 5 by December 13, 2001—90 days after the Board meeting on Turkmenistan's data provision issues. A discussion can be held at that time, if deemed necessary, depending on the response of the Turkmen authorities in this 90-day period. The Board's position and the requirement to provide the data will be communicated to the authorities through a letter from the Managing Director. There will be a formal summing up of the Board's discussions on data provision issues in Turkmenistan, but no Public Information Notice (PIN) or external publication will be issued at the conclusion of the meeting.

Mr. Cippà supported the Acting Chair's proposal.

Mr. Baukol found the Acting Chair's summary of views expressed by Directors in the discussion on Turkmenistan's data provision issues accurate. He asked, however, for a clarification from the Acting Chair on whether the authorities would also be required to provide the statistical indicators specified in list B of the original proposed decision by December 13, an action that his chair would support.

Mr. Collins stressed that, if the Turkmen authorities continued to fail to provide the required data, the time elapsed since the current discussion should be taken into account in the application of the general schedule for declaration of ineligibility on the use of Fund resources or suspension of voting rights, which would likely be approved in the Board's general discussion on data provision issues. Indeed, similar procedures were already in place for cases of overdue obligations to the Fund. The fact that a formal decision would not be issued in the current Board discussion—because a number of Directors considered that it would be premature to take such a step before the general discussion on data provision issues—should not be interpreted as an automatic delay in the process of taking sanctions if the situation failed to improve.

Mr. Daïri agreed with the summary of views presented by the Acting Chair. While he did not necessarily agree with the 90-day period proposed by the staff and management, he could go along with the consensus of the Board on the matter. On the other hand, it would not be appropriate to take the current Board discussion as the starting point for any formal steps to be taken for a potential declaration of ineligibility—in the event that this was required in the future—if the Board postponed the current decision. It would not be

appropriate to preempt future Board decisions by interpreting the implications of those decisions in advance of their potential approval.

Messrs. Kranen and Vittas supported the Acting Chair's proposal.

Mr. Kiekens asked the Acting Chair to clarify the reasons why the data requirements would be limited to those explicitly listed in Article VIII, Section 5, when the staff clearly needed additional data for the conduct of surveillance.

The Director of the European II Department (Mr. Odling-Smee), in response to Messrs. Baukol's and Kiekens's questions on the indicators provided in list B of the originally proposed decision, observed that the understanding of the staff and management was that Directors were not in favor of requiring such data in a formal decision at the current juncture, even if they recognized that those indicators were needed to conduct a satisfactory Article IV consultation. Directors would consider the requirement to provide those indicators during the general discussion to be held on data provision issues before any further potential consideration of the case of Turkmenistan. In the meantime, the Turkmen authorities would be reminded of their obligation to provide data under Article VIII, Section 5. In fact, the proposed deadline of December 13, 2001 for the provision of such data did not imply a strengthening of the standard requirement under Article VIII, Section 5, as this was already a permanent requirement of membership in the Fund. The Board would also urge the authorities to provide the indicators in list B required for the conduct of surveillance.

The staff representative from the Policy Development and Review Department (Mr. Fetherston), in response to the points raised by Messrs. Collins and Daïri with regard to the application in the case of Turkmenistan of any general schedule for handling cases of breach of obligation under Article VIII, section 5, observed that the staff was still at an early stage in considering these issues. These were somewhat different from cases of overdue obligations, as financial obligations were due on given dates, whereas obligations to report information to the Fund were continuous. In addition, a graduated approach to issues of data provision to the Fund was already in place. As explained in the staff report, a number of steps were usually taken before considering the possibility of breach of obligations under Article VIII, Section 5. Moreover, capacity issues, which had to be considered in cases of data provision, were not applicable in the context of overdue obligations.

Mr. Baukol did not consider that the Board's intention regarding the indicators in list B of the proposed decision for the original discussion on Turkmenistan's data provision issues had been to delay the requirement to provide such data. Rather, the sense of the Board had been to postpone making any public announcement and finding Turkmenistan in breach of its obligations to the Fund at the current stage. He would support a decision that called upon Turkmenistan to also provide that data.

Mr. Daïri was under the impression that most Directors preferred to wait until the general discussion on data provision to clearly establish the indicators that would need to be added to those explicitly included in the list provided under Article VIII, Section 5.



Mr. Collins asked Directors who thought it would be premature to issue any decisions on Turkmenistan ahead of the general discussion on data provision issues whether they would call for an additional delay of three months in the following Board discussion on Turkmenistan if the authorities failed to deliver the required data in the following three months. This would in effect result in a six-month delay in taking any action as a result of Turkmenistan's data provision issues.

Mr. Cippà considered that it would not be appropriate to prejudge a decision that might be taken in three months' time. At that time, Directors could take into account the experience of preceding Board discussions.

Messrs. Kranen and Daïri thought that there would not be any more Board discussions on data provision issues in the case of Turkmenistan, given the reassurances provided by Mr. Cippà on behalf of the authorities.

Mr. Bauche asked the staff whether it would be possible to conduct a meaningful Article IV consultation in the event that the authorities provided the data required under Article VIII, Section 5, but failed to deliver the data in list B of the originally proposed decision.

The Director of the European II Department (Mr. Odling-Smee) considered that it would be difficult to carry out a full Article IV consultation because much of the data needed to analyze the economic situation and policies were not covered by Article VIII, Section 5. In the case of Turkmenistan, the central bank balance sheet was particularly important, as it would be difficult to have a good understanding of the monetary situation without having access to those data. The external debt situation was also important, as Turkmenistan was a heavily indebted country. Therefore, it would be crucial to have access to such data to understand the situation of the economy. To assess the fiscal situation, data on the overall government balance, which include the extrabudgetary funds and are included in list B of the proposed decision, would also be needed.

The Acting Chair (Mr. Aninat) suggested that Directors should not discuss specific data requirements for Turkmenistan in an excessively detailed manner, as they could end up making a decision on this particular case that could set a general precedent. While management had proposed a decision in the previous discussion on Turkmenistan's case of data provision issues, the sentiment of the majority of the Board had been that a decision on Turkmenistan's specific case should be postponed until the general discussion on data provision issues had taken place.

Mr. Bauche clarified that his point referred to the need to be aware of the implications of the course of action taken by the Board in the case of Turkmenistan. While it was not his intention to obstruct the Board's consensus, the Board should be fully aware that it might not be possible to conduct a meaningful Article IV consultation with Turkmenistan by December 2001.

Mr. Daïri considered that requiring the authorities to provide the data needed for the conduct of surveillance without making specific references to the data categories required would be the only appropriate course of action ahead of the general discussion on data provision issues.

The Acting Chair (Mr. Aninat) reassured Mr. Daïri that, following the current Board discussion, the authorities' obligation under Article VIII, section 5 would remain confined to the data listed in the Article. The staff would continue the dialogue with the authorities on other data requirements for Article IV consultations and other matters.

Ms. Saito asked the staff whether there were any plans to advance the Board's general discussion on Article VIII, Section 5, which seemed to be currently scheduled for February 2002, but which had originally been scheduled for August 2001.

The staff representative from the Policy Development and Review Department (Mr. Fetherston) clarified that the staff paper on strengthening the application of Article VIII, Section 5 was currently scheduled for Board consideration in late 2001. The staff paper scheduled for Board consideration in February 2002 was related to periodic reviews of data provision to the Fund—the previous periodic review had taken place in June 2000.

Mr. Collins urged the staff to issue that staff report before December 13, 2001, as that would help Directors make specific data requirements to Turkmenistan in the event that the authorities continued to fail to meet the Fund's requirements.

The Acting Chair made the following summing up:

Directors welcomed the fact that management and staff had brought the issue of data provision by Turkmenistan to the attention of the Board. Directors regretted that there has been a significant deterioration in the provision of basic macroeconomic data to the Fund since late 1999. They stressed that timely and regular provision of data by member countries is essential for the effective discharge of the Fund's surveillance activities, and that countries are obliged to provide data to the Fund under Article VIII, Section 5 of the Fund's Articles of Agreement.

Directors welcomed the authorities' recent assurances that they intend to resume the full provision of adequate data for surveillance purposes in the near future, and emphasized the great importance they attach to these assurances being put into effect without delay. Many Directors wished to give the authorities more time before considering whether Turkmenistan had breached its obligations to provide data to the Fund under Article VIII, Section 5 of the Articles of Agreement. Some Directors were ready to find Turkmenistan already in breach of its obligations. It was therefore agreed that Turkmenistan would be urged to provide all the items specified in Article VIII, Section 5 (a) by December 13, 2001. If the authorities do not provide

this data by that date, the question of breach of obligations would be considered.

Directors noted that other core statistical indicators judged by the staff to be necessary for the conduct of Article IV consultation were not being provided. Directors urged the authorities also to provide this data by December 13, 2001.

Directors noted the authorities' statement that technical difficulties prevented the provision of the full range of data requested by the staff. They called upon the staff, in full consultation with the authorities, to report on the nature of these difficulties in advance of any further Board discussion of data provision by Turkmenistan.

### **DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING**

The following decisions were adopted by the Executive Board without meeting in the period between EBM/01/95 (9/14/01) and EBM/01/96 (9/17/01).

#### **3. APPROVAL OF MINUTES**

The minutes of Executive Board Meetings 00/113 and 01/30 are approved.

#### **4. EXECUTIVE BOARD TRAVEL**

Travel by Executive Director as set forth in EBAM/01/103 (9/13/01) is approved.

APPROVAL: December 26, 2001

SHAIENDRA J. ANJARIA  
Secretary