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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 95/56

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Executive Board Attendance

S. Fischer, Acting Chairman

Executive Directors

M. Al-Jasser

J. E. Ismael

W. Kiekens

G. Lanciotti

H. Mesaki

C. Saito

A. S. Shaalan

E. L. Waterman

Zhang M.

Alternate Executive Directors

P. Gailleteau, Temporary

E. Srejber

J. Guzmán-Calafell, Temporary

G. F. Murphy

R. Rainford, Temporary

D. Z. Guti

J. Shields

J. Dagustun, Temporary

W. Hettiarachchi

L. M. Cheong

K. Link

A. Calderón

A. R. Ismael, Temporary

S. N'guiamba, Temporary

N. Coumbis

R. D. Bessone Basto, Temporary

B. S. Newman

T. Fukuyama

M. J. Mojarrad, Temporary

A. G. Zoccali

E. Wagenhoefer

Y. Y. Mohammed

A. V. Vernikov, Temporary

J.-H. Kang

F. A. Schilthuis, Temporary

J. W. Lang, Acting Secretary

R. Bradshaw, Assistant

T. Ranaweera, Assistant

Also Present

Africa Department: C. Brachet, Deputy Director; G. E. Gondwe, Deputy Director; P. N. A. Acquah, S. Brunschwig, E. A. Calamitsis, N. Favia, J. Harnack. European I Department: D. C. McDonald. European II Department: A. C. Lahiri. External Relations Department: S. J. Anjaria, Director; D. M. Cheney. Fiscal Affairs Department: P. S. Heller. Legal Department: W. E. Holder, Deputy General Counsel; H. Cisse. Middle Eastern Department: P. Chabrier, Director; M. D. Knight, S. E. Williams. Monetary and Exchange Affairs Department: V. Sundarajan. Policy Development and Review Department: J. T. Boorman, Director; O. Evans, R. S. Khemani, R. H. Nord, S. M. Schadler. Research Department: S. J. A. Gorne. Secretary's Department: W. S. Tseng. Statistics Department: J. B. McLenaghan; E. Ayales, R. A. Elseon, Deputy Director; C. S. Carson, P. Cotterell, R. G. Di Calogero, N. M. Gillen, P. L. Joyce, T. K. Morrison, K. W. O'Connor, N. Patterson, R. Pownall, S. P. Quin, D. J. Scheuer, R. T. Stillson. Western Hemisphere Department: F. van Beek, Director. Bureau of Computing Services: N. S. Arya, C. B. Dub. Office of the Managing Director - Office of Budget and Planning: F. J. Gaitan, L. A. Wolfe. Advisors to Executive Directors: P. Cailleteau, M. Dezervite, S. S. Farid, T. K. Gaspard, He J., R. Kannan, B. Konan, M. F. Melhem, H. Mori, G. Mucibabici, M. Petrie, C. F. Pillath. Assistants to Executive Directors: S. Al-Huseini, M. A. Brettschneider, A. G. Cathcart, D. Daco, H. Golriz, C. M. Gonzalez, A. Guennewich, J. Hamilius, C. Imashev, S. Ishida, L. Fontaine, T.-M. Kudiwu, G. A. Kyriacou, B. M. Lvin, T. Lwin, J. Mafararikwa, J. Pesola, A. Ruocco, K. Sakr, T. Sitorus, V. Verjbitski, Wang Y.

1. REPORT BY THE FIRST DEPUTY MANAGING DIRECTOR

The First Deputy Managing Director said that he had recently visited Sweden as a follow-up to the 1995 Article IV consultation. His meetings with the Governor of the central bank, the Finance Minister, and private sector representatives revealed that the Swedish authorities had changed their attitudes toward the policy measures that had been implemented over the previous six months. There was more optimism that, with the resolute implementation of the current policy measures recommended by the Fund, Sweden would be able to meet--or even surpass--the Maastricht criteria on fiscal by 1997. A more detailed report on his visit and progress made toward an agreement on a policy package would be presented to the members of the Board in due course.

2. STATISTICAL POLICY OF THE FUND

The Executive Directors considered a staff paper on the statistical policy of the Fund (SM/95/115, 5/18/95). They also had before them a background paper on the evolution of the statistical activities of the Fund (SM/95/123, 5/25/95; and Cor. 1, 6/6/95).

Mr. Shaalan made the following statement:

While it is a truism to state that underlying an effective system of surveillance is another effective system of data management producing reliable and timely data, it is nonetheless a truism that bears repetition. Recent events and the Interim Committee communiqué on enhanced surveillance are but reminders of the crucial need for better quality data for a better discharge by the Fund of its surveillance task. These first papers on the statistical activities and policy of the Fund are therefore not only welcome, but also quite opportune.

There are two sets of independent statistical issues that confront us today; they relate to internal data management at the Fund and data requirements from member countries. At the internal level, the major problems pertain mainly to duplication and inconsistency of data. In a sense, these problems are the inevitable result of the context in which data management is carried out at the Fund, which is one of decentralization and multiple data bases that are necessitated by the different data requirements at the departmental level and by the need for flexibility in the collection and use of data.

I find appropriate the staff's proposed solution to these problems, which consists of the establishment of interdepartmental guidelines for data management and the sharing of data in a user-friendly network environment. The application of transparent guidelines for data management would avoid duplication and enforce

consistency of data across departments without jeopardizing the requirements particular to each department. It would also address in a significant manner the problem of the loss in institutional memory that has been accompanying the movement of economists among departments. The gains in overall efficiency that the staff proposal would bring are therefore clear and should be substantial.

I can see, however, that the new system would take a long time to be effectively established as it involves significant changes in work practices and technology. It would also require, quite appropriately, that economists undergo, especially at the orientation level, some training in statistical methodology. Departments may, however, find in the new system a loss of flexibility and control over their data systems and may thus be somewhat averse to its adoption. But that would be an unjustified concern, as a centralized storage of data should not entail data standardization because, as I understand it, the new system would be flexible enough to accommodate the various departmental data requirements. There would also be the added, and not insubstantial, benefit to Fund members of reporting data to only one source at the Fund. In any event, I believe that the proposed system is one to which we should quickly converge.

The issue of data requirements from member countries, or the setting of standards thereof, is a less straightforward and more controversial matter. I have three concerns regarding this issue.

First, there is no doubt that deficiencies in data quality are pervasive and need to be addressed in a systematic manner. However, it is worth remembering that the developed data systems of the Group of Ten (G-10) countries, which it has been suggested might possibly set a standard to be followed by others, are ones that took several decades to establish and maintain. As the staff papers repeatedly emphasize, adequate data management is a resource-intensive process, and the large increase in requests for technical assistance missions and training in statistics is a confirmation of the skill and resource cost of establishing high-quality data systems. We should therefore be more cautious and realistic in our expectations of early improvements in the quality of reported data. Thus, working toward the establishment of standards to guide members in the dissemination of data as mandated by the Interim Committee is a task that should be approached with due regard to the limited capacity of many members to adopt realistic standards that can be adhered to. One practical difficulty that I foresee in this connection is the following: If the standards are as demanding as those of the G-10, one cannot reasonably expect members to be able to adopt them any time soon. On the other hand, if the standards to be developed are designed to be less demanding, this would give rise

to a dichotomy of standards. The emphasis should therefore be put, at this stage, on developing the capacity of member countries to collect data and manage data systems. This should be our priority.

Second, notwithstanding the need for better data from all Fund members, we should also recognize members' concerns about the confidentiality of what they believe to be sensitive information. Should a difference of opinion or assessment over data reporting matters arise between a member country and the staff, a graduated approach should be adopted that would first involve the authorities, then the Executive Director in question, and finally--if necessary--the Board. Although this graduated approach was endorsed during our recent discussions of the issue of the strengthening of Fund surveillance, it is nonetheless important to try to address problems of this kind in a cooperative manner.

Third, while I can appreciate the validity of the principle of applying the same standards of data reporting to program and nonprogram countries, it is simply unrealistic to attach the same degree of urgency to the two groups of countries unless developments in a nonprogram or major country call for a greater scrutiny of its economic conditions. In this regard, I feel much more alarmed by the fact that, out of 55 program countries, 16 had statistical deficiencies that were not addressed at all and that more than half of these 16 program countries had severe data problems, than by statistical deficiencies in a nonprogram country that should, of course, be addressed but in a relatively less urgent manner.

As regards the "Issues for Discussion" questions, I believe that further reviews of statistical policy would indeed be desirable. On the issue of statistical support for surveillance, the already mentioned graduated approach to the problem of data deficiencies is the appropriate approach. I am not convinced, however, that adding another layer of conditionality would be useful in addressing serious data problems in program countries, as determining the degree of seriousness of data problems may be quite elusive and considering the resource limitations of many program countries. A case-by-case approach seems to be the more realistic and effective approach to this issue.

I would close by supporting and commending the very valuable technical assistance and training that are provided by the Statistics Department. The growing emphasis on regional training is a logical response to the growing scarcity of resources for the provision of training, but the regional approach is also an effective tool for the accommodation of a greater number of requests. Members in our constituency have benefited and greatly appreciated the training provided at the regional level. Finally,

I would like to emphasize the unique importance and value of the Department's leading work in developing an internationally applied methodology in the three major areas of the balance of payments, money and banking, and government finance, and in assuming a principal role in the production of the new System of National Accounts. This is a contribution that is perhaps not adequately noted or appreciated.

Extending his remarks, Mr. Shaalan said that he would not agree with the suggestion in Ms. Srejber's preliminary statement to the meeting to force program countries to publish economic data, as that would overstep the limits of the Fund's jurisdiction. Moreover, the inclusion in the Annual Report of a list of countries that did not reach the minimum standards for data publication would be like launching a "statistical witch-hunt," contrary to the cooperative nature of the Fund. He hoped that Directors would not overreact to the after effects of the Mexican crisis, in which data deficiencies had concealed serious economic problems.

Mr. Link made the following statement:

I welcome this review of the statistical activities of the Fund and the opportunity to discuss in detail the statistical policy of our institution, especially in light of its crucial importance for its surveillance mandate. The interesting and comprehensive papers submitted for our consideration provide an excellent basis for today's discussion and I thank the staff for them. The following remarks refer to the issues for discussion taken in the order proposed in the staff paper.

The Fund cannot fulfill its task without a reliable and constantly updated statistical data base, covering the most important economic and financial indicators and data on each member country. Expressed a little more pointedly one can even say that the very comparative advantage of the Fund's advice and assistance is the result of a thorough financial programming exercise which in turn depends critically on a set of statistical data. I welcome the Fund's efforts to concentrate on a more coordinated and collaborative approach to statistical policy. By that, the Fund can meet its surveillance, analysis and dissemination objectives in a more efficient way: redundancies can be eliminated, all departments involved in statistical matters apply the same basic data and there is more time left to concentrate on data quality and timeliness. Furthermore, in view of the fact that statistical activities account for as much as 15-20 percent of total staff resources, an efficient organization is important to save on the Fund's expenditures. New technology can support these coordination efforts in facilitating data sharing and data management.

The Fund's capacity for analysis and policy formulation depends critically on the data quality. Therefore, efforts to improve data quality--specifically coverage, methodological basis, and consistency--are an imperative task for the Fund as well as for the member countries. Recent events have shown that inadequate data provision by even a single member can impede the Fund's ability to detect emerging crises that in turn affect more than just the concerned member country. Given the importance of the availability of sound statistics from each member country, deficiencies and problems should be addressed as early as possible and be brought to the attention of the Board by mentioning it in the consultation report or, in urgent cases, by notifying the responsible Executive Director. I suggest the application or--if necessary--elaboration of international standards to guide members in the provisioning of data to the public, along lines, for instance, with the prospectus content of international bond issues. Considering the use of conditionality measures to address data problems in program countries and to encourage the speedy correction of statistical deficiencies, I agree with the Fund's proposals, whereby the production of a particular statistic or the provision of statistical data can be a requirement included in the structural benchmarks, the qualitative performance criteria and, in more serious cases, the prior actions.

I appreciate the Fund's leading role in methodological work and in improving international statistical standards. In this task the Fund should take advantage of and cooperate with other existing, relevant institutions. This provides a common basis for analysis and facilitates international comparisons. Technical assistance can be considered as a key means to overcome countries' shortcomings in statistical work, such as data collection, compilation, management, and analysis. Technical assistance is also directed at producing data on time. I welcome the technical assistance efforts that have been undertaken to help countries in transition to develop their statistical infrastructure. I feel that a similar effort would be needed toward a considerable number of developing countries. In looking at Table 3 reporting the country-by-country review on the coverage and timeliness of the ten key data in the May 1995 issue of International Financial Statistics (IFS), I noticed that many developing countries had serious shortcomings in producing even the most essential statistics. Not less than 34 countries had a large delay in reporting three or more of ten key statistics, or did not report them at all. Multisector missions that address broad interrelated issues of data compilation and development of statistical infrastructure are particularly helpful in dealing with the problems of transition countries. They can also examine the consistency of data across the major macroeconomic systems. The use of outside experts as consultants on short-term staff missions or as long-term experts in countries have substantially increased

the effectiveness of assistance in statistics. They play an especially important role in many transition countries. I feel that the effectiveness of technical assistance could be improved. In particular, within the limits of available resources, a more systematic follow-up to track implementation of technical assistance recommendations would be beneficial. In the case of technical assistance directed to improve the statistical know-how, success can easily be measured in a follow-up evaluation. As to the training issue, I share the view that while the Fund has devoted substantial resources to training officials of member countries, there has been no commensurate effort to train the Fund staff in statistical methodologies. In order to actualize and expand statistical knowledge within the Fund, the staff should be offered adequate courses.

I consider the achievement of a wide coverage of member countries in the statistical publications as extremely important. The quality of country and, in general, economic assessment highly depends on comprehensive, reliable and timely data. Efforts should be undertaken to include the whole membership in the standard statistical reference books published by the Fund.

I would conclude by linking the issue of data provision with the one on transparency. Regarding the latter, standards have been changing with the opening of political systems; at the same time, good governance requires greater transparency and accountability. The authorities of an increasing number of countries have therefore understood that transparency--apart from being required from financial markets--can also have its benefits because it reduces the opportunities for rumors and shady deals. As these standards on openness and transparency are more and more widely recognized, the Fund should also contribute to the trend. That should come to nobody's surprise to read here. The release of the consultation reports would in my view represent a powerful means not only to strengthen the activities of the Fund--surveillance in particular--but also to convince more members to adopt a more transparent policy concerning the provision and dissemination of economic and financial data.

Ms. Srejber made the following statement:

The Statistics Department has produced two good papers, which thoroughly describe the current state of statistical affairs in the Fund and the historical background to the present situation. Despite a somewhat scattered manner of presentation, the papers give the reader a picture of the strengths and the weaknesses of the statistics and the statistical management in the Fund.

The current statistical administration in the Fund is--largely as a result of historical developments and a wide

variance in the ability of the member countries to produce statistics--rather decentralized and nonsystematic. A large number of separate data bases, which partly exploit the same sources, seems to be typical of the Fund's statistical practices. This development is also partly a result of the lack of clear leadership in the Fund's statistical policy. Here we also must blame ourselves--it has been almost ten years since the Executive Board last reviewed the matter.

The first lesson is that there still is much to do to develop efficient statistical systems in a broad sense in the Fund, and there is also a very urgent need for that. Even if this investment in enhanced efficiency has a price at the outset, it will certainly give a big return later on. I will return to these questions later.

The paper on the statistical policy of the Fund is, to a great extent, an attempt to describe the different efforts in developing the statistics in the Fund from many different viewpoints during different points of time. The paper looks at the Fund's statistical policy mainly from a detailed perspective. In this context, I would mention, for instance, that in reading the staff papers I continued to wonder which one comes first, the statistics in their own right or the Fund's overall purposes. That the paper does not seem to rely on a more comprehensive vision based on major common goals might be a reflection of the current approach to the statistical policy in the Fund. This interpretation can be supported, for example, by the sentence on page 14 of the staff paper, where the staff notes that, as a result of a great variability in the member countries' ability to produce and report timely, accurate, and analytically well-organized statistics, "there can be no single approach to data management in the Fund."

If that is the conclusion about the statistical policy in the Fund, now and in the future, I cannot agree. There should be a more holistic approach to the statistical policy and management in the Fund. The Executive Board should set goals for the statistical policy and management on the basis of the purposes of the Fund as mentioned in the Fund's Articles of Agreement. The Fund's need to fulfill its basic purposes should dictate the necessary statistical support. Hence, the starting point for the data collection and data management should only be: how to best support the Fund's purposes. Hence, there should be a single approach as to how, and in which direction, to develop the Fund's statistics with some uniform general data management guidelines.

In this framework, the Statistics Department should mainly assist the other departments, as well as coordinate the statistical work in the Fund, so as, among other things, to avoid

the duplication of work. The Executive Board should both demand that the Statistical Department enhance its efficiency and also support it in that coordination work. The other departments should be very active in presenting their pressing needs; the economists must take the main responsibility, because only they--as users of the data--can know what the most urgent needs are.

In very special areas, perhaps, the best result might be reached if the department having the main responsibility would take the statistical responsibility. Another issue to discuss here is the role of the Policy Development and Review Department--it has an important coordinating role to fulfill in policy matters. What responsibility should they have in statistical policy?

As to the issues for discussion, further reviews of statistical policy could certainly be more frequent than they have thus far been. Moreover, in preparation for these reviews, the staff could give more concrete and holistic proposals on how to develop the statistical management in the Fund.

The timely availability of relevant data is of course an absolute prerequisite for an efficient surveillance process to take place. The Fund's reporting requirements should be more focused upon the needs of the Fund's surveillance policy. To that effect, there is a need to strengthen the collection of statistics, including in the financial areas. Criteria for such focusing will have to be developed in the time ahead. One possibility would be to develop the criteria by drawing on the experience of countries whose market structures have made them vulnerable to sudden inflows and outflows of capital. Another possibility would be to focus on countries going through a certain stage in the development of their financial markets. I would like to emphasize that it is in all countries' self-interest to provide data on a timely and easily accessible basis. Good governance requires transparency and accountability. Credibility rests on the availability of reliable information. Absence of officially provided data can, as such, cause uncertainty. Furthermore, if financial markets have to base their actions on unofficial and unreliable information, they are more likely to make incorrect appraisals of the underlying fundamentals.

An additional incentive to raise the quality and status of statistics could be to establish some minimum standards for the statistics for a member country. We could develop a kind of statistical "Article VIII". A listing in the Annual Report of countries that do not reach the standards should be considered.

Moreover, as some countries are more reluctant to publish data than others, there should be some way to press the countries

to publish. Hence, I can support properly tailored conditionality to address serious data problems in program countries and reluctance to publish, but this should go hand-in-hand with provision of technical assistance. Nevertheless, the differences between the countries should be taken into account in establishing standards for publication of data. The statistical publications from the Fund can make an important contribution to greater openness through the timely provision of data both to the public and to market participants. However, sensitive information, such as intervention data, will have to be dealt with cautiously. The authorities' information policy in such cases would have to be respected.

The Fund does valuable work in developing and maintaining international statistical standards, and should press for improving coverage, quality, and timeliness of member countries' statistics, as much as possible, following agreed standards. However, countries differ in both the structure of their institutional set-up and their development, which often also gives rise to differences in their statistical systems. Hence, standards must take this into account in their design and, foremost, their implementation.

In improving the data quality, this difference in economic structures in the member countries must be considered. In case of a lack of information, there should be an effort to at least develop some reliable proxies or indicators. This might be one of the facts that will keep the separate desk data bases alive. For the statistical problems cases, these questions could also be raised more strongly than in the past in the Article IV discussions.

Here the missions are in a central position both to map the problems as well as to convey the information in both directions. While the multisector joint missions certainly are valuable in this connection, examples in the Baltic countries, however, tell us that the technical assistance missions on statistics should have more continuity in the staffing, and should better check to see whether any results of their advice have emerged. The Statistics Department should also be far more active in cooperating and trying to obtain data from both new and old member countries, and should urge the authorities to collect the necessary statistics. Reaching agreement with the authorities in the member countries about some permanent time schedule and reporting form for sending particular data to the Fund could make the data supply more automatic and less vulnerable to disturbances of various kinds.

We would like to stress the importance of increased technical assistance in cases where the authorities are unable to produce

and release data in the present and future form required. The role of the Fund's resident representatives is also important in this area. The resident representatives could, perhaps, be more involved than so far in practical field work; in particular, in the transition countries where the statistical basis in many places is still extremely weak, but perhaps also in developing countries. Here the Baltic countries' experience of having a statistical resident representative has been positive. We must bear in mind that both the necessary training and technical assistance will demand substantial resources in the future as well.

There is a need to improve the coordination of statistical activities within the Fund and also to improve the quality and quantity of the Fund's general foundation of statistics for surveillance. This coordination would also help to avoid too much paper work and duplicate work in the member countries, in their efforts to provide the Fund with statistical material. Similarly, international statistical standards should also be made more consistent. The Fund has a special responsibility for the consistency between money and banking and balance of payments statistics.

Mr. Cailleteau, speaking on behalf of Mr. Autheman, made the following statement:

The staff has provided an informative set of papers on the statistical policy of the Fund. I would be reluctant to dwell on issues that fall into the competence, either of national experts, international statistical coordination in particular, or of the management itself--for example, data management practices in the Fund, the need to strengthen the institutional memory and improve the coordination of data collection, and statistics training.

I will therefore only deal with issues related to our surveillance mandate, taking stock of what has already been said in previous meetings.

We need a standard for the provision of data. All industrialized countries should meet G-10 standards of rapid and detailed provision, and all members should meet program countries standards for the timely provision of key data.

Statistical problems should be brought to the attention of the Board either to alert it to deficiencies warranting caution in the interpretation of data, or to point out the existence of difficulties in the cooperation between a member state and the staff that will impede the Fund from effectively implementing its mission.

I tend to be attracted by the introduction, when needed, of structural benchmarks and qualitative performance criteria related to statistical developments.

Concerning the issue of publication, it seems sensible to state that G-10 or industrialized countries standards--pre-announced publication--cannot be the standard for the whole membership; a more gradual approach is needed. I therefore reiterate my proposal that we should agree on a minimum standard for countries concluding programs and countries with outstanding debt to the Fund: for these countries, the Fund should require, within the framework of its conditionality, the timely publication of key financial data. The Fund should also encourage all member countries to follow such standards.

Mr. Al-Jasser made the following statement:

I would start by welcoming this overdue review of statistical policy in the Fund. This is a most important topic that touches on all aspects of the Fund's work and accounts for 15-20 percent of budgeted staff resources. Thus, I hope that we will be revisiting this issue on a more frequent basis than we have done in the past, say every 2-3 years. The comprehensive and informative staff papers on this topic provide a most useful background for today's meeting. Before turning to the specific issues for discussion raised in the staff paper, I will make a comment on the approach to today's discussion and another comment on the Fund's data management and collection.

On the approach to today's discussion, I believe that it would be productive to keep as clear a distinction as practically possible between two related but different issues: the first is the provision of data to the Fund which belongs to our surveillance policy, and which was discussed extensively during the weeks leading up to the last Interim Committee meeting. The second issue is statistical policy, which is the subject of our discussion today and is in the purview of our Statistics Department. Concentrating on how best to manage the data available to the Fund seems to me as the best use of this opportunity today. Therefore, I support Mr. Shaalan's additional comments this morning.

On the issue of data management and collection, the problems facing the Fund in this area, as detailed in the staff paper, are a reminder of the complexity of statistical issues. It is encouraging that the staff is aware of these problems and is in the process of actively addressing them. It is particularly timely now to accelerate efforts to modernize existing technology in the Fund in order to take full advantage of possibilities in more efficient data processing and sharing. Moreover, it may be useful for the Statistics Department to take a leading role in

developing data management guidelines for all Departments in the Fund. It is important here that these guidelines allow each Department the needed flexibility to conduct its activities in an efficient manner. Internal technical assistance through training in this sphere could pay handsomely in consistency, comparability, and efficiency. It may be useful to start with the participants in the Economist Program.

Having said this, let me turn now to the specific issues raised in the staff paper. I found the comprehensive review of the Fund's statistical activities and their impact on the Fund's work very useful. The candid discussion of the problems and practical difficulties facing the Fund and many of our members in the statistical area is also refreshing.

Moreover, improving data quality in member countries is not only beneficial for Fund surveillance, but more significantly indispensable for informed analysis and prudent policy implementation in the countries themselves. In this regard, I support Fund efforts to assist member countries in this area. It is important, however to be realistic and pragmatic in our expectations. We need only recall how long it took us to have this review or how long it will take us to upgrade the archaic technology we are using in this area. Needless to say, improving the quality of data is a monumental task in many member countries. As the staff paper notes, quality of data is affected by significant deficiencies in the basic statistical infrastructure, insufficient training of officials, and inadequate budgetary allocation for statistical work. Moreover, Mr. Evans reminded us in his memorandum on Hong Kong that there are constraints faced by some countries in collecting certain data. Thus, the development of methodologies, as well as the provision of training and technical assistance, as critical as they are, could only go so far. Time, resources, and the state of economic development are the most critical elements in this area.

As regards the issue of informing the Board about statistical problems in member countries, I remain of the view that the appropriate vehicle for reporting data deficiencies is the Article IV consultation reports, especially that the Statistics Department is now involved in the review process. This provides Executive Directors with an opportunity to comment on such deficiencies and their comments could then be reflected in the summings up. Nevertheless, in extreme cases when a country poses large risks to the international financial markets or when there are clear indications of a major deterioration in a country's economic situation, it would be useful to bring the issue of data deficiencies to the attention of the Board during country matters sessions. In this regard, failure in the past to report to the Board data deficiencies in a substantial number of program

countries is a concern. While on the subject of program countries, there may be some merit to the use of conditionality to address serious data problems in very specific situations, for example, when data problems hinder monitoring of the program. However, we have to do this carefully and in moderation lest we throw the baby out with the bath water.

On the issue of establishing publication standards, the Fund is well situated to play its role as a clearing house of good ideas for economic management. In the context of its development of statistical methodologies and technical assistance, the Fund could survey data publication practices in both developing and industrial countries. Based on the result of this survey, publication standards can be developed and then made available to the membership at large. It is important to note here that these standards are only guiding principles, not a code of conduct, and thus should be flexible enough to take into account the different stages of development.

In addition, the Fund's work in developing and maintaining international statistical standards is most invaluable. In view of its universal membership and its macroeconomic focus, it is only natural that the Fund should play a pivotal coordinating role on the international level when it comes to the development of macroeconomic data systems. I am very heartened to read about the role the Statistics Department has played in coordinating the revision of the System of National Accounts (SNA) and its chairmanship of the ACC Subcommittee. The Statistics Department's involvement in these activities can only enhance our ability to understand developments in the global economy, and consequently influence these developments, as well as to help our members adapt their statistical systems to the latest standards. Indeed, I look forward to the completion of the other parts of the Fund's statistical package: namely, the Manual on Money and Banking Statistics as well as the updating of the Manual on Government Finance Statistics. The Fund's work in developing international statistical standards and their application in Fund statistical publications has also greatly contributed to the usefulness of these publications, especially to economic researchers.

The provision of technical assistance in the statistical area is also of great relevance. At the same time, it is most important to coordinate the provision of such assistance both within the Fund and with other providers while ensuring that the absorptive capacity of recipient countries is not overburdened. Multisector missions should facilitate such coordination by drawing a comprehensive plan of technical assistance needs. Securing the full benefits of technical assistance also requires commitment of recipient countries to the objectives of technical assistance. The implementation track records of recipients should

provide a good indication of such commitment. Follow-up missions can also play a significant role in the success of a technical assistance program. Emphasis on regional training should also improve the effectiveness of technical assistance. In this connection, I agree with Mr. Shaalan that members in our region have greatly benefited from and appreciated such training.

Mrs. Wagenhoefer made the following statement:

The staff is to be commended for interesting in-depth papers on all elements of statistical activities of the Fund and the interrelationships among them. My authorities were, furthermore, especially pleased with the report of recent and planned initiatives in several areas of the Fund's statistical work including, among others, the support of surveillance. Needless to say, that we welcome the openness with which the paper deals issues and problems related to data collection and management within the Fund itself. I would like to focus my remarks on four issues of particular importance to this chair.

First, as regards the involvement of national statistical experts, we do indeed believe that further reviews of the Fund's statistical policies along the approach chosen in the papers before us would be desirable. At the same time we would suggest that national statistical experts be involved at an early stage of future statistical policy reviews. In this context I would like to offer two specific proposals. I understand that a first complete draft of the new Manual on Monetary and Financial Statistics is expected to be circulated to members at the end of 1995. This revised version is planned to be reviewed in early 1996 by a group of experts representing all Fund constituencies. I would sincerely hope that national experts will have sufficient time to review this draft thoroughly and to make their recommendations. Furthermore, I wonder whether the request of the Interim Committee for proposals of standards to guide members in the provision of data to the public might not best be served by asking our national experts to have a first round of discussions on the basis of a draft by the staff before this issue is brought to the Board.

Second, on statistical support for surveillance and country programs and the question of how statistical problems in countries should be brought to the attention of the Board, this issue was dealt with at some length in our discussion on April 3. The staff paper before us provides us with a fair summary of that discussion, namely that Directors called for a specific assessment of data quality, coverage and timeliness in each Article IV report to be submitted to the Board in the coming year. I concur with the staff, however, that there are no uniform standards of data quality and that careful assessment and judgement are called for

in each country situation. Regarding the further issue of statistical aspects of programs supported by the use of Fund resources I would like to repeat what we said on April 3: "It goes without saying that for program countries the purchase of credit tranches should be conditional on the timely and comprehensive report of statistical data." I fully agree with the staff that if and when statistical inadequacies impede monitoring of the program appropriate measures to be taken might include establishment of structural benchmarks, qualitative performance criteria and even prior actions to correct serious statistical deficiencies. In this context I found the examples of benchmarks and performance criteria that have already been included in Fund programs very helpful.

Third, as to technical assistance in improving member countries' data, we share the staff's view about the importance of technical assistance in improving the quality, timeliness and coverage of member countries' data to support fund surveillance. We welcome the more comprehensive approach adopted in recent years that has obviously enhanced the effectiveness of the technical assistance program. We welcome, in particular, the introduction of multisector missions at the end of the 1980's which were certainly particularly useful in addressing the problems of countries in transition but also in developing countries. I was surprised, however, to learn from Table 1, page 27, that the share of multisector missions within total missions has declined considerably since financial year 1992. Perhaps the staff could comment. The use of consultant experts to provide short-term but also long-term assistance was a further important development in improving the effectiveness of assistance in statistics. But here it is more interesting to hear the positive appraisal of Mr. Shaalan and others.

Fourth, regarding greater use of financial market data, at its recent April meeting the Interim Committee has, for obvious reasons, noted the Fund's intentions to make greater use of financial market data. I was a bit disappointed that this aspect of the staff's work has not found greater attention in the otherwise comprehensive staff report. Perhaps the staff could provide us with more detailed information on its intentions regarding greater use of financial market data. Does the staff regard the existing statistical material on financial markets as sufficient?

Mr. Kiekens made the following statement:

Today's discussion of the Fund's statistical policy gives us an opportunity to review what has been done in the past and consider much needed improvements. If the staff's candid documents had only a single lesson, it would be that there is much

room for improvement in the area of statistics, which is a critical tool for the Fund's surveillance function and whose improvement has been identified as a priority by the Interim Committee.

The Executive Board, the staff, management, and the membership broadly agree that timely, accurate, and well-organized macroeconomic statistics are essential to the Fund's analysis and surveillance functions. But wholehearted agreement on basic principles does not always yield satisfactory results. A possible reason is that up to now most statistical activities have taken place in a decentralized and flexible environment. This approach has its advantages but today there is also a need for more coordination, standardization and regulation in order for the basic principle to be put into practice. There are basically three ways the situation can be improved: Establishing formal rules for the data members provide to the Fund, the management of data in the Fund itself, and establishing a code of conduct for the public release of data by member countries.

Formal rules for the provision of data must specify the reporting requirements of each member country, but broadly enough to cover divergent situations and furnish a basis for requiring additional information where circumstances warrant. To establish these reporting requirements, the questions what, when, and where need to be answered.

On the "what" question, these rules should define a basic set of data and tables to be provided by the authorities of each member country. This shouldn't be very difficult, as such data represent the backbone of every Article IV consultation report, but will require the staff to do a significant amount of work on harmonization and standardization. The staff's documents for today's discussion indeed show that at present there is no common presentation of data in the Fund and that great differences exist between Article IV consultation reports.

The "when" issue is more difficult. What kind of time lag is acceptable for data provided to the Fund? As to the issue of lags in data availability, I am not sure that the measurements reflected in Table 3 are really relevant. The staff measures this lag by looking at delays in the published data equal to or greater than the average delay plus one standard deviation. This method involves two biases: first, all countries are placed on the same level, and second, this measurement takes no account of quality and collection methods. In my view it would be better to compare homogeneous groups of countries with similar data collection methods and data quality, and to compare the lags in data provision with the best performing country. In any case, the

results shown in Table 3 are not very good: almost one country in two has at least one significant data publication lag.

The Fund should also have some system for measuring the quality of data. A measurement method might be developed in connection with the establishment of rules and standards. A judgment based on good/average/bad would suffice, at least at the beginning. Interesting conclusions about the value of the Fund's work might also emerge from studying the behavior of data lags and data quality over time. This might involve listing countries with lags in time or quality, giving the reasons for the lag, its effects and its subsequent behavior. Such lists could perhaps be discussed in the Board.

The question where is related to the first question. Till now, member countries report data not only to the statistical department for the IFS publication, but also to the desk economist. For the sake of consistency and economy, I suggest that we agree on a single channel for countries to report data to the Fund. Such an agreement would improve the relations between the Fund and member countries.

Addressing all these questions will not by itself produce a steady flow of limpid data, however. Based on its long experience, the staff therefore proposes including, when warranted, in the conditionality for program countries, structural benchmarks or performance criteria for providing the Fund with data necessary for monitoring the program. I concur with Mrs. Wagenhofer's assessment that this could be useful. However the requirement to provide data is not confined to program countries, but also applies to the others. Enforcement through conditionality is only temporarily effective, as we see from the many countries whose data provision improves during a program but lapses afterwards. Improving the availability of data should be considered as a structural issue applying to all member countries. Conditionality should be seen as a complement to other ways of improving data quality and availability. I would argue that a normative system has to be developed which would apply to non-program countries as well. Indeed, what use is it to have Article IV consultations if the staff mission is not provided with the data required to fulfil its task?

The Fund's internal management of the data it receives from countries is beset by several long-standing issues and problems, ranging from duplicate data collection and limited data sharing to a lack of harmonization in the multiple data bases and inadequate data management guidelines and standards. The Fund's management of its data badly needs improvement, which would likely pay for itself in budgetary savings and better data.

As Mr. Link points out in his written statement, fully 15 to 20 percent of staff resources are absorbed by statistical activities. Eliminating redundancies and enhancing the transparency of data management could bring substantial economies. As these problems were already identified in the 1986 paper reviewing the Fund's statistics, they evidently resist solution at the practical level. Let me suggest a few ideas.

First, it does not seem reasonable to expect that the parochialism of various individual departments can be eliminated without assigning personal responsibility for addressing it. Consistency between the various data sets will not emerge automatically from discussions at the working level, especially as information available to one department may not be communicated to all other departments. I recognize that the multiple country data bases serve different purposes, and that some are more forward-looking than others. But it should still be possible to integrate all the databases into one. Second, there should be an internal review process to identify and analyze problems and report to Management. And finally, management should seek ways of promoting closer relations between the area departments and the Statistics Department in order to realize the holistic approach developed by Ms. Srejber in her statement.

Regarding the public release of data, the Interim Committee has also emphasized the importance of timely publication by members of comprehensive data, and has asked the Board to work out a code of conduct to guide members in the public release of data. Such a code would go far to ensure the provision of adequate information to the public and the markets. Today, however, we are concerned only with the issue of data publication by the Fund. Let me note here that I myself have been struck by certain inconsistencies in published Fund documents. The publication of background papers, indeed, has given public exposure to the inconsistencies among the Fund's various data bases. This shows how important it is to make progress on the data management inside the Fund. Although I share Mr. Shaalan's appreciation for the often underestimated contribution of the Statistics Department to the development of international methodologies, I still think there is room for improvement in the Fund's collaboration with other international institutions. The Fund's and the World Bank's data on debt, for example, often differ.

One last point on the Fund's statistical policy is that, as counterpart to the members' increased obligations for providing data, the Fund should be ready to support countries by providing technical assistance and by organizing statistical courses. The cost effectiveness of such technical assistance and training could be increased by penalizing countries that receive them but make no effort to improve the data they provide to the Fund. One way of

doing this might be to ask these countries to pay part of the costs of any additional technical assistance. This would enable the Fund to recover the costs of this assistance while continuing to be liberal in its provision.

Much of what can be done to improve the statistical policies of the Fund will likewise improve its surveillance. And just as strengthening the Fund's surveillance will require continual efforts over a long time, so will the task of refining and strengthening the Fund's statistical policies and its management of data. These complex and changing issues should be scrutinized on a regular basis.

Mr. Ismael made the following statement:

Frankly speaking, my feeling is that the papers at hand are rather backward looking, in the sense that they are predominantly reviewing the present ongoing Fund statistical policy and practice. I believe what is needed is a forward-looking paper: a paper that outlines the measures that need to be undertaken to improve the present "state of affairs," thereby better assisting the Fund in meeting its surveillance, analysis and dissemination responsibilities. In this regard, it is most unfortunate that the suggestions on further work on data collection and their dissemination raised at Board discussions on surveillance and capital market developments have not been pieced together in the present papers. Had this been done, they would have provided us now with a much better basis on how the Fund could improve its current statistical work. In this regard, my view is in line with what is stated on page 1, paragraph 4 of Ms. Srejber's statement.

As far as I am concerned, during recent past discussions, there was a consensus that accurate, timely and comprehensive statistics are the essential ingredients for effective surveillance and policy formulation in member countries. In addition, the issue of how such data could or should be provided by member countries has been extensively discussed. Therefore, what is actually needed at this stage is not so much to rediscuss the same issues all over again, but to translate those available suggestions into operational terms.

Nevertheless, in an attempt to address the specific issues posed by the staff, I will refrain from recapitulating the suggestions made in the recent past. Rather, let me here, with the exception of the introductory paragraph and the last sentence of the concluding paragraph, associate myself with the views of Mr. Link in his statement, as these views, in general, sufficiently reflect the suggestions made in our previous discussions. However, in endorsing Mr. Link's statement, I can

align myself with Mr. Shaalan's three caveats on page 2 in his statement; these caveats are well taken.

Mr. Al-Jasser said that it would not be fair to blame the Statistics Department for failing to address the issue of financial market data. The Research Department, the Policy Development and Review Department, and the area departments should clearly define their financial market data requirements, and the Statistics Department should help to obtain and manage that data. He wondered whether the Fund had determined what kind of financial market data would be required to supplement its existing database.

Mr. Mesaki made the following statement:

There are not many opportunities to pay attention to the Fund's statistical activities, despite their importance. Therefore, I very much appreciate that comprehensive papers on this issue were prepared for the Board discussion. As I share most of the views expressed in the papers, I limit my comments to certain specific areas.

From the viewpoint of strengthening surveillance, a big challenge for the Fund, the pressing task is to improve the quality, coverage, and timeliness of data collected from member countries. We have already discussed how we should try to achieve it; statistical inadequacy will be addressed more fully in future staff reports on Article IV consultations; if inadequate data availability is due to deficiencies in the statistical systems of member countries, technical assistance will be provided; and if the problem comes from a member's reluctance to provide available data, a graduated approach will be taken to persuade the authorities. As the staff paper indicates, establishing structural benchmarks, qualitative performance criteria, or prior actions may also be effective to promote the speedy correction of serious statistical deficiencies. Although I recall that, at a previous Board meeting, some directors emphasized that there should not exist separate standards of data requirement for program and nonprogram countries, establishment of benchmarks and the like in designing programs is not inconsistent with this argument, as this is merely a matter of methodology.

On data publication, we will have a separate discussion in the near future. At this stage, I would just like to express my preliminary opinion that, while the staff should encourage the application of G-10 standards, the immediate task will be to promote timely publication of the ten core indicators by all member countries. The word "timely" is not easy to define, but it seems realistic to refer to the practices of G-10 countries, in accordance with the previous discussion. The measures for improving data reporting to the Fund may also be applied for this purpose.

As to technical assistance, I welcome the introduction of multisector missions and external consultants, which I believe are useful particularly for transition countries. I agree with the staff that there is room for improvement in the evaluation of effectiveness of technical assistance. Follow-up on countries' implementation of technical assistance recommendations and oversight of ongoing long-term assistance projects are certainly useful. The ongoing external assessment of technical assistance activities by Monetary and Exchange Affairs Department may bring additional ideas. I also welcome the fact that, in the area of training, regional courses are bearing fruit. I have the impression, however, that the significance of regional courses may decrease gradually, as building-up of institutional framework for data collection shifts from the diagnosis phase to the implementation phase. I furthermore agree with the staff that concentrated courses in statistics for the Fund staff should be established.

A brief comment on data management technology. It seems to be a big issue not only for the Fund but also for many member countries how to integrate the mainframe-based data base with the desktop PC environment. Therefore, if advice from the external consultant contains some elements which may be universally valuable, we would like to be informed of them.

Before conclusion, I would like to express my impression that it will not be an easy task to pursue the statistical policies stipulated in the staff paper within the framework of budget consolidation.

Mr. Waterman made the following statement:

Like many others, I welcome the initiative taken by the Statistics Department in presenting a strategic overview of such a key element of the Fund's activities. As Mr. Al-Jasser has commented, periodic overviews such as this are of great importance if key areas for management and Board attention are to be highlighted. The frank recognition of problems and challenges the Fund faces in the statistics area is also appreciated, as is the effort going into resolving the problems identified. Mr. Ismael is a bit tough on the backward-looking nature of the papers. The discussion of the important links between statistical work and the Fund's other activities--particularly surveillance--is not surprising but nevertheless illuminating. This approach of considering how work in the statistical area can better support surveillance could be applied to other areas of the Fund's activities.

The paper suggests there is scope for considerable gains in efficiency and effectiveness from better data management and

handling practices in the Fund. The staff might like to comment on what they see as the higher priority use of additional resources across the various activities such as data collection and management, the development of standards, technical assistance, training, and publications. Looking at the issue from another perspective, are there activities which might be scaled back at the margin to accommodate an increase in resources going to the higher priority areas?

In his statement, Mr. Shaalan has provided a useful framework for considering the issues raised in this paper in terms of his division of the issues into internal data management and what is required from member countries.

In terms of internal management, I agree with most of what Mr. Shaalan has to say and the benefits that are likely to flow from the proposed changes, including the application of general guidelines at the departmental level to ensure greater consistency, to avoid loss of institutional memory and to avoid unnecessary duplication. At the same time, I have some sympathy for the need for individual departments to be given some discretion at the margin in terms of what they collect, given the ongoing divergence we can expect in the quality of and methodology used by countries in data systems. It is important, nevertheless, for the staff to continue to note in Article IV staff reports where improvements are required in terms of quality, coverage, and timeliness--possibly including recommendations on how that might be done.

In terms of country data requirements, Mr. Shaalan makes a good point that it has taken the G-10 countries many years and considerable resources to develop their present information systems so we cannot expect improvements overnight in other countries. We do need to recognize differences in levels of statistical capability and the varying scope for integration of statistics. But I'm attracted to the idea of agreeing a basic set of data requirements as part of membership of the Fund based on agreed methodology and aiming to meet, in time, a basic quality level. To be useful, key data need to be produced on a timely basis. In terms of technical assistance, there may well be a case for providing more assistance, if used effectively, to those countries with Fund programs but we'll never know where future problems are going to arise so it is important to bring a longer-term perspective to all this. All members need to produce a basic set of economic data that is relevant to the Fund's interests. I would be interested in any comments the staff might be able to make on what changes the Technical Assistance Committee has in mind to assist in the evaluation of the effectiveness of technical assistance.

We are not averse to the suggestion of making data improvements as structural benchmarks in certain program countries, especially if these improvements would be critical to the evaluation of program performance. But a careful evaluation of the feasibility of implementing the statistical improvements within the desired timeframe obviously has to be made.

It is useful to recognize that improvements in statistics can flow from reforms in other areas, particularly when such potential benefits are allowed for in program design in such areas as taxation and other administrative systems. I suspect this is particularly so in transition countries.

Looking to future statistical needs, some measures of the speed of structural change in member countries could be useful, given the importance of structural reform to overall economic performance although I am the first to recognize the conceptual difficulty in that area.

Finally, I can understand authorities' reluctance to publish data when they are in the process of developing a new economic series but, once that stage has been completed, we should expect the publication of the data on a timely basis. We are basically talking about a public good here and the usefulness and quality of the data will only be tested fully if it is put into the public arena. I do not believe that much, if any, of the aggregate data that we would want on a country's economic performance could be described as being confidential. As Ms. Srejber has commented, stopping or delaying the publication of important data can result in policy responses also being delayed or muted with undesirable consequences for markets when they finally become aware of the situation.

Mr. Shields said that the staff report showed only the costs incurred by the Fund, including the number of staff-years allocated to maintaining international standards and the proportion of total staff time devoted to the collection of data. Careful consideration should be given to all the costs incurred by member countries in providing data to the Fund, including for the improvement of data collection and publication. Such estimates would indicate the opportunity costs of redirecting resources in member countries to improving data provision, in comparison with other priority areas. The Fund should establish benchmarks for the supply of statistical data only after it had carefully considered the total costs involved. In any event, the need to direct resources toward the provision of high quality data needed for surveillance should be given the highest priority.

Mr. Zhang made the following statement:

I wish to commend the staff for its comprehensive and constructive assessment, which provides a sound basis for a review of the full range of the Fund's statistical activities in the effort to strengthen surveillance. The integrated approach is appropriate as it helps the Board both to identify relevant problems and envisage suitable solutions.

I fully agree with the staff that high-quality, timely, and comprehensive data are an essential ingredient of policy formulation in member countries and critical for the Fund in exercising surveillance over member countries. To ensure the effective functioning of this cooperative institution, there is no question that each member is obliged to do its best to furnish the required data. The recent staff survey on the availability of data was a useful exercise in addressing data deficiencies. While I understand the importance of comprehensive reviews of statistical policy, I believe follow-up country-specific reviews of data deficiencies jointly by the Statistics Department and country desk staff would carry this process much further. Such specific reviews should aim at finding feasible solutions as well as the causes of the deficiencies which I believe to be mainly technical. If this is the case, then an appropriate solution lies in well-targeted technical assistance rather than peer pressure.

Regarding the role and delivery of technical assistance to improve the quality, timeliness, and coverage of member countries' data in supporting Fund surveillance, we see the use of multi-sector missions as a good approach to improve the effectiveness of technical assistance. Missions consisting of staff from the Statistics Department and area departments will certainly be able to make more comprehensive and constructive evaluations of statistical problems. As the lack of skilled personnel is a major weakness in some members' statistical infrastructure, well focused and coordinated training has proved very useful, especially in those countries whose accounting and statistical systems are undergoing transition. Considering the Fund's budgetary constraints, limited physical facilities, and the great demand for such assistance, external training, whether regional or country-specific, appears cost effective. Furthermore, training outside headquarters tends to achieve greater involvement and attention on the part of the authorities.

With regard to data collection and management, while I appreciate the staff's efforts, I see considerable room for improvement in this area. Country-specific reviews, as I suggested earlier, may also result in better data management within the Fund through optimizing data sharing and reducing duplication of reporting requirements by the different department.

I endorse the staff's intention to consolidate the regular data reporting of area departments and the Statistics Department into a single system. Where there is duplication of reporting requirements, members are likely to be confused as to which department they should report. The fact that the latest GDP data in the May 1995 issue of IFS for more than 55 members, including some program countries, reflects only that from 1992, or earlier, suggests that untimeliness may have resulted in part from inadequate data sharing. I would appreciate it if the staff could explain why GDP data in staff reports for Article IV consultations are not reflected in the IFS in a more timely manner. In some cases, the lags appear as long as a few years.

Regarding data dissemination, the Fund's principal statistical publications, including the International Financial Statistics, Balance of Payments Statistics Yearbook, Direction of Trade Statistics, Government Finance Statistics Yearbook, and the World Economic Outlook, have been very useful and should continue to serve the Fund's mandate, pursuant to its Articles of Agreement. Timely publication of comprehensive data by members is certainly desirable. However, in setting our goals, we have to take into account infrastructure constraints. Although it would be difficult to apply, at least in the near future, uniform standards of data publication to all members, we, nevertheless, welcome the recommendation and technical assistance aimed at increasing data availability to the public. In this connection, I fully share Mr. Shaalan's view that it would not be useful to add any new conditionality when addressing data programs in program countries.

It has been heartening to see the growing statistical activity in recent years. I welcome the orientation of statistical technical assistance toward more direct support for Fund surveillance and adjustment programs. However, I wish to point out that the fundamental benefit and the ultimate goal of such technical assistance should be to strengthen members' capacity for self-surveillance.

Finally, I wish to take this opportunity to express our appreciation of the Fund's technical assistance to China. Despite considerable difficulties, particularly inadequate infrastructure and changes in accounting systems, great progress has been made in terms of the quality, timeliness, and coverage. My authorities are reviewing ways to enhance the country's data reporting system. Such efforts and further expected improvements reaffirm my authorities' commitment to help maintain the smooth functioning of the international monetary system.

The Director of the Statistics Department said that the staff had taken steps to involve experts from member countries in the preparation of the

Manual on Monetary and Financial Statistics. The draft chapters of the manual had been made available to the national experts, and a large number of useful comments had already been received. A meeting of national experts would be held in due course to finalize work on the manual. A similar approach would be adopted in the revision of the Government Finance Statistics Manual.

The shift from a mainframe to a personal computer (PC)-based data management system would make an important contribution to the Fund's electronic data processing (EDP) work, the Director noted. After extensive investigations of other institutions, the Statistics Department had determined that assistance from outside experts would be essential for managing the transition to a new system. The development of appropriate commercial software had enabled the national statistical offices of Australia, Canada, and the United States, as well as several international organizations, to shift to PC-based systems. A consultant would be appointed to review the statistical work of the Fund, identify specific requirements of different departments, and recommend a suitable commercial EDP system. From the perspective of promoting greater efficiency in data management, the shift to a PC-based system had a high priority.

The Fund's Economic Information System (EIS) was outdated and difficult to access, the Director remarked. Cost-effective means for sharing information in the EIS were urgently needed. By end-1996, the Bureau of Computing Services intended to complete the transition from the Fund's current computer operating system (DOS) to one based on the Windows operating system. It would be desirable to accelerate the work on the replacement of the EIS--which was not expected to be completed before the year 1999--to coincide with the shift to the Windows operating system.

The Statistics Department's database--including the EIS--had several safeguards to ensure confidentiality, the Director noted. In the design of a new database, high priority would be given to preserving the confidentiality of information such as on the currency composition of foreign reserves of countries, and international banking.

The increasing need for financial market data had been under review since the previous discussion on data provision to the Fund in April, the Director said. The staff of all involved departments were investigating various aspects of financial market data requirements, particularly in the context of increased emphasis on surveillance. In general, information on stock and bond markets, specific capital markets, yield curves, and related data would be needed by desk economists in area departments and by the staff in functional departments. As soon as the specific financial market data needs were identified, consideration would be given to their collection and management in the context of the existing databases of the Fund.

The holistic approach had been associated with the idea of a single channel for either data collection or the maintenance of a single database, the Director stated. The complex issues related to the provision of data to

the Fund and the benefits of establishing a single channel for data collection had been discussed on many previous occasions. During Article IV consultations and missions related to the requests for use of Fund resources, the staff might need specific data pertaining to the issues under discussion. For example, area department missions might have a great need for monthly production data in key sectors of the economy. While the Statistics Department maintained a database comprising of 1.6-1.7 million time series--which were part of a general data reporting requirement--it had no need to collect monthly data on such matters as agriculture production in member countries.

The staff was considering ways to achieve economies of scale through a better coordination of data reporting activities, the Director observed. For example, a computer link had been established between one industrial country and the Fund for providing data to the Fund. Similar computer links could be established for those countries with well-structured, established statistical systems and sophisticated electronic reporting capabilities. The Bank for International Settlements (BIS) had established an effective link with central banks of its member countries, which provided instantaneous, two-way data exchanges, for both reporting and reviewing.

Ms. Srejber said that the "holistic approach" would help to identify the statistical functions of the Fund and select the best methods to perform them. In that context, the Fund's current focus on techniques for maintaining a single database would not address the fundamental issues. Instead of analyzing the details of the existing statistical system in the Fund, the Board should take a comprehensive view of the global issues at hand. During the decade since the previous review of statistical methodology, many changes had taken place in the Fund's statistical system. She agreed with Mr. Ismael that a new study was required to take into consideration the broad issues related to data provision.

Both the Fund and the member countries would have to incur additional costs in order to shift to a new statistical system, Ms. Srejber stated. As 15-20 percent of the resources of the Fund were spent on statistical work, substantial cost-savings could be realized through the implementation of a more efficient system. The Bank of Finland had been able to achieve considerable savings in manpower and financial resources by modernizing its data reporting and processing systems. The publication of some documents, which was an integral part of the maintenance of the Fund's database, had not contributed significantly to an increase in overall statistical costs.

The Director of the Statistics Department responded that the need to provide area departments with sufficient flexibility to conduct their work was the most important consideration in adopting a single database for the Fund. It was hoped that, under the more efficient system of data management envisaged, the data collected by area departments could be readily integrated into the Economic Information System, or its successor.

The identification of priorities in the Fund's statistical activities involved many complex issues, the Director noted. In the broad framework of the medium-term budget--which provided some scope for allocating additional resources to the compilation of statistical data--priority should be given to improving the coordination of statistical activities. While the improvement in technology was not expected to achieve large savings, the installation of the envisaged new statistical system should enable the Fund to realize substantial efficiency gains--which should facilitate a reallocation of resources to other areas. Although the data needed for surveillance should receive the highest priority in the statistical work of the Fund, careful consideration should be given to all statistical operations of the Fund to identify other priorities.

After the sudden increase in the demand for multisector technical assistance missions that had followed the influx of new members--especially from the Baltic countries, Russia and the other countries of the former Soviet Union, the overall number of technical assistance missions had declined to a more manageable level, the Director remarked. In response to requests from some transition countries, the Statistics Department had placed several resident advisors on long-term assignments to help new members develop their statistical systems. Fund technical assistance to old member countries on statistical matters had also increased slightly in recent years.

The Fund emphasized the importance of effective follow-up work to support the technical assistance that had been provided, the Director noted. Continuous interaction between the staff and the authorities of member countries was crucial to ensure the effective utilization of the assistance given. In particular, the Fund encouraged member countries to address immediately problems related to the lack of coordination among related agencies and deficiencies in statistical infrastructure. The lack of coordination among statistical agencies--such as the national statistical office, the central bank, and the ministry of finance--was a serious problem in many countries. Improvement of infrastructure--including the legislative framework for statistical work--also received high priority in the Fund's technical assistance activities.

As part of the follow-up work, the Statistics Department had attempted to organize comprehensive staff visits to countries to evaluate the provision and utilization of technical assistance, the Director stated. However, the number of such visits had been limited, because they had increased the costs of providing assistance. Furthermore, the efforts to enhance supervision at the country level had reduced the resources available to meet new demands for technical assistance.

Statistical agencies in member countries needed to secure budgetary allocations, in order to obtain the skilled manpower and other resources required for improving their work, the Director remarked. More important, Governments should ensure that the statistical offices or related agencies were provided with the primary data needed to do their work.

As regards training, the first six-week course on national accounts would be given in late 1995 at the IMF Institute, the Director noted. Following the completion of that course, the Statistics Department would ascertain whether it would be possible to shorten the course to about three weeks for the purpose of providing regional training courses. The course on macroeconomic statistics for users, which had been given only at the Joint Vienna Institute, could be conducted at the regional level, if a sufficient number of countries would be interested.

Mr. Shields said that it was not clear how and to what extent the Fund's publication costs were covered in the Administrative Budget. In the past, questions had been raised whether some publications--including the Direction of Trade Statistics--could be issued less frequently, in order to reduce the total publication costs to the Fund.

Problems associated with data management and computer technology had limited the progress toward enhancing coordination between the Statistics Department and the area departments, Mr. Shields remarked. As Ms. Srejber and Mr. Ismael had pointed out, perhaps a further study should be presented to the Board on coordination of statistical activities within the Fund. While the transition to a new EIS would take time, the Board could begin an overall review of the Fund's statistical system and the means of coordinating the statistical work of various departments.

The Director of the Statistics Department replied that it was difficult to estimate accurately the Fund's expenditures on all statistical activities, because they cut across functional and area departments. However, such expenditures may account for about 15-20 percent of the total budget of the Fund.

It was envisaged that the consultant's report on the Fund's data system would be completed in about six to nine months, the Director noted. During that period, the staff would keep the Board apprised of the progress made and the broad direction of the Fund's statistical work.

The staff representative from the Statistics Department said that cases of severe reporting lags for data published in the IFS were given in Table 3 of the staff report, while Table 4 showed reporting lags for all member countries.

The Fund's statistical publications were based on certain standards that had been maintained over the years with the help of statistical correspondents in member countries, the staff representative observed. Using those standards, the Fund compiled broadly comparable data for member countries and published them in the IFS. The data generated in the Article IV consultation process did not follow the same standard IFS methodology, and the quality and adequacy of such data varied from one area department to another, and from one mission team to another. In the case of Article IV consultations--where the presentation of timely data was of primary importance--there was a frequent need to use estimated data.

Nevertheless, the Statistics Department was investigating the possibility of publishing more operational data in the IFS, the staff representative noted. The use of operational data would enable the Fund to produce indicators that reflected the authorities', or the staff's, best estimates of important economic variables. However, there were several problems connected with the use of estimated data. While the IFS provided a comprehensive coverage of all the information included in the Fund's database, the information generated by the Article IV consultation process would cover only part of that database.

Mr. Newman considered that it would not be prudent to insist on the publication of only complete and comprehensive data. In that context, he wondered whether "a little information was worse than no information." As the Fund had decided to publish the background papers on recent economic developments in individual countries, member countries might agree to publish more data in the IFS, including those compiled during the Article IV consultation process.

The staff representative from the Statistics Department replied that the Fund used uniform guidelines for all its publications. It would not insist on the provision of comprehensive data, and would publish estimated data, provided they conformed with the standards of the IFS. However, it would be difficult to combine operational data with those presented in the IFS, owing to differences in coverage and methodology. For example, the public finance data presented in various staff reports on Article IV consultations could be based on budgetary accounts that covered either the general government or a broader group of public sector institutions, while the IFS reported data on general government. The publication of the data made available from Article IV consultations--without modification to conform to the IFS standards--in the Fund's statistical publications, could be misleading.

Mr. Shields said that monthly data were crucial for the Fund's surveillance work. Although GDP was one of the core indicators that had been identified for surveillance purposes, very few countries were capable of providing GDP data on a monthly basis. Among industrial countries, several compiled national accounts on a quarterly basis. In that context, he wondered whether countries should be encouraged to move toward the best current standards.

The staff representative from the Statistics Department replied that the frequency of data reported to the Fund varied a great deal among countries. Many countries could produce international reserves data on a daily basis. However, most countries provided the Fund with monthly data on international reserves, monetary accounts, consumer prices, and trade flows. Only a few G-10 countries compiled national accounts and balance of payments data on a quarterly basis, as it was beyond their capacity to produce such data on a monthly basis. Many industrial countries had encountered problems in their efforts to produce a full set of national accounts on a quarterly basis. For example, less than half of the European countries maintained

regularly current financial accounts, and several had not been able to provide quarterly data on a consistent basis. In that context, the Fund should be guided by reasonable standards of data availability and their supply to the Fund.

Mr. Schilthuis made the following statement:

The staff paper, which discusses at length and in depth the Fund's statistical policy, provides a useful picture of the work undertaken and progress made in this field and of the issues and problems that are involved.

The efforts being undertaken by the staff to improve data quality should obviously be supported. Concerning the quality of data generation by members, Fund technical assistance is a valuable instrument for creating improvements.

When the staff encounters data problems in member countries that are not due to a lacking data generating capacity, this can best be brought to the attention of the Board along the lines of the "graduated approach," which was discussed in the Board earlier. With respect to the final step in the graduated approach, namely, consideration of the matter by the Board either at the time of the Article IV consultation discussion or in country matter sessions, it can be reiterated that in the case of Mexico, reporting of the "data arrears" during the Article IV discussion would have been too late to realize the arising problems. This would argue for bringing the problems to the attention of the Board during the more frequent country matters discussions. On the other hand, summings up of Article IV discussions could also serve as useful vehicles to signal concerns to member countries.

The staff paper notes that staff is currently preparing a document on the Interim Committee's request for the establishment of standards for publication of data by countries. With respect to concerns that have been expressed about the feasibility for certain members to achieve G10 publication standards, it would indeed seem illogical to demand from countries, data which they are unable to generate. Countries should be allowed time and technical assistance to reach the required standards. However, the issue is that part of the difference in reporting standards between G10 countries and other countries is not really explained by a difference in the capability of generating the data. In this area, generally accepted standards could quickly result in a better provision of data by a number of countries.

As shown in table 4 of the staff paper, the involvement of a country in a Fund-supported program has a positive effect on its provision of data to the Fund. Nevertheless, even for the group

of program countries, quite large lags can occur in data reporting. I wonder whether the staff uses internal criteria for acceptable lags in data reporting. In this respect, the use of aspects of conditionality to address serious data problems in program countries can be welcomed.

With respect to the value of the Fund's work in the field of statistics, it can be said that Fund surveillance is executed largely through the analysis of economic data. Without timely or accurate economic data, proper surveillance is not possible. Therefore, to fulfil its mandate, it seems appropriate that the Fund involves itself in statistical activities, among others resulting in the development and maintenance of international statistical standards.

The staff paper rightly notes the importance of the new publication, A System of National Accounts-1993 and the fifth Balance of Payments Manual, which are major achievements with a global impact on the harmonization and improvement of national account and balance of payments statistics.

Concerning the developments in technical assistance, the employment of multisector missions is appreciated as an efficient tool, especially in the transition countries. Regarding the assistance itself, I wonder whether data base management in the receiving countries forms an integral part of the assistance, as it should in our view. We consider the courses recently started in the Joint Vienna Institute especially targeted at the users of macro-economic statistics, as a very useful complement to the existing training programs organized by the Fund.

Altogether, the staff's approach set out in the paper is worthwhile in giving an overview of the developments taking place in the different areas that are related to Fund statistics and the issues involved. Future reviews of statistical policy would thus be desirable.

Mr. Lanciotti made the following statement:

I would like to thank the staff for the paper before us which provide useful and thorough information about one of our institution's crucial activities.

It is interesting to note how the rapid evolution of the international economy in recent years has affected every activity in the Fund, involving a tremendous effort to change and adapt the existing procedures to new and challenging requests and needs.

I agree with the basic distinction, made in the document, between the areas in which statistical activity has been more

largely affected: support for surveillance; data management; and training. While addressing the issues for discussion proposed at the end of the main paper, I will continue to keep in mind these three areas as the most significant and relevant.

The subject we are discussing today is extremely important. The paper's aim of integrating the individual statistical activities into a unified framework is very ambitious and it certainly deserves consideration, and encouragement, given the extreme complexity of the problem as described. This calls for a more frequent discussion of the issues involved, and further work by the staff, as the present review is only preliminary.

I will not repeat the arguments in favor of the crucial relevance of the availability of relevant statistical information as a basic element for strengthening surveillance, and I cannot but agree with the staff paper on the Fund's statistical policy that the Executive Board determines the information "that is necessary for the discharge of its activities or for the conduct of meaningful surveillance."

I am still of the opinion that the contents of Article VIII, Section 5, of the Articles of Agreement, as well as those of the 1977 Surveillance Decision, should be given the most flexible and open-minded interpretation. At the same time, I share Mr. Autheman's view that our objective should be that all industrialized countries meet G-10 standards of timeliness and detail, and that all members meet program country standards of timely provision of key data.

I find well-focused the issues and problems listed under the broader category of data collection and management. In this context, I am convinced that it is worthwhile to devote particular energy to address problems such as: duplicate data collection activities and limited data sharing; the existence of multiple data bases and limited data sharing; deficiencies in technology for processing and sharing data; and inadequate data management guidelines and standards. In this respect, I endorse the recent staff initiatives aimed at improving the situation, and I expect that a continued effort will be both useful and rewarding.

Coordination among the various Fund departments may prove to be crucial as far as duplication is concerned. Table 3 is particularly illustrative in that respect, as it shows significant time lags in the provision of statistical information by a large number of countries. Should the availability and timeliness of data be as poor as that therein reported, then the problem, and its implications on surveillance, would be even more pressing and concerning than it actually is. I have serious doubts that this is the case, and I am sure that the coverage available to the area

departments is much more satisfactory in many cases, as it is, for example, in the case of Italy. I am confident that a larger degree of cooperation between member countries and the staff will help overcome this difficulty.

My view is confirmed by the section of the staff paper on statistical activities on departmental statistical practices. In that interesting and well-documented section, I learned that a number of departments maintain their data bases independently from the other departments, and that, beginning in the 1960s, a number of efforts have been undertaken to strengthen the Fund's work in data collection and management.

Indeed, I find it surprising that inefficient practices like duplicate data collection activities and limited data sharing still persist, as reported in the staff paper. I wonder, therefore, whether the Board should be regularly informed about the activity of the Interdepartmental Working Group on Data Management (IWGDM).

Finally, I would like to express my endorsement and my encouragement of technical assistance in improving the quality, the coverage, and the timeliness of data provided by member countries, and I agree that efforts should be devoted to improving the effectiveness of technical assistance. I also welcome the activity of the Statistics Department in developing an internationally applied methodology in a number of important areas, and, in this context, I join Mr. Shaalan in commending the staff for such an important effort.

Mr. Mojarrad made the following statement:

The staff deserves commendation for producing timely and very useful papers on the statistical policy of the Fund. Encouraging progress has been made over the years in a number of areas including improvement in data collection and management, statistical methodologies for data compilation, and technical assistance and training. It is to the credit of the Fund's management and staff that, despite budgetary stringency and resource constraints in recent years, major statistical activities have been undertaken.

Turning now to the issues for discussions, we find the approach adopted by the staff useful and see three major benefits associated with it. First, it provides an overall view of all elements of statistical activities of the Fund and illustrates the need for continued coordination and harmonization of these activities within the Fund and with international statistical organizations. Second, it identifies the problems and deficiencies of the current decentralized and flexible approach to

the data collection and management and emphasizes the need for further efforts to improve the efficiency of the current statistical practices. Third, it enables the Executive Board to assess the resource implications of the future work on statistics for the administrative budget. We can support this unified approach, and hope the present review is a beginning that would be updated periodically.

Regarding the statistical support for surveillance, the recent Board discussion on strengthening Fund's surveillance has further underscored the importance of developing appropriate statistical policy and maintaining a high quality and timely statistics. We concur with the staff that "timely, accurate, and well-organized macroeconomic statistics are essential to the Fund in order to carry out its surveillance, analysis, and dissemination objectives." These are equally crucial for policy formulation and monitoring policy implementation of member countries, as emphasized by Mr. Al-Jasser. We can support the suggestion of Executive Board regarding the staff's assessment of data quality, coverage, and timeliness in Article IV consultations, particularly for those member countries experiencing significant difficulties in complying with their obligations to provide statistics to the Fund. We believe that further data dissemination through members' own publications will promote utilization of that information by the users. This, in return, will help to generate more statistical data by member countries as it is the demand for data that generates supply of data in most countries. In addition, data quality issues need to be addressed by the staff through mission work, as well as through efforts in the development of statistical methodologies, technical assistance and training.

A number of recommendations have been made by the inter-departmental working group on data management that are expected to lead to improvements in data management and the optimal use of available technology facilitating data sharing across the Fund. While we can support these recommendations, we would like to request that the Executive Directors' offices be included in such data sharing system. Moreover, the internal review process can play an important role in supporting improvements in data quality. The confidentiality concern of member countries is also an important issue that deserves our attention. The staff paper touched on this important matter briefly, suggesting that Fund has always been mindful of such concerns and "provides appropriate safeguards to ensure that confidentiality is maintained." We sympathize with Mr. Shaalan's suggestion in this regard and believe it would be constructive if the staff could elaborate further on the "appropriate safeguards."

On international statistical standards, we would like to reiterate the important role that development and maintenance of methodologies have played in overall statistical activities of the Fund. We agree with the staff that their continued efforts in this area should ensure that they meet the changing needs of policymakers and should reflect a changing environment as well.

With respect to the technical assistance and training, the high and growing demand for technical assistance by member countries point to the need for devoting further resources in this area. We take this opportunity to reiterate our appreciation to the Japanese authorities for their continued financial support in this field. The Fund should give priority to meeting request by those member countries having deficiencies in producing good quality data caused mainly by the inadequacy of infrastructure in statistics. In this regard, further use of outside experts would be helpful.

The regional training courses have been very helpful as they have met the needs of countries in similar circumstances. It is expected that the demand for the new course on national accounts to be offered in late 1995 will be high, and we wonder whether such a course could be offered at the regional level as well? We also see merit in the regional approach to the course on macro-economic statistics for users. At the same time, we believe there is a need to train the Fund staff in statistical methodologies and basic approaches to data compilation.

Regarding publications, the wide circulation of the Fund's statistical papers and the papers on the world economic outlook point to the high demand for data by a variety of users. It is therefore in the Fund's interest to publish a larger volume of the Fund's operational data in statistical publications. In response to the call for greater openness, the importance given to the presentation of country data on an internationally comparable basis to reflect the quality, timeliness, and transparency of members' statistics in its publications is appropriate. While the highest priority is given to the widest coverage possible of member countries, we regret to note that there were 30 countries that were not covered in the 1994 Government Finance Statistics Yearbook because the data they reported previously were too outdated for publication. As we stated at the recent Board meeting on the provision of statistical data by members, providing information to the Fund is not only a requirement under the Articles of Agreement, but should be viewed as beneficial to the members in conducting their policy formulation. We sympathize with Mr. Shaalan's comment on the view of pressing countries to publish data through adding conditionality.

Finally, close collaboration with other international agencies in the statistical field has helped to eliminate unnecessary duplication of information. The Fund should continue to strengthen its statistical cooperation with these organizations in order to reduce the reporting burdens on members. However, despite close cooperation with the World Bank, there are still duplicate demand on member countries for macroeconomic data.

Mr. Saito made the following statement:

I share the staff's view that "the statistical expertise that resides in the Fund and the body of Fund statistics are an important strategic corporate asset of the Fund." Therefore, I welcome today's discussion.

I am in broad agreement with the staff's analysis and framework, as well as the suggestions to improve the Fund's statistical practices. I will limit my remarks to three points: First, improvements in data management; second, statistical support for strengthening surveillance; and third, the desirability of periodic reviews of statistical policy.

With regard to improvements in data management, the staff's candid assessment of the unnecessary costs that current work practices impose on the Fund and its membership cannot be overlooked. These costs are the result of the duplication of the reporting requirements to members; insufficient data sharing within the Fund; duplication of work due to loss of institutional memory; and inadequate understanding of differences in data coverage and definitions among the Fund's multiple data bases.

Recognizing these shortcomings, the recommendations made by the Interdepartmental Working Group on Data Management acquire special importance. Both the establishment of guidelines to ensure that data bases are managed properly and the consolidation into a single system of the regular data reporting by national authorities will enhance the effectiveness and usefulness of the statistical work in the Fund.

Significant improvements in data management do not seem likely unless a comprehensive new system of data management technology is developed and implemented. Improved technology is as needed for enhancing data sharing as it is for the replacement of the Economic Information System (EIS) database, which does not allow efficient integration with the desktop computer environment. It can be argued that staff's work efficiency and Fund-member relationships are likely to improve with technical advances in data processing.

I would appreciate it if the staff could elaborate further on the two-track approach that is being followed to deal with the technology choices and to comment on the time needed for the replacement of the large-sized database management systems and for the generalization of the Windows environment within the Fund.

On statistical support for strengthening surveillance, after the Interim Committee stressed the importance of surveillance and emphasized the benefit of timely publication of comprehensive data, I would like to reiterate two issues raised by this chair in our discussion on statistical issues in April and on the work program last week.

The first was the fact that the decision on policy for the publication of data should remain in each country's authorities. The Fund must continue to respect the wishes of its members regarding confidential data, in spite of the fact that providing an appropriate environment for more efficient and competitive markets is fostering a more comprehensive and immediate publication of statistical information. In this connection, the role of the Fund should be to encourage members to publish key economic information on a timely basis. In relation to the publication of data by the Fund I would like the staff to elaborate on Table 3, on the coverage and currentness of data in IFS. In particular, I would be interested in knowing why countries that publish regularly macroeconomic and financial information domestically appear with delays in the IFS.

The need to foster a cooperative relationship between the Fund and its members. This provides the basis for maintaining and improving continuity, quality and timeliness of the data flow needed. Better information and faster response to new requirements will be obtained when a more cooperative working relationship has been pursued. Moreover, cooperation must be reinforced when difficulties arise in the provision of data needed by the Fund.

On further reviews of statistical policies, global, regional and country surveillance; policy discussions with members, national and international organizations; countries' economic programs; and, research projects are all activities which intensively use statistical information. Therefore, quality and timely data flows along with appropriate statistical processing and analysis are required for an effective discharge of the duties assigned to the Fund by the Articles of Agreement.

Additionally, the Fund has assumed the primary responsibility within the international community for methodological development in balance of payments, monetary, and government finance statistics. In this manner, it is supporting national and

international authorities in their efforts to develop and maintain meaningful macroeconomic information useful for economic analysis and policymaking.

Considering the importance of Fund statistical activities, the Board must ensure that the Fund is taking every step to improve its statistical work. In this connection, an annual comprehensive review of the most important elements of the Fund's statistical activities seems appropriate. In addition to the issues related with surveillance, such an annual review would give clear signs of the Board's decision to back the efforts aimed at raising the quality and scope of data collection and statistical work in the Fund.

I am encouraged by today's discussion on Fund statistical work and policies. I consider this, however, as only the first step in the process of improving statistics at the Fund."

Mr. Hettiarachchi made the following statement:

We welcome this initiative by the staff to review the statistical policies and practices of the Fund in the context of enlarged responsibilities falling on it in the field of surveillance following the declarations of the Interim Committee in its April, 1995 communique. This should also be considered as a useful opportunity for the Executive Board to consider past statistical practices of the Fund and determine the improvements that are necessary for the effective discharge of the activities of the Fund.

In order to strengthen its surveillance effort, it is observed that new staff guidelines are being developed to promote uniform treatment and coverage of data in the gathering of statistical information from member countries. We consider this as a very important step in improving the surveillance capabilities of the Fund. We recognize that "timely, accurate, and well-organized" statistical data are necessary for the Fund to carry out its surveillance activities effectively. The attempt at developing a more coordinated approach to statistical activities which would avoid duplication of data collection is also a welcome development, which should not only reduce cost and effort but will also help in eliciting a greater degree of compliance on the part of member countries in the provision of data.

We are aware that in the past, the Fund has been primarily concerned with the development of macroeconomic data in the areas of balance of payments, monetary and government financial statistics, which are basically important in designing Fund-supported programs. It would appear that the time has come to expand the areas of coverage to such fields as financial sector

developments, capital market developments, and also the real sector developments. While expanding the scope of statistical information to be gathered, it is important to bear in mind that we should stick to basics rather than details so as to elicit maximum enthusiasm and cooperation from the data providing agencies. We are encouraged to learn that in late 1994 an interdepartmental working group on data management has been established to develop new proposals on data management that would help in improving the efficiency of data gathering, compilation, storage and use.

With respect to specific issues for discussion, we are inclined to believe that the attempt to integrate the statistical activities in a unified framework is a welcome as well a necessary development, particularly in the context of Fund's enlarged surveillance responsibilities. In a fast-changing economic environment, we believe that further successive reviews of statistical policy would not only be very desirable but would also be unavoidable.

While we agree that there is a need for improved statistical support for surveillance and country programs, we are doubtful whether the use of conditionality to address data problems for program countries is the correct approach. We wonder whether such action will not be a departure from the policy of evenhandedness in the exercise of surveillance. Furthermore, adequate surveillance of nonprogram countries is equally important to minimize the need for "fire-fighting" type of programs launched in the recent past.

We agree that the Fund's work in developing and maintaining international statistical standards in improving member countries' own statistics is very valuable, particularly in the establishment of standards for the provision of data to the public. However, in developing such uniform standards, the limited statistical capabilities as well as the relevance of some statistical measures in some developing countries will need to be borne in mind.

We do not wish to put much emphasis on the role of technical assistance by way of foreign missions in improving the quality, timeliness and coverage of statistical data, particularly when such missions are composed of outside consultants rather than the Fund staff. We, however, believe that improved training facilities in statistics will be useful as part of the overall technical assistance effort.

With respect to statistical publications, we wonder whether the currentness of the data in IFS as contained in Table 3 of the report is accurate. We have reason to believe that information pertaining to current account balance, overall government balance

and the GDP are a little out of data with respect to some member countries in our Constituency. Perhaps, this is a reflection of the weaknesses in data sharing arrangements that exist at present. This matter has already been referred to earlier on and the staff has given some explanation. But I thought it is worth repeating it to reiterate how better data management within the Fund can bring about speedy improvements.

Mr. Newman made the following statement:

We welcome this in-depth review of Fund statistical activities as a useful follow-up to our earlier surveillance-related discussion of statistical issues. While statistical activities may be the "back office" of the Fund, the collection of accurate and comprehensive data on a timely basis is at the core of efforts to improve both surveillance and the design and monitoring of Fund-supported programs. Furthermore, the Fund's statistical publications and the extensive role the staff has played in the development of international standards are an important public service. Finally, statistical activities have significant resource implications, as highlighted by the suggestion that as much as 15-20 percent of the Fund's budget may be devoted to statistical activities.

The comprehensive papers prepared by staff provide useful coverage of statistics-related activities and raise many interesting issues, both large and small. As I generally support the staff's many suggestions, I would like to focus my comments on the surveillance-related topics under the second issue which, like Mr. Shields, I view as the top priority, namely, efforts to improve data quality.

In terms of improving the operational aspects of surveillance, there seems to be a broad consensus on key issues. The four broad objectives for high-quality data outlined on page 10 of the staff paper--comprehensive coverage, methodological soundness, clearly identified sources, and intersectoral consistency--are straightforward. There is little question that technical assistance and training from the Fund and other agencies will have to continue to play a major role in assisting members with these issues. There is little disagreement that equal standards should apply to program and nonprogram countries alike, and a minimum group of data requirements have been identified. We hope this broad consensus will be reflected in the new guidelines for Article IV consultations that are under preparation.

The issue of coverage is still outstanding. As we said in April, we strongly believe the minimum requirements covered on pages 7-8 should be broadened considerably. In April, we said this should include other financial indicators necessary for

surveillance, such as changes in the yield curve, maturity, and interest rate structure of domestic and foreign currency government debt, including the composition and pricing of cross-border financial flows, and the asset and liability structure of the domestic financial system. We welcome the indication by staff that specific proposals incorporating such data will be forthcoming and hope that we can reach decisions on this issue prior to the Annual Meetings. Similarly, I believe we still have a little more work to do to flesh out how the Board will be involved when data provision problems persist.

A sharpened focus on statistical problems in all Article IV reviews and program documents is the primary way that statistical problems and deficiencies should be brought to the Board's attention; this is how the Board can best bolster the work of the missions, who are at the frontline of the effort to improve statistics. In problem cases, the graduated approach should be brought into play. However, as the paper notes, in April a number of Directors suggested the remedial strategy should go somewhat further, and a number of ideas were put out for consideration, for example, tying compliance to requests for use of Fund resources, a letter from the Managing Director, or publication in the Annual Report. We hope these proposals will be addressed in the forthcoming staff report.

To bolster individual country discussions, however, and as we noted in April, we think it would be valuable to look at the question of data provision on a comprehensive country-by-country basis. In this regard, we appreciate the analysis underpinning Table 3 on the coverage and currentness of data in IFS. However, this exercise needs to go a step further. What accounts for the deficiencies in each case? Is more recent information available to the area department? What remedial steps are being taken?

As an idea for consideration, perhaps staff could prepare, on a semi-annual basis, a table for the information of the Board that would cover these issues country by country and could be considered as part of the periodic reviews of Fund surveillance. While the assessments that are to be incorporated in the Article IV reports would still be the main vehicle to discuss individual cases, a more comprehensive cross-country report would give us a better handle on where problems lie, provide a useful tool for comparison by members, and be a natural accompaniment to the resource allocation process already used by staff.

As regards the establishment of standards for publication of data, the Fund can and should play a strong role in helping to promote the importance of efforts by member countries to improve the quality, timeliness, and public dissemination of data. We look forward to receiving the paper that the staff is preparing in

response to the Interim Committee's request, and to an active effort by the Board to develop a set of standards in time for the next Interim Committee meeting.

We share Mr. Shaalan's concerns about the extent of data problems in program countries and support the use of conditionality to foster adoption of Fund technical assistance recommendations. This would appear particularly helpful at the outset of a program or in cases where statistical problems are undermining other elements of the program. As the paper suggests, this could take a number of forms. We would also suggest that in extreme cases, the lack of timely provision of data should be a factor in considering access to Fund resources.

In addition to better treatment of statistical issues in papers for Board consideration, it is also important that IFS and similarly published data be subject to the same quality standards. The paper highlights the need to better tie together the statistical activities of the area departments and functional departments, including with regard to publications like the IFS. I share Mr. Zhang's concern regarding the problems with coverage and timeliness highlighted in Table 3 and the failure to make greater use of the information available to area departments.

With the increasing publication of background papers, there should be greater willingness on the part of members to include additional information in the IFS. Care, of course, will need to be taken to deal with data inconsistencies, and data sharing between the area and functional departments will have to improve.

It is an axiom in modern bureaucracies that he who controls the information has the power. This explains in part the difficulty all institutions--public and private, national and international--have in achieving information sharing.

As we move increasingly into the information age, however, the ability to control information diminishes greatly and the cost of doing so becomes prohibitive. This is especially true in the Fund's area of responsibility where information is the real coin of the realm. The success of our efforts to improve surveillance as the basis for a more stable international monetary system will depend importantly on breaking down the information barriers both within the Fund and between the Fund and its members.

Mr. N'guiamba made the following statement:

The papers prepared by the staff are a useful review of the various aspects of the Fund's statistical activities. They argue in favor of increased coordination of data management within the Fund, and suggest ways in which closer cooperation between the

Fund and member countries could be achieved in the area of statistics.

I would like to make only a few remarks.

On data management within the Fund, it should be recognized that the lack of coordination between the Statistics Department and other departments, when data requests are presented to member countries, has at times, led to the existence of inconsistent data within the Fund. As a result, publications by the Statistics Department have sometimes presented data which were different from those contained in the Article IV consultation papers. Now that Article IV consultation papers are becoming accessible to the public, the need for greater coordination within the Fund is even more urgent. This is why I strongly support the development of guidelines for data management. These guidelines will help to reduce data inconsistencies in the Fund.

It is important, however to stress the fact that the introduction of such guidelines will be successful only if arrangements are made for the desk economists to receive proper training in statistical methodologies as used by the Statistics Department. In this regard, there will be a need for "in-house" training which implies an increase in the number of staff in the Statistics Department. It is therefore necessary to plan the introduction of Fund-wide guidelines carefully.

As regards the provision of statistics by member countries to the Fund, I believe that closer cooperation in this area is necessary. It is, however, difficult to support the idea of setting "international statistical standards." The Fund should certainly press for an improvement in the reliability (quality and coverage) and timeliness of data provided by member countries. But, we should keep in mind that most developing countries do not have the necessary infrastructure to produce sophisticated economic and financial data.

To illustrate my point, there are many countries in Africa and Asia which do not produce national accounts, price, wage and employment statistics. For these countries, it would not be fair to expect them to produce data of a quality that could satisfy the requirements of established standards. Given that situation, we should lower our expectations of rapid improvement in the quality and the quantity of data made available by this group of countries. At this stage emphasis needs to be put on developing the capacity of developing countries to collect data and manage data systems.

As regards the use of conditionality to address data problems in program countries, I believe that a distinction should be made

between countries which do not have data and those which do not want to publish data, i.e, refuse to cooperate with the Fund in the area of statistics. For the first group of countries, technical assistance from the Fund and other donors could play a key role. For the second group of countries, I would support the use of conditionality to address data problems. In this case, the provision of specific statistical information could be included as a requirement for program approval.

Finally, I would like to indicate that countries in my constituency would appreciate receiving more technical assistance, including the organization of regional seminars, in order to improve the coverage, the accuracy and the timeliness of their statistics.

Mr. Guzmán-Calafell made the following statement:

The crucial importance of a regular and timely flow of economic data to the Fund from its member countries is a not a controversial issue. Statistical information is the basis of economic analysis, and therefore an essential ingredient for an adequate implementation of the Fund's surveillance and analytical activities. These aspects have been highlighted in recent Board discussions, and the Interim Committee has stressed both the significance of adequate statistical support for the identification of emerging tensions at an early stage, as well as the beneficial effects of a timely publication of economic statistics on the transparency of economic policy.

The papers prepared by the staff present an interesting global view of the statistical activities of the Fund, as well as some proposals to improve the work which is being done in this area. I found the papers rather useful and informative, but I have to say that I was left with a sense of uneasiness, as the challenges faced seem to be greater than I would have expected. As explained in the papers, problems in the statistical work of the Fund comprise deficiencies in data reporting by member countries, inadequacies in data quality, insufficient provision of technical assistance to member countries, serious coordination and communication problems among different Fund departments, the use of outdated technologies, among others.

It is also a source of concern to see that we have allowed a number of these problems to persist for long periods of time without taking the necessary corrective measures, or without bringing these issues to the attention of the Board. The fact that the Board's most recent discussion on statistical issues-- prior to the review carried out in April, 1995--took place in 1986 is indeed surprising. In this context, it is very important that staff reports on the statistical work of the Fund be presented

regularly for Board discussion. These reports should be integrated in a unified framework and include detailed explanations of the progress achieved in overcoming the identified problems.

The paper poses the questions of how statistical problems in countries should be brought to the attention of the Board, and how the Interim Committee's request for the establishment of standards for publication of data by countries can be realized. With respect to the latter, I agree with other Directors that the capabilities of member countries to generate the required data must be adequately taken into consideration in any proposal in this regard. In the case of the first point, we must proceed with the steps recently agreed by the Board: specific assessments of data quality, coverage and timeliness in staff reports in Article IV consultations; several reviews of data availability, quality, etc. within the following year; and a graduated approach for those members reluctant to provide available data.

Perhaps another question here is to what extent has progress been achieved in implementing these Board recommendations. More specifically, the information contained in the paper shows that statistical problems in member countries have until recently been inadequately reported to the Board. The figures related to the number of program countries in which statistical deficiencies were not addressed at all, nearly 30 percent of the cases reviewed, despite the existence in most of them of severe data problems is very illustrative in this regard.

A comment on the issue of conditionality to address serious data problems in program countries. If statistical inadequacies represent a serious obstacle for the monitoring of an economic program supported with Fund resources, I find it reasonable to request the member country to implement corrective actions in this field. This works in favor not only of program monitoring, but also of the quality of decision making in the country itself. Like Mr. Shaalan, I feel this must be done on a case-by-case basis and, of course, always accompanied by the provision of the assistance needed, technical or otherwise, to implement the required measures.

The Fund plays a major role in the development of international statistical standards. Through its methodological work in the area of statistics, the Fund contributes both to facilitate international policy dialogue and to the improvement of the statistical systems of member countries. Work in this area must be enhanced, and the efforts currently under way in the fields of monetary and government finance statistics are particularly welcome.

Poor data quality, as well as deficiencies in the timeliness and coverage of statistics, represent a major constraint in many countries. The figures included in the paper on the coverage and currentness of data in the May issue of the IFS provide an idea of the problems faced in this area. It may be useful to note some of these figures. Coverage of developing countries is 81 percent; of the reporting countries, more than 25 percent do not provide statistics on the overall government balance, and this figure rises to 30 percent in the case of program countries. Lags in the provision of data are also substantial in many cases, and reach levels as high as over nine years for price and external trade statistics, eight years for GDP figures, six years for the fiscal accounts, and so on. While I am aware that these problems result from several factors, this evidence strongly suggests that structural restrictions in the statistical area are one of the most important among them.

In this context, the need for stepped-up efforts in the area of technical assistance seems rather clear. The paper describes a number of efforts which have been made over the last years in this connection. These include, among others, the introduction of multisector missions, the use of consultant experts, the establishment of the Technical Assistance Committee, and a substantial increase in technical assistance activities since 1989. These measures are welcome, but I would like to express a couple of concerns.

First, the paper states that after declining to a low point of 37 missions in FY 1989, technical assistance activities increased sharply in subsequent years, to 150 missions in FY 1995, largely as a result of the increased needs of the new members. Nevertheless, we are left in the dark regarding the evolution of technical assistance in non-transition economies since 1989.

Second, I note that the Board's last review of Fund technical assistance took place in late 1993. I understand that there has not been an update on the management of technical assistance activities in subsequent months, and I wonder to which extent it is convenient to develop channels to keep the Board informed on a more regular basis in this respect. I would appreciate staff comments on these two issues.

The paper includes a number of proposals to enhance the statistical policy of the Fund. These initiatives, particularly those in the area of data management, appear to be of great relevance for the institution. It would be very useful to have an idea of their potential budgetary implications.

Mr. Vernikov made the following statement:

It is completely fair to praise the staff not only for the concise and analytically clear papers, but also for the entire statistical work that is being carried out in this institution. Accurate and timely statistics are important for the efficient discharge by the Fund of its functions. We support the main initiatives pursued by the Statistics Department and described in the report, so this statement will be limited to a few short remarks concerning statistical aspects of Fund surveillance, technical assistance, and publications.

It is crucial that all members, not only the program countries, provide economic data to the Fund regularly and accurately, in order to enable an early identification of potential problems. I think that the previous speakers have put forward a series of interesting ideas on data provision. On the one hand, we would support a stronger commitment by members and a greater transparency, as suggested by both Ms. Srejber and Mr. Link. On the other hand, Mr. Shaalan's point on the need for a case-by-case approach in addressing data deficiency problems also seems reasonable. These ideas are not necessarily opposite, but can be mutually complementary in the strategy we are discussing.

Data collection and management takes a sizable share of staff resources, including area departments and regular missions. In our view, for those countries where Fund representative offices exist, it would be logical that these offices undertake the bulk of interaction with the authorities on data matters thus enabling the Fund missions to concentrate on the analysis of economic policies and to be less numerous. It would be especially cost-effective in cases where consultations and reviews are held frequently--on a quarterly or monthly basis.

The staff rightly notes that, even given the authorities' willingness to supply data, the quality and consistency of these data can be seriously impaired by the technical capacity or methodological inconsistencies. In improving the quality of the data a critical role belongs to technical assistance from the Fund in a broad sense, i.e., including training and dissemination of knowledge on statistical methodologies. We very much appreciate the effort made by the staff in providing technical assistance to new members. It is already starting to yield fruit in the form of increased data flows of improving quality. For instance, balance of payments statistics, which hardly existed in the countries of the former Soviet Union, have made remarkable progress. We would recommend a continuation of the emphasis on technical assistance to the authorities as a rewarding means to improve the quality of data.

On publication, I would share Mr. Newman's doubt about whether publishing no information on a country is better than publishing incomplete information partly based on estimates. Perhaps the latter option would be preferable, given the interest of the users of Fund statistics in broader cross-country comparisons. I hope that reasonably soon the statistical publications will be able to include pages on the Fund's new members.

I would like to conclude by noting the usefulness of our current discussion on the strategy of statistical work. Statistical issues could be further addressed in the context of regular consultations with individual members.

Mrs. Guti made the following statement:

At its recent meeting, the Interim Committee emphasized the need to strengthen Fund surveillance, viewed as critical at a time when increased globalization and integration of capital markets are important features in the changing global economic environment. In this context, improved effectiveness of Fund surveillance relies heavily on the accuracy and the timeliness, of statistical information provided by members for the purposes of both Article IV consultations and regular monitoring.

The statistical publications produced by the Fund are already vast and provide useful international economic data needed for analysis, surveillance, and dissemination. Substantial resources--the paper refers to up to one fifth of the budgeted staff resources--are already devoted to statistical activities in various departments, to meet their database requirements. However, few would doubt that the work in the statistical field could be further enhanced by improving the coverage, timeliness and most important, the quality of the collected data. Nevertheless, it should also be recognized that appropriate coordination among the different departments that collect and manage the statistical information would enable the Fund to make the best use of existing data and in a more cost-effective manner.

The areas where emphasis is being placed to address existing weaknesses in the system appear to be appropriate. While over the years an increasing number of countries have made reasonable efforts to improve both the quality and the currentness of their data, there are still a large number of cases where inadequate data availability persists. In this regard, the measures envisaged by the staff to correct the existing deficiencies in data availability are in the right direction and should assist in improving the standards of data quality. The standards will necessarily vary from country to country, and it is doubtful that it will be possible to achieve the standardization of the data

system for all members, as commissioned by the Interim Committee, at least in the foreseeable future. We fully share the views expressed by Mr. Shaalan in his statement in this respect.

Reporting the deficiencies in data availability in the staff reports on Article IV consultations could provide the Board with an opportunity to be apprised of existing problems and to discuss possible courses of action. However, in the case of countries having a Fund program, the suggestion of establishing structural benchmarks, quantitative performance criteria or even prior actions as a method to correct statistical deficiencies is not, in our view, the best course of action. Such an approach would add unnecessary conditionality in many program cases, without any certainty of positively influencing the outcome of the program. It would also be prejudicial to these countries when compared with those that are not using Fund resources. I would stress, in this connection, that many countries making use of Fund resources, particularly the low-income countries, lack the required skilled human resources and institutional capacity to address data deficiencies in a short span of time. These problems would be better addressed through appropriate technical assistance, complemented by training of local staff, in the context of members' overall reform effort. It may be helpful to increase the frequency of regional courses, particularly in Africa, to allow a higher number of local participants. The experience offered by the Joint Vienna Institute in assisting the countries in transition is a good example of how focused and directed assistance for specific purposes can be useful in improving the required capacities.

Although significant resources are being devoted to the statistical activities in the Fund, namely to data collection and to the management of this database, it seems that there has not been adequate collaboration between the different area and functional departments. Steps should be taken to eliminate duplication of efforts and to improve the quality of data by enhancing the harmonization and sharing of data. Collaboration can also alleviate the pressure on the members to duplicate their efforts by having to report the same data to different departments in the Fund. Efficiency in this area can also greatly benefit from increased communication among the various departments and training in statistical methodology. Improved coordination and harmonization of a database between the Fund and other international institutions, particularly the World Bank and regional development banks, could lead to common statistics standards for the benefit of all users.

As to the dissemination of economic data, our position on this matter remains the same. While we do agree in principle that the publication of economic data would give greater transparency

to the members' economic policies, the need to maintain confidentiality in matters that each member judges to be sensitive must be respected.

Mr. Calderón made the following statement:

The quality and timeliness of core data have always been prerequisites for an effective surveillance. We basically agree with the different activities that the Fund is working on to pursue these goals.

On the technical issues of enhancing data quality and improving data management, there is really nothing to discuss. Our only comment is that this should be a constant and never-ending activity.

With respect to statistical aspects of programs supporting the use of Fund resources, the document tells us that some Fund programs have already included qualitative performance criteria related to statistical developments. This type of conditionality could continue to be used, on a case by case basis, but should be limited, as the document says, to serious data problems. It is important to underline that this conditionality should be used only for the development of statistics--to improve monitoring--and not for pressuring publication.

On the issue of standards for publication of data by countries, the paper is right in pointing out that these are intended to guide members. In the end, it is up to each country to decide which data it wants to publish.

Technical assistance is a vital aspect of the statistical policy of the Fund. Intensifying the use of outside experts is certainly a good idea. However, to ensure that the high quality of the technical assistance is maintained and, in general, to increase the effectiveness of this type of assistance, follow-up missions should be increased. As the paper recognizes, this is one area that needs to be greatly strengthened.

Finally, effective confidentiality--minimizing leaks--will also give some countries greater incentives to timely report their data.

Mr. Murphy made the following statement:

We agreed in the discussion of the work program that the prioritization of our work by the Interim Committee helped the drafting of our own short list of priorities. That included making the surveillance process more effective, which in turn leads on to strengthening the Fund's statistical support for

surveillance. It is particularly in this context that we welcome the reports before us today which map out the initiative under way in the statistical area in the Fund which should help to reinforce surveillance procedures.

Therefore, we welcome specifically the development of guidelines to promote uniform treatment and coverage of data quality, coverage, and timeliness issues in Article IV reports. The staff analysis of lack of evenness in approach to this issue calls for such guidelines. In setting up the guidelines we see no case for differentiating between program countries and other members as regards standard desiderata. Maybe there should be a different response to deficiency - a separate question (see below). Surveillance is surveillance of all of the membership, and we have plenty of examples from the nonprogram membership of changes in fortune of a volatile nature in recent years which have had systemic and regional implications. High standards of data provision are helpful in monitoring and anticipating such cases also.

A combination of good advice from the Fund arising from its ongoing work on improving methodology, technical assistance, and training from members experiencing difficulties, and assuming an appropriate and systematic upgrading of data issues in Article IV consultations should contribute to a medium- to long-term improvement in the quality of data. However, the Article IV consultations are annual events. Statistical problems in surveillance may arise between consultations and at fairly short-term notice. We therefore need to consider how the institution should respond to observed emergence of deficiencies.

Most often, short-term issues will be causes of timeliness. Less frequently, it will be clear that quality is deteriorating (published series with suppressed subseries, for example). In many such cases, some inquiry or judgment will be required to determine whether or not there is cause for concern. Accordingly, it is at the desk level that such matters will come to attention. Thereafter, it depends on the seriousness of the matter what should happen. However, we would suggest that, where circumstances warrant, an emerging data problem should be dealt with like any other emerging problem in a member. Thus, for example, under our improved surveillance procedures, a significant statistical matter should in all cases be signaled in our upgraded country matters discussions.

Extending his remarks, Mr. Murphy said that he broadly agreed with the approach taken by the staff, and that he would welcome a further discussion on the provision of data in the context of Fund surveillance and the publication issue.

The Acting Chairman noted that the Board discussion on publication standards was tentatively scheduled for August 2, 1995. That discussion would be followed by an additional meeting in order to provide the Board an opportunity to make recommendations to the Interim Committee.

Mr. Newman said that it was his understanding that the staff intended to carry out further studies of how surveillance could be strengthened through improving data provision to the Fund.

The Director of the Statistics Department said that two papers on statistical matters related to surveillance would be presented to the Board over the coming months. First, a paper on publication standards would be brought to the Board in August, so that it could make recommendations to the Interim Committee meeting in October. Second, the biannual review of the provision of core surveillance data would be brought to the Board in September.

The staff had contacted a number of member countries, including some major industrial countries and several developing countries, in order to identify the standards for publication that were in use and the difficulties that had arisen in implementing those standards, Director continued. The experience in those countries had revealed the need to pay attention to data reporting lags, the publication of reference dates for specific data, the schedules of release dates for publications, the documentation of statistics published by individual countries, the preservation of data quality, and confidentiality of information. A distinction would need to be made between the standards that would be appropriate for major industrial countries, and those that might apply to a broader spectrum of the membership, in which the statistical infrastructure and the capacities to produce and publish data were limited.

The staff had intensified its efforts to help countries improve the quality and availability of data published in the IFS, the Director noted. While data for Estonia and Moldova had been reported in the May issue of the IFS, new pages would be added to cover Guinea, the Slovak Republic, and the Republic of Yemen in the June issue. It was hoped that, by 1996, complete data for most member countries could be published in the IFS.

The flexible approach to the publication of statistical data proposed by several Directors would be difficult to implement, the Director remarked. The staff's effort to prepare a special Supplement to the IFS in 1993 on the Baltic countries, Russia, and the other countries of the former Soviet Union had shown some of the difficulties involved in trying to adapt data to fit the Fund format. That experience had shown that the establishment of regular reporting arrangements with official statistical correspondents in the member countries was an absolute necessity. Moreover, the Fund was dependent on its member countries' willingness to report statistical data on a regular and timely basis.

Ms. Srejber said that the experience in the Baltic countries had shown that the staff's present wait-and-see approach was not appropriate; the staff could have done more to encourage those new members to improve their statistical systems.

The Director of the Statistics Department replied that every effort had been made to advise new members on ways to improve their statistical systems to meet the data reporting requirements of the Fund. Indeed, as part of its technical assistance effort, the Fund had provided a resident statistical advisor to the Baltic countries. During the 1994 Annual Meetings, he had met with the heads of statistical institutions of the Baltic countries to discuss their specific technical assistance needs. In some cases, problems had arisen, because the heads of the national statistical offices had not been officially authorized by their governments to report data to the Fund. If more resources were available, the efforts to improve member countries' statistical systems could be intensified.

Mr. Al-Jasser said that he was pleased to note that Ms. Srejber had not suggested forcing member countries to publish economic data. Although members were required under the Articles to furnish the Fund with certain information, they could not be forced to publish such information.

Ms. Srejber noted that serious problems faced by countries with Fund-supported programs in providing data to the Fund could be addressed through carefully designed conditionality. In order to set meaningful international statistical standards, it would be important to take into account the different stages of development of statistical infrastructure in developing countries. As Mrs. Guti and Mr. N'guiamba had emphasized, it was in the interest of the countries themselves to develop good quality data in order to facilitate better policymaking.

The staff representative from the Statistics Department said that the technical assistance activities of the Fund had increased substantially since 1989, owing to the sudden increase in its membership. The Fund had attempted to provide substantial technical assistance to new member countries--in particular transition economies--while providing the same level of assistance to old members that they received prior to 1989. The staff could make available to Executive Directors more information on the distribution of technical assistance among member countries over the past seven years.

After adjourning at 1:00 p.m., the meeting reconvened at 2:30 p.m.

The Director of the Policy Development and Review Department said that designing an appropriate adjustment program and its monitoring could not be carried out effectively without some basic economic and financial data. With a view to safeguarding Fund resources disbursed to member countries, it would be appropriate to incorporate some benchmarks pertaining to the provision of core data in Fund-supported programs. In recent years, the

Fund had indeed moved toward the use of such conditionality in designing the programs for several countries.

Nevertheless, whether the Fund could or should persuade member countries to adopt certain standards for the publication of data was a difficult question to answer, the Director stated. If there were a consensus that the international monetary system worked better with regular flow of economic and financial information from countries, and that such provision of data was helpful to the ongoing policymaking process in those countries, then the Fund should encourage member countries--as the Interim Committee had suggested--to adhere to agreed standards, established on the basis of different capacities of individual countries to provide and publish information. However, according to the Articles of Agreement, members' obligations with respect to data reporting to the Fund did not extend to publication.

The staff of the Policy Development and Review Department had examined how data issues had been dealt with in each Article IV consultation, the Director noted. The staff had tried to assess whether the analysis in staff reports was consistent with the quality and quantity of data provided. The staff had also checked whether the data provided were sufficient for the Board to conduct and complete the relevant Article IV consultation. The Statistics Department and the Policy Development and Review Department were in the process of issuing further guidelines to the staff in area departments on how data issues should be presented in staff reports for Article IV consultations with members.

The Debt and Program Financing Issues Division of the Policy Development and Review Department was actively monitoring financial market information--with respect to private capital flows to developing countries, and equity and bond issues--and passing on that information to the staff in other departments of the Fund, Director continued. In that context, the Policy Development and Review Department was actively involved in monitoring the flow of information to the Fund, and the dissemination of that information, in particular to the country desk officers.

It would be desirable for the Fund to adopt an information management system that would facilitate data sharing among a staff in different departments, the Director commented. In particular, it would be helpful for some staff outside the area departments to have access to the data used by the desk economists on individual countries. For example, the reviewing staff of the Policy Development and Review Department would have liked to have direct access to the desk economists' data banks.

Mr. Al-Jasser reiterated that it would be counterproductive to force members to publish economic data. In any case, as Mr. Kafka had mentioned, there was no legal basis under the Articles of Agreement to compel countries to publish data. The Fund should encourage member countries to improve the provision of data to the Fund. In that context, it would be helpful to

explain the agreed standards on data publication and demonstrate their usefulness to member countries.

Ms. Srejber wondered how the Policy Development and Review Department would be involved in the formulation of a more focused statistical system for the Fund.

The Director of the Policy Development and Review Department replied that management would consider the appropriate roles of different departments in the statistical process, and issue guidelines for the coordination of activities to enhance collaboration among departments. The Policy Development and Review Department was primarily a user of information, and as such had no particular technical expertise in its compilation and dissemination. However, the Department supported the development of an efficient data management system in the Fund.

The staff representative from the Statistics Department, responding to a question from Mr. Barro-Chambrier, said that the case studies in the staff paper were intended to highlight the ways in which conditionality relating to the provision of economic data had been applied in the recent past, and the countries had been selected on a random basis.

The Acting Chairman made the following summing up:

Executive Directors welcomed the opportunity to discuss the statistical activities and policy of the Fund. They emphasized the critical importance of timely, comprehensive, and reliable statistics for the effective discharge of the Fund's surveillance mandate.

Directors stressed the need to set standards for the provision of data. Some suggested that all industrial countries should meet the G-10 standards of detailed data provision, and that all members should meet the standards of timely provision of core surveillance data. It was noted that it is in the self-interest of all member countries to provide data on a timely and accessible basis. The credibility of policies and the accurate appraisal of policies by financial markets depend on the availability of timely and accurate information.

Regarding problems of data reporting, in cases where the problems arise due to inadequate statistical infrastructure in member countries, Directors considered that well-targeted technical assistance would be appropriate; in cases where the problems arise due to a reluctance to provide data, Directors considered that a graduated approach, in the cooperative framework of the Fund, should be pursued.

Regarding the use of conditionality to address data problems in program countries, a number of Directors thought the use of structural benchmarks, qualitative performance criteria, and, in serious cases, prior action, could be appropriate. However, other Directors questioned whether the use of conditionality would be

effective, considering the limited capacities in many program countries, and suggested that a case-by-case approach emphasizing technical assistance, was needed.

Directors underscored the importance of data quality--in addition to availability and timeliness--for both effective surveillance by the Fund and for informed analysis, policy formulation, and implementation by member countries. Therefore, efforts to improve data quality--that is coverage, methodology, and consistency--were imperative tasks for the Fund as well as member countries. Directors generally endorsed the multifaceted efforts made by the Fund to improve data quality in member countries, through consultation and use of Fund resources missions, technical assistance and training programs. Directors noted that there should be realistic expectations about how quickly significant improvements in data quality can be achieved.

Directors agreed that deficiencies and problems in data relating to reporting and quality should be brought to the attention of the Board in staff reports and/or in country matters sessions, either to alert the Board on the deficiencies that call for caution in the interpretation of data, or to point out the existence of difficulties in the cooperation between a member and the Fund. Some Directors expressed concern about the failure to adequately inform the Board about data problems in a number of cases in the past.

Concerning the issue of publication of data by countries, Directors generally agreed that the elaboration of standards for the publication of data as guidelines for member countries, as requested by the Interim Committee, that takes into account the capabilities of individual countries, would promote openness and make more accurate and timely information available to markets. Some Directors noted the limited statistical capabilities of many member countries, and considered that the priority should be in developing their capabilities. Directors looked forward to discussing the publication issue further in August on the basis of a staff paper that was being prepared at the request of the Interim Committee. It was suggested that consultations with national statistical experts would be useful. A few Directors pointed out that concerns of member countries about the confidentiality of sensitive data should be recognized and respected.

Directors noted the internal data management problems in the Fund, especially the duplication and inconsistency of data. Some observed that these problems were the inevitable result of the context in which data management is carried out in the Fund. This context of decentralization was necessitated by the different data requirements of various departments, the need for flexibility, and

the differing data capabilities in member countries. However, considering the amount of resources devoted to data management in the Fund, Directors considered that a more coordinated and holistic approach to statistical work in the Fund, supported by new technology, would improve efficiency and should be pursued. Directors generally found appropriate the proposed solutions-- comprising importantly the establishment of interdepartmental guidelines for data management and the sharing of data--and urged the staff to pursue them actively. Some Directors also noted the need to make greater use of financial market data. Directors noted that efforts to coordinate data collection would reduce the duplicative reporting demands on member countries.

Directors found valuable the staff's work on developing and maintaining statistical methodology. Continued efforts by the Fund, member countries, and other international agencies to promote harmonization among these methodologies were welcomed.

Directors thought that technical assistance was a key measure to improve statistics in member countries. Many Directors expressed their appreciation for the assistance their authorities had received for the development of statistical infrastructure. Directors generally agreed that the various types of assistance provided by the Fund--including multisector missions, outside experts, and short- and long-term technical advisors--were effective. Directors considered that a more systematic follow-up to track the implementation of technical assistance would be useful, and requested the staff to provide information on the results of these follow-up efforts in the next review of Fund technical assistance.

Many Directors viewed training activities as a necessary and integral part of overall technical assistance in statistics. The value of statistics courses at the IMF Institute and in various regions in training country officials was noted. Directors also agreed that further training of Fund staff in statistical methodology would be useful.

Directors noted the contribution that the Fund's statistical publications had made in providing a broad range of economic and financial information to the international community. Some Directors noted problems of timeliness and coverage for a number of countries in these publications, and urged the staff and national authorities to address these problems. Some Directors also considered it very important to achieve a wide coverage--to include the entire membership--in the Fund's statistical publications. A few Directors also suggested that the statistical publications should incorporate selected operational data.

Directors considered that periodic reviews of the Fund's statistical policy would be desirable.

Mr. Shaalan said that the summing up had mentioned that "many" Directors had supported broadening conditionality to include data provision while "others" had not. He wondered whether "many" indicated a number more than "others," and whether that remark captured the thrust of the Board discussion. He considered it appropriate to mention that many Directors had reservations about publication.

The Acting Chairman said that the paragraph in question indicated that the Board had not resolved the issue in question.

Mr. Newman said that the basic purpose of the current meeting was to focus on the provision of data to the Fund for surveillance purposes and for the Fund's statistical publications. In August, the Board would have an opportunity to discuss all issues relating to publication standards, which might be the more appropriate time for Directors to express their views on those matters. He considered it premature to have a preview of the debate in August by adding various reservations to the summing up at the current stage.

Mr. Shaalan remarked that, in that case, all references to publication should be deleted from the summing up.

The Acting Chairman considered that the wording in the paragraph in question was neutral and the summing up appeared to be a judicious and balanced representation of what had been said in the Board. It had noted that the elaboration of publication standards would promote openness, and make more accurate and timely information available to markets.

Mr. Al-Jasser said that it would be more appropriate to use the term "guidelines" instead of standards. If guidelines could be developed, countries could pick and choose standards suitable to the stage of development of their statistical infrastructure. However, he would agree with the Acting Chairman that the statements in the summing up were neutral.

### 3. SAO TOME AND PRINCIPE - 1995 ARTICLE IV CONSULTATION

The Executive Directors considered the staff report for the 1995 Article IV consultation with São Tomé and Príncipe (SM/95/106, 5/16/95). They also had before them background papers and a statistical appendix (SM/95/125, 5/30/95).

Mr. A. R. Ismael, speaking on behalf of Mr. Koissy, made the following statement:

São Tomé and Príncipe's economic and financial situation remained difficult in 1994, with a low rate of real GDP growth,

accelerating inflation and large internal and external imbalances. Economic growth, which heavily depends on the performance of the agricultural sector, was adversely affected by the sharp fall in the output of cocoa, the country's main export crop. The surge in the rate of inflation was mainly due to expansionary financial policies and the impact of the depreciation of the country's currency. The external position continued to be weak reflecting the limited export base and the heavy debt obligations. However, encouraging progress was made in the area of structural reforms and economic liberalization. Remaining controls on retail prices were eliminated, except for fuel prices and utility rates, and the restructuring of the public enterprise sector and the civil service were pursued. Good progress was also made in the implementation of the land redistribution scheme which is expected to contribute significantly to an increase in agricultural output, over the medium term.

In view of the growing imbalances, the new Government which took office in late 1994 initiated various policy actions aimed at improving the overall performance of the economy. The authorities are convinced that the application of tight financial policies, the continuation of structural reforms, and debt relief from foreign creditors will be essential in this regard.

For 1995, the authorities have adopted a government budget whose main target is to reduce the overall fiscal deficit (commitment basis), excluding grants, from about 67 percent of GDP in 1994 to 45 percent of GDP. To reach this target, the authorities are introducing measures both on the revenue and expenditure sides. On the revenue side, the main effort will be focused on the reform of the customs administration. Thus, with the recent computerization of customs transactions, a change in the assessment of import taxes from a specific to an advalorem basis, the commitment to reduce the level of import tax exemptions, and a significant increase in nontax revenue, the authorities are confident that the revenue target, which implies an increase of the implicit import tax rate from 15 percent to 20 percent, is achievable. The authorities have also reduced the tax on cocoa exports from 10 percent to 8 percent, which should help to reduce the degree of tax evasion and encourage cocoa production.

On the expenditure side, the authorities are determined to keep noninterest domestically financed government expenditure under strict control. To that end, this category of expenditure, in the 1995 budget, is projected to increase by 9.4 percent, which is well below the projected rate of inflation. Total personnel costs are expected to increase only by 5 percent. Because of the impact of adjustments in prices of petroleum products and utility rates, expenditure on goods and services is budgeted to increase

by 74 percent. Transfers and other current expenditures are projected to decline relative to the 1994 budget outcome, mainly reflecting reduced transfers to agricultural public enterprises. The authorities are also improving the process of selecting investment projects which are included in the capital budget. Consequently, only priority projects will be included in the three-year public investment program.

Despite the above-mentioned measures, the budget is expected to show a primary deficit which will be covered by drawings on external project loans. This would reduce net bank credit to the Government by an amount equivalent to 3 percent of the beginning-of-period money stock. However, as indicated in the staff report, given the magnitude of debt obligations, exceptional financing will be needed, including debt relief, to fully cover the fiscal deficit.

In the area of money and credit, the main policy objective is to reduce the rate of inflation. In this context, monetary policy will be restrictive. The discount rate has been assigned a key role in limiting credit expansion. Moreover, the authorities will adjust the quarterly discount rate and ensure that it remains positive in real terms.

As regards the external sector, the authorities are committed to maintaining a market-based exchange rate system. To narrow the differential between the official and parallel market exchange rates, the authorities have begun to calculate the daily official exchange rate taking into account developments in the parallel market during the previous day.

Structural reforms will continue to be an important part of the authorities' adjustment policy. Thus, the restructuring of the public enterprises and the civil service will continue. The policy of land redistribution will be pursued as envisaged and is expected to contribute to the diversification process. The authorities understand the need to improve policy implementation and in this regard, they have requested and are receiving technical assistance from multilateral organizations and bilateral donors in the area of economic management.

My authorities are of the view that a successful strategy to the solution of their country's financial and structural problems in a sustainable manner must include a debt reduction scheme. Recently, they have engaged in negotiations with some creditors in order to obtain debt rescheduling on highly concessional terms for the stock of arrears at end-1994 and debt service falling due, and are hopeful for a favorable outcome. As the staff rightly points out, São Tomé and Príncipe will continue to depend on exceptional financing over the medium term and beyond. In this regard, the

authorities are aware that in order to obtain future support from the international financial community, it will be necessary to continue to implement tight fiscal and monetary policies as well as strong structural reforms. While they recognize that some slippages occurred in the implementation of their economic program, they would draw attention to the wide range of measures already introduced, and which they hope could form the basis for a Fund-supported program, in the context of an enhanced structural adjustment facility (ESAF).

Ms. Bessone Basto made the following statement:

After short-lived progress in restoring economic stability, under the shadow program for 1992, it is somewhat disappointing to see expansionary fiscal and monetary policies, during the last year, leading once again to the deterioration of economic conditions in São Tomé and Príncipe. Against a background of low economic activity and a continuous decline in cocoa production, the weak public administration and loose expenditures policy have contributed to increase the overall fiscal deficit to an unprecedented 66.5 percent of GDP. Deficit financing with greater recourse to bank credit, together with an expansion of credit to the private sector, led to the sharp increase of the inflation rate to almost 38 percent, which caused the depreciation of the nominal exchange rate.

I agree with Mr. Ismael that some progress was achieved in the area of structural reform and economic liberalization, in particular, with the gradual liberalization of the exchange system, the removal of almost all remaining price controls, and the progress achieved as a result of restructuring of public enterprises and the civil service.

Concerning the economic program for 1995, I agree with the emphasis given to the tightening of financial policies, aimed at reducing the budget deficit to 45 percent of GDP and the inflation rate to 20 percent. The achievement of the program's objectives requires major corrective actions. These include, on the fiscal side, the strengthening of public administration, the broadening and diversification of the tax base and the prioritization of budgetary expenditures. On the monetary side, credit ceilings should be rigorously enforced, which, in turn, requires the strengthening of the supervisory capacity of the Central Bank. In addition, the strengthening of the balance of payments position relies on efforts to diversify the export base, which, so far, have been unsuccessful. However, as the staff correctly warns, not even with the adoption of sound policies, is external viability likely to be attained during the next ten years, and São Tomé and Príncipe will remain dependent on external financing at concessional terms. This situation highlights the need for the

implementation of a strong adjustment program, which would be a critical factor determining the granting of debt relief from foreign creditors.

The reduction of the fiscal deficit is the cornerstone of the Government's program. In addition, the planned reduction in the reliance on net bank credit for deficit financing is important to reduce pressures on monetary policy. The achievement of the Government's fiscal target requires the doubling of tax revenue, which, given the country's limited economic activity, will have to be dependent upon the reform of the customs administration. To this end, several measures are already being implemented, as described in Mr. Ismael's statement. In particular, the authorities' commitment to refrain from granting ad hoc import tax exemptions is an important step in this direction. Nontax revenue is also expected to increase given the decision to abstain from compensation operations affecting budgetary transfers from major state enterprises. However, given the staff's concerns that these measures might not be enough to meet the revenue collections' target, I join the staff in urging the authorities to stand ready to reduce spending, in addition to the programmed expenditure cuts. In this context, the need to implement prudent incomes policy should also be emphasized. Even though I understand that the need to improve living standards justifies raising the wage bill by 30 percent, the authorities should resist pressures to exceed that limit, even if such an action would only be translated into a much inferior increase in total personnel costs given the planned reduction in outlays for travel abroad.

Given the limited instruments available for monetary policy, a key role has been assigned to the discount rate. The recent central bank intervention (March 1995) to raise the discount rate to 50 percent, bringing interest rates into positive levels, was an important step toward controlling credit expansion. In order to improve the allocation of financial resources, the authorities should concentrate on maintaining positive interest rates. In addition, the enforcement of credit ceilings and other instruments of monetary policy requires the improvement of the weak accounting capacity of the commercial and central bank. In this context, the recent Fund technical assistance mission is welcomed.

Concerning exchange rate policy, the recent switch from a currency peg to a floating rate regime, was appropriate to prevent exchange rate misalignments and allow the narrowing of the spread between the official and parallel foreign exchange market. However, the implementation of financial policies must be consistent with the need to avoid an excessive currency depreciation that, given the country's strong dependency on a broad range of imported goods, would fuel inflationary pressures, giving rise to a vicious circle of depreciation and inflation.

In conclusion, even though much remains to be done, the economic policies being implemented are an important step toward reducing macroeconomic imbalances and toward price stabilization. With the adoption of a wide range of fiscal measures and the recent tightening of monetary policy, the new Government has already shown a commitment to these goals. In this context, I join the authorities in hoping that these actions could form the basis for a Fund-supported program, in the context of the ESAF.

With these remarks I support the proposed decisions.

Ms. Dagustun made the following statement:

Two years ago, during the last Article IV consultation, this Board discussed the prospects for an ESAF program for São Tomé and Príncipe, on the basis of a staff-monitored program that the authorities were then embarking upon. It is clear from the staff report we are discussing today that the authorities failed to demonstrate, during that attempt at a staff-monitored program and over the last two years more generally, the sort of sustained track record in economic reform which could lead to a new Fund arrangement.

On the information that is presented in the staff report, it is clear that São Tomé and Príncipe's adjustment needs are great, from both the massive internal and external imbalances. The economy is tiny, and much progress needs to be made before external viability will be on the horizon; before the economy's resilience to external shocks can be improved, and its external debt situation regularized. Very importantly, all the time that SAF resources are outstanding, we, the Fund, also have a proper role to play in doing what we can to ensure that the authorities maintain their capability of making timely repayments to the Fund. In this regard, I was pleased to hear that all SAF repayments over the last period have been timely.

I would like to comment briefly on the need for external debt relief for São Tomé and Príncipe. The external debt situation is such that I would certainly agree that bilateral debt relief seems appropriate--along the lines of Naples terms treatment. But it is not clear to me why São Tomé and Príncipe should expect such treatment from bilateral creditors when it is not following an externally monitored and strong economic adjustment program. I would urge the authorities--as the heart of their debt strategy to work toward such a program as urgently as possible. Such a debt strategy must also address the substantial private debt overhang. It might also prove necessary for multilateral creditors to find innovative ways of reducing their share of the debt burden. But this is all contingent on sustained policy performance, of course. Just a minor point on this, I would have

welcomed a more comprehensive presentation of debt data in the staff paper; it is of some importance, for example, that multilateral debt outstanding is all on concessional terms, yet I did not find this clear from the report.

Next, I have a few comments on the possibility of a new Fund program. I was left a little unclear from the staff report about the authorities' current intentions here and the guidance that the Fund is giving the authorities in this regard. Mr Ismael's helpful statement provides some answers. But I find it difficult to respond to these given the lack of reference to them in the staff report. It is difficult to tell from the staff report, for example, whether the authorities' current "adjustment program" is really of a sufficient strength to be worth monitoring by the Fund in order to form the basis of a track record in economic reform. To what extent does the program that the authorities are following reflect the policy advice that the Fund has provided? And are the new authorities fully aware of the sort of track record that this Board would expect to see before an ESAF could be envisaged, as well as the extent of improvements required in the authorities' technical, administrative and implementation capacity? I would be grateful for staff comments.

In any case, given Mr. Ismael's statement I would urge the authorities to have substantive discussions with Fund staff on the prospects for a Fund program, in order that their wishes about a Fund program can be promptly translated into an action plan. Even with early action, a program seems likely to be some way off. And this is certainly not a case, given the difficult external debt situation, where a quick stand-by arrangement could substitute for the sustained track record and well thought-out medium term structural adjustment program that would be necessary for an ESAF.

Finally, I was slightly unclear about the nature of the balance of payments medium-term outlook presented in the staff report. First, it appeared quite optimistic. For example, even given the low export base, an annual export growth rate of 9 percent would be quite remarkable. But then it is clear that even this optimism does not come close to delivering external viability over the next ten years. Does the staff believe that the policy measures underlying this outlook represent the upper limits of a feasible "adjustment scenario?"

The staff representative from the African Department noted that São Tomé and Príncipe had had Fund-monitored programs since 1992. The program results since 1994 had pointed to a breakdown of the monitoring system, mainly in information reporting by the authorities. Rather than persist in the traditional monitoring, the staff had decided to concentrate during 1995 on assisting the authorities to develop timely, comprehensive

technical reporting capabilities. The staff would evaluate São Tomé and Príncipe's performance under its 1995 program and, if program criteria had been met, the authorities would proceed in 1996 to a staff monitored program. If performance continued to be good, that program could serve as the basis for negotiating a formal arrangement with the Fund.

With regard to prospects of achieving medium-term balance of payments sustainability, the staff's most ambitious--yet still realistic--assumptions foresaw overall export growth of no more than 9 percent, although much greater growth in nontraditional exports was assumed, the staff representative observed. Even under optimal performance, there still would be a need for exceptional financing of the order of \$10 million.

The authorities were approaching debt rescheduling on a bilateral basis, since a Paris Club rescheduling required that a formal program be in place, and furthermore a number of important creditors--Angola for example--were not members of the Paris Club, the staff representative explained. The staff had urged the authorities to negotiate the best terms available, hopefully Naples terms or the equivalent. They had been successful so far in negotiations with the Portuguese authorities.

The Fund had been providing technical assistance on banking supervision through an expert who was assisting the restructuring of one of the financial institutions, and whose assignment had been extended, the staff representative reported. In addition, the staff was trying to arrange a year-long assignment of an expert--one presently assisting in improving the monetary accounts--as an advisor to the Governor of the Central Bank, on raising the level of banking sector operations to international standards.

Customs reform had been implemented, and the authorities were receiving technical assistance from the European Community to improve system efficiency, especially with regard to the interpretation of computerized results, the staff representative noted.

Mr. Rainford observed that, as he interpreted the staff view, there would be a need for a steady flow of concessional financing for quite some time--at least ten years--even under optimal assumptions regarding program performance over the medium term and also authorities' commitment to sound policies. He wondered when, in that context, São Tomé and Príncipe might reach external viability. That kind of situation posed a special challenge for international policy.

The Board occasionally identified, for analysis, issues that applied to particular categories or to groupings of countries, Mr. Rainford remarked. The special and peculiar challenges faced by micro economies, particularly island micro economies, merited that type of review. He recalled that the Fund had performed a study of that sort in 1983, when there were 16 or 17 small island members. Given the subsequent growth in their numbers and changes in international conditions, it would be worthwhile to revisit the

topic, particularly in view of the fact that the situation of São Tomé and Príncipe was not necessarily peculiar to that country.

The staff representative from the Policy Development and Review Department replied that the former Asian Department had published in the late 1980s--as an Occasional Paper--a study of the island economies in the Pacific, which had addressed issues of a general nature. He agreed that it was worth re-examining the issue and expanding upon the previous work.

The Acting Chairman mentioned that work had been done also at the World Bank, possibly around 1983, on the special problems of small island economies. The staff would look into it and report on whether there was a set of issues that could be identified and analyzed.

The staff representative from the African Department commented that a nongovernmental organization in São Tomé and Príncipe was attempting to organize a group of small island states to work on common problems, and the authorities might contribute to and benefit from the staff study.

It was difficult to predict when São Tomé and Príncipe might reach external viability, the staff representative stated. The country's limited resource base made the attainment of that status particularly difficult. However, the total amount needed to bring the external accounts into balance in the medium-term scenario was so relatively small--about \$10 million--that, if the authorities pursued the best adjustment strategies available, international donors foreseeably could fill the gap.

The Acting Chairman stated that Directors had the option available of using a "short form" summing up, which simply took note of the statement made by the Executive Director for the country and expressed agreement with the thrust of the staff appraisal. While he would use the traditional summing up at the current meeting, but he would be interested in the views of Directors informally on the appropriateness of using the short version in cases where discussion had been limited.

The Acting Chairman made the following summing up:

Executive Directors were in broad agreement with the thrust of the staff appraisal. They expressed great concern about the intensification of macroeconomic imbalances since the last consultation, due to continued expansionary fiscal and monetary policies that had led to an acceleration of inflation, a slowdown of economic growth, and a rapid depreciation of São Tomé and Príncipe's currency.

Directors endorsed the move to a floating exchange rate regime, but called for a substantial tightening of fiscal policies to prevent a spiral of inflation and currency depreciation. They welcomed the corrective actions that had been taken in recent months, but urged the authorities to adhere strictly to the budgeted expenditure limits, and to stand ready to reduce spending

if there should be a shortfall in revenue collection. Directors further underscored the need to observe the limits on domestic credit, and welcomed the authorities' decision to raise the central bank discount rate.

In view of São Tomé and Príncipe's extremely high level of external debt, Directors emphasized the need for strong and sustained adjustment policies to improve the external current account position and the prospects for external debt relief, and to achieve, in the long run, external viability. They recommended that reliance on foreign savings should be limited to grants or highly concessional loans, because of the need for extreme prudence in borrowing policy.

Directors encouraged the authorities to make progress toward an adjustment program that could be supported by the Fund.

It is expected that the next Article IV consultation with São Tomé and Príncipe will be held on the standard 12-month cycle.

The Executive Board took the following decisions:

1. The Fund takes this decision relating to São Tomé and Príncipe's exchange measures subject to Article VIII, Sections 2(a) and 3, and in concluding the 1995 Article XIV consultation with São Tomé and Príncipe, in the light of the 1995 Article IV consultation with São Tomé and Príncipe conducted under Decision No. 5392-(77/63), adopted April 29, 1977, as amended (Surveillance over Exchange Rate Policies).

2. As described in SM/95/125, São Tomé and Príncipe maintains restrictions on the making of payments and transfers for current international transactions in accordance with Article XIV, Section 2. São Tomé and Príncipe also maintains restrictions arising from unsettled balances owed under a bilateral payments agreement with a Fund member and multiple currency practices arising from a tax on payments for invisibles and from the existence of a free market rate with a spread of more than 2 percent with respect to the official rate, which are subject to Fund approval under Article VIII, Sections 2(a) and 3. The Fund encourages the authorities to eliminate all remaining restrictions and multiple currency practices as soon as possible.

Decision No. 10994-(95/56), adopted  
June 7, 1995

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/95/55 (6/5/95) and EBM/95/56 (6/7/95).

4. JORDAN - EXTENDED ARRANGEMENT - WAIVER OF PERFORMANCE CRITERION

1. Jordan has consulted with the Fund in accordance with paragraph 3 of the extended arrangement for Jordan (EBS/94/74, Sup. 3) concerning the nonobservance by Jordan of the performance criterion pertaining to the limit on the net claims on the public sector by the banking system for March 31, 1995, specified in subparagraph 3(a)(ii) of the extended arrangement.

2. The Fund decides that, in view of the circumstances described in EBS/95/93, no additional understandings are necessary regarding the circumstances in which purchases can be resumed under the extended arrangement, and that Jordan may proceed to make purchases thereunder. (EBS/95/93, 6/1/95)

Decision No. 10995-(95/56), adopted  
June 6, 1995

5. TECHNICAL ASSISTANCE - FRAMEWORK ADMINISTERED ACCOUNT - ESTABLISHMENT OF JAPAN ADVANCED SCHOLARSHIP PROGRAM SUBACCOUNT

In accordance with the terms and conditions of the Instrument establishing the Framework Administered Account for Technical Assistance Activities (Decision No. 10942-(95/33)), the Fund hereby approves the establishment of the "Japan Advanced Scholarship Program Subaccount," which shall be used by the Fund to administer resources to be contributed by the Government of Japan, as described in EBS/95/91 (5/30/95).

Decision No. 10996-(95/56), adopted  
June 6, 1995

6. STAFF RETIREMENT PLAN - AMENDMENTS

The Executive Board approves the recommendation of the Pension Committee concerning the amendments to the Staff Retirement Plan, with the date of effectiveness of May 1, 1995, as set forth in EBAP/95/43 (5/31/95).

Decision No. 10997-(95/56), adopted  
June 5, 1995

7. EXECUTIVE BOARD TRAVEL

Travel by Executive Directors and by Advisors to Executive Directors as set forth in EBAM/95/89 (6/5/95) is approved.

8. TRAVEL BY MANAGING DIRECTOR

Travel by the Managing Director as set forth in EBAP/95/45 (6/6/95) is approved.

APPROVAL: December 23, 1996

REINHARD H. MUNZBERG  
Secretary