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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 96/88

10:00 a.m., September 16, 1996

Contents

Decision Taken Since Previous Board Meeting

Executive Board Attendance

S. Fischer, Acting Chairman

Executive Directors	Alternate Executive Directors
A.A. Al-Tuwaijri	O.A. Himani, Temporary
	A. Fayolle
L.E. Berrizbeitia	V.J. Fernández
	J. Guzmán-Calafell, Temporary
I.D. Clark	
	D.Z. Guti
	P.A. Akatu, Temporary
B. Esdar	W.-D. Donecker
	J. Shields
	N. Coumbis
J.E. Ismael	
D. Kaeser	D. Gotz-Kozierkiewicz
	W.C. Keller, Temporary
A. Kafka	A. Calderón
	J.C. Estrella, Temporary
	J. Hamilius, Temporary
	D. Saha, Temporary
K. Lissakers	B.S. Newman
	M. Sobel, Temporary
H. Mesaki	H. Ono
A. Mirakhor	M.-H. Mahdavian, Temporary
C. Saito	J. Leiva, Temporary
A.S. Shaalan	
M.R. Sivaraman	H.B. Disanayaka
	R. Kannan, Temporary
E. Srejber	
	A.V. Mozhin
	A. Vernikov, Temporary
E.L. Waterman	J.-H. Kang
J. de Beaufort Wijnholds	Y.G. Yakusha
	Han M.
	He J., Temporary

W.S. Tseng, Acting Secretary
D.J. de Vos, Assistant
S.W. Tenney, Assistant

Also Present

External Relations Department: S.J. Anjaria, Director. Legal Department: R.C. Baban, L.E. Nordgaard. Middle Eastern Department: M.A. El-Erian, Deputy Director; S. Eken, H.E. Jakubiak, M.M. Lazare. Policy Development and Review Department: J.T. Boorman, Director; J. Ferrán, Deputy Director; T. Leddy, Deputy Director; D. Desruelle, O.J. Evans, R.H. Nord, S.M. Nsouli, S.B. Schwartz. Research Department: F. Larsen, Deputy Director; P.R. Masson, C.M. Wright. Secretary's Department: K.S. Friedman, B.R. Hughes, K.P. Moran, A. Mountford, M.J. Papin. Statistics Department: J.B. McLenaghan, Director; C.S. Carson, Deputy Director; R.A. Elson, Deputy Director; A. Bloem, R.G. Di Calogero, J.C.E. Healey, R. Lituma, M. Montanjees, J. Motala, S.P. Quin, E.W. Saunders, T.M. Villacres, W.J. Walker, E. Weisman. Treasurer's Department: L. Aylward, R.H. Floyd. Western Hemisphere Department: F. van Beek. Bureau of Computing Services: N.S. Arya, A. Limarzi. Office of the Managing Director: S. Sugisaki, Special Advisor; T.U. Diamond, N. Sachdev. Advisors to Executive Directors: M.A. Ahmed, R.F. Cippa, S.S. Farid, T.K. Gaspard, K.M. Heinonen, G.M. Iradian, A.R. Ismael, J. John, J.M. Jones, M.F. Melhem, S. N'guiamba, R. Rainford. Assistants to Executive Directors: W. Abdelati, J.G. Borpujari, M.A. Brooke, M.A. Cilento, A.L. Coronel, D.A.A. Daco, C.K. Duenwald, S. Fukushima, B. Grikinyté, R.J. Heinbuecher, H. Javaheri, E. Kouprianova, T.-M. Kudiwu, G.A. Kyriacou, J.P. Leijdekker, Ng C.S., H. Ogushi, G. Schlitzer, O. Schmalzriedt, S. Simonsen, L.B.J. van Geest, M. Yiu, E.L. Zamalloa.

1. REPORT BY FIRST DEPUTY MANAGING DIRECTOR

The First Deputy Managing Director reported that he had recently visited Paris to participate in the meetings of the Working Party No. 3 of the OECD Economic Policy Committee, to discuss the economic situations of Europe, North America, and Japan. There were no significant differences of view between the OECD and the Fund, as reflected in the *World Economic Outlook*.

His main purpose had been to visit Basle to participate in a conference on "strengthening the financial system in developing countries," cosponsored by the Basle Committee on Banking Supervision, the BIS, and the Fund, the First Deputy Managing Director said. The meeting had focused on papers on financial system failures, by Professor Honahan of Trinity College, on a review of banking crises in emerging markets, by the BIS, and on a proposal to develop an international banking standard, by Morris Goldstein. The participants had included bank supervisors, central bankers, academics, and a few representatives from finance ministries, the latter of which was unusual for the BIS.

Participants had agreed on the causes of financial fragility and crises, and their views had basically mirrored those presented in recent papers by the Monetary and Exchange Affairs Department on bank soundness and macroeconomic policy, which the Board had discussed in March 1996 (Executive Board Meeting 96/21), the First Deputy Managing Director stated. Participants had been divided, however, on whether the creation of an international banking standard would be useful, and on whether it was urgent. The academics, some nonsupervisors, and the Fund staff present—Messrs. Guitián and Folkerts-Landau—believed that it was important to move ahead rapidly toward the development of broad standards. Others, particularly the supervisors, said that it should be an evolutionary process, which was already under way. They believed that supervision should proceed at its usual, incremental speed, based on a full consensus.

After the meeting, the three co-chairmen—himself, Mr. Crockett, General Manager of the BIS, and Mr. Padoa-Schioppa, Chairman of the Committee on Banking Supervision—had met to discuss the path forward, the First Deputy Managing Director recalled. They had decided that two things should be done. First, the Basle supervisors would put together a compendium of all of their recommendations, most of which were spread out over a large number of reports. The co-chairmen would review the compendium, together with the World Bank, to see how the various recommendations would have to be adapted for countries in differing economic situations, and to determine whether there were any remaining gaps in the recommendations. Second, they would work with the Bank—which had developed already some prudential standards—in developing a list of areas in which action was needed. They would then discuss those areas with the supervisory community and work with them to develop that list of priority areas further.

At first, he had found it striking that there seemed to have been two contrasting ideas among conference participants, the First Deputy Managing Director remarked. The supervisory community regarded a banking standard primarily as a highly detailed instrument that could be legislated without substantial changes. Others were looking for a broad set of guidelines that focused on issues such as capital adequacy and loan provisioning and would also take account of the various factors that should serve to adapt those guidelines to conditions in differing countries.

He had discussed the matter subsequently with Mr. Padoa-Schioppa to reconcile the view of supervisors, who had felt that a banking standard would take a long period of time to implement, with that of others, who had felt that a standard would be required quickly. Once it had been clarified that the goal was not a set of internationally agreed regulations that could be legislated in short order, there had been much greater readiness to move forward.

After consultation with their relevant staffs, the three co-chairmen would meet again at the Annual Meetings, to see how further progress could be made, the First Deputy Managing Director noted. Nothing at the conference had reduced the urgency of Fund work in the banking area. The Fund would continue to raise banking sector issues during consultation discussions. The chairmen hoped that it could be done also in collaboration with banking supervisors, on the basis of commonly agreed international guidelines that would be more developed than the current ones used by the Basle Committee. The latter were largely Group of Ten standards, which had been adopted only selectively by a few other countries. Continued cooperation with supervisory officials was deemed important, given that they had greater expertise in banking issues than did the Fund

2. MEMBERS' POLICIES IN THE CONTEXT OF SURVEILLANCE—REVIEW—MANAGING DIRECTOR'S DRAFT REPORT TO INTERIM COMMITTEE

The Executive Directors considered the Managing Director's draft report to the Interim Committee on the review of members' policies in the context of surveillance, together with a background paper (SM/96/237, 9/13/96; and Sup. 1, 9/13/96).

Mr. Kafka suggested that the text be strengthened to indicate that the Managing Director favored greater flexibility in the staff's fiscal advice. He should be shown as favoring executive decisions to change tax rates to speed up revenue collection and similar changes to expenditures, as well—even in the absence of changes in budgets. His chair had mentioned that point on other occasions.

He hoped that the text on page 2 of the Managing Director's report—which indicated that industrial countries had encountered difficulties in public health and pension reform, while developing countries in raising revenue or reducing their civil services—would be amended to reflect the fact that all members had confronted those issues, Mr. Kafka said.

Mr. Waterman recommended that the introductory sentence in the section on the composition of fiscal adjustment be made more direct and refer to the need for countries to achieve deficit reduction as a key policy goal. Furthermore, the language that Fund "generally" favored an ambitious path of inflation reduction should be strengthened by deleting the qualifier "generally."

Mr. Esdar advised that the summary of the Managing Director's concluding remarks to the Interim Committee be made more consistent with the full text of his concluding remarks at the Board discussion on the review of members' policies in the context of surveillance (SUR/96/110). First, it was inherently contradictory to state that the Fund favored rapid fiscal consolidation over the "medium term." Second, the phrasing that Directors "generally saw legitimate room for debate about the appropriate pace of disinflation" should be strengthened to reflect the Chairman's concluding remarks: "Directors were of the view that price stability was a principal objective of macroeconomic policy, and that reducing inflation—even from moderate rates—was a key task for many members."

The Acting Chairman observed that there had been some debate at the Board meeting on the review of members' policies in the context of surveillance (EBM/96/84, 9/9/96) about the appropriate pace of disinflation, although there had been agreement on price stability as a principal objective of macroeconomic policy.

Mr. Fayolle said that he agreed that the summary of the Managing Director's concluding remarks should reflect more closely the Chairman's concluding remarks at the Board discussion, particularly on the issue of inflation. He hoped, as well, that the summary would reflect the Chairman's point that "the greatest risk was fiscal inaction," not the risk of temporary inappropriate composition of fiscal adjustment.

Ms. Srejber remarked that the summary of the Managing Director's remarks had broadly covered themes raised by the Board. However, with respect to the lessons for future Fund surveillance, the summary was about as compressed as it could be for a report to the Interim Committee. The selective approach to reviewing members' policies had been intended to help Ministers focus on broad issues in their World Economic Outlook discussion relating to their oversight role in the Interim Committee, and therefore to create a bridge between lessons from the Board's daily work on bilateral surveillance and the Committee.

The draft Managing Director's report to the Interim Committee overlapped the World Economic Outlook review, and the necessary linkages between the two should be highlighted clearly, Ms. Srejber stated. The Managing Director's report should also describe more clearly the reasons why the Madrid Declaration needed to be updated.

She questioned whether the report should state unequivocally that Directors asked for in-depth analysis of the output and employment costs of disinflation, Ms. Srejber continued. At the Board discussion, Directors had also emphasized that the staff should not be overloaded by having to do those analyses. While she favored the analyses, she would not do so at the expense of the staff paying less attention to the structural measures necessary to reduce inflation, where the Fund should focus primarily.

She was gratified that staff had noted in the report to the Interim Committee that the complex issue of publication and transparency would still have to be addressed, Ms. Srejber stated.

Mr. Wijnholds recommended that the Managing Director note to the Interim Committee the need for more in-depth analysis not only of costs of disinflation, but also of inflation.

The Acting Chairman clarified that the focus of the Board discussion had been on the costs/benefits of varying paces of disinflation. No Director had favored inflation per se. Regarding Ms. Srejber's point that the staff should not be overloaded by such analyses, he agreed that the Chairman's concluding remarks had been cautious: he had said that "we should not promise too much at this stage." Yet, Directors should keep in mind that the staff, in its existing country work, was often already examining the issue of how countries could disinflate more rapidly. Directors' point was perhaps, therefore, more of an affirmation of existing practice than a recommendation. He appreciated Ms. Srejber's point about the need to discuss further the question of publication of staff analysis underlying Fund advice.

Mr. Esdar cautioned that the Fund, as a monetary institution, should not give the impression that its only concern was that disinflation might prove too costly.

Mr. Sobel suggested that the Managing Director could perhaps use other terms than "comprehensive" measures and "high quality" adjustment. The word "generalized" could also be dropped when describing Directors' opposition to the use of trade measures for revenue purposes.

The Deputy Director of the Policy Development and Review Department remarked that there were no major issues to address, other than Ms. Srejber's point on the relationship between the current review exercise and the Madrid Declaration. The main purpose of the review was to examine Fund advice in the context of the Article IV consultation process every six months, covering topics that had been prominent in surveillance of, and discussions with, members. Its purpose was not to update the Madrid Declaration, although the analysis could be expected to provide an input for such an update.

The Acting Chairman concluded that staff would ensure closer agreement between the language in the Chairman's concluding remarks at EBM/96/84 (9/9/96) and that in his report to the Interim Committee.

3. DATA DISSEMINATION STANDARDS—PROGRESS REPORT TO INTERIM COMMITTEE

The Executive Directors considered the Managing Director's draft progress report to the Interim Committee on data dissemination standards (SM/96/229, 8/30/96).

The Director of the Statistics Department noted that, to date, 34 member countries had subscribed to the Special Data Dissemination Standard (SDDS). The Dissemination Standards Bulletin Board (DSBB) would be opened to the public at a press conference to be held at the Fund headquarters on Thursday, September 19, 1996. The staff was conducting ongoing assessments of the metadata that would be ready in time for the press conference and in time for the 1996 Annual Meetings. At the present stage, it was expected that metadata for 18 member countries would be available by the time of the press conference. Of those 18 members, 10 were industrial countries and 8 were economies in transition or developing countries. The staff hoped that metadata for at least another seven countries would be available by the time of the 1996 Annual Meetings. The metadata for the opening of the DSBB would be available within the Fund on September 1, 1996 on the Fund Web service.

The DSBB was continuing to be received positively by potential subscribers, the Director noted. One national statistical office had recently commended the DSBB as an undertaking that would contribute significantly to the ongoing improvement of statistical work and as an innovation that would be useful for both domestic policymakers and others. At a recent conference in Washington, D.C., organized by the International Statistical Institute, on the accuracy, timeliness, and relevance of economic statistics, a number of chief statisticians had made very positive statements in support of the DSBB. Those comments had been echoed by representatives of international agencies. In addition, at a recent preview of the DSBB held at the Bank of England, which had been attended by 50 bankers, fund managers, and risk analysts, support had been expressed for the improvements in statistics the DSBB would bring about. A similar preview of the DSBB was to be held for approximately 80–100 potential users in Tokyo and Singapore in the coming week.

As part of the program of events for the 1996 Annual Meetings, the staff would host a workshop on the DSBB, which was expected to be attended by a number of U.S. users, the Director stated. A brochure describing the DSBB and the way in which it would appear on the Internet had been circulated to members of the Board for the current discussion.

Mr. Mesaki made the following statement:

> The remarkable progress made on the SDDS since last spring is encouraging. I would like to commend the staff on the following two points in particular. First, the DSBB is expected to open on schedule, even though projects of this type tend to run far behind schedule, owing to technical difficulties. Second, more than 30 countries have subscribed to the SDDS. This number far exceeds initial expectations, and it is particularly pleasing to note that the list of subscribers includes not only industrial countries, but also some developing countries and economies in transition.
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> Nevertheless, it is disappointing to note that some industrial countries, as well as some emerging market economies, have not yet subscribed to the SDDS. I strongly hope that all these countries will subscribe soon. I also hope that the success of the DSBB will help accelerate widespread adherence to the general data standard, which is regarded as a more important next step.
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> A fruitful exchange of views took place between the staff and the Japanese authorities at a seminar on the SDDS held in Tokyo in July 1996, and I hope that the forthcoming demonstration of the DSBB to be held in Tokyo will be successful.
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> The Managing Director's draft progress report to the Interim Committee provides a good summary of the progress made thus far on the SDDS.
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> I support the staff proposal on the use of a hyperlink facility, which would enable users to move directly from the DSBB to actual country economic and financial data. The promotion of such hyperlinks is consistent with efforts to improve the transparency of various countries' economic and financial data for market participants worldwide. However, I have doubts about whether it will be feasible at the present stage to set a date for the introduction of hyperlinks for all countries in the spring of 1997. Although English-speaking countries could move to hyperlinks quickly, non-English-speaking countries might require more time. Additional costs would be involved in preparing separate versions for domestic and international use. Therefore, it will be important for the staff to take into account the particular circumstances of individual countries in its consultations.
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> My authorities fully recognize the strong need of developing countries for technical assistance in improving their economic and financial statistics.

Nevertheless, it is a matter for concern that the staff seems to be counting on contributions by countries subscribing to the SDDS and other donors in financing this work. The resources needed to help members improve the compilation of statistics should be raised by reviewing, first, the Fund's existing budget for technical assistance and, then, the overall budget of the Fund. If existing available resources are not sufficient to support this effort, we should consider increasing the Fund's budget before seeking contributions from countries subscribing to the SDDS and other donors.

It is regrettable that there has been some delay in completing work on the General Data Dissemination Standard (GDDS), owing to limitations on available staff resources. However, it would not be fair to criticize the staff, given the remarkable progress that has been made on the SDDS, which more than compensates for this delay. I would emphasize the importance of using the momentum gained through the success of the SDDS to speed up the introduction of the GDDS.

Mr. Newman made the following statement:

We congratulate the staff on the launch of the DSBB. The wide application of the SDDS will improve the functioning of the international financial markets and contribute to better policy development and implementation in participating countries. We welcome the participation by a wide range of industrial and developing countries. The SDDS sets a high standard and will require changes in data practices in virtually all participating countries, including the United States, where changes will be made immediately and during the course of the transition period to ensure that our data meets the new standards. We hope that other countries which are, or aspire to be, major financial centers and those accessing international capital markets will join the SDDS and be included on the DSBB at an early date.

The transition period and the flexibility built into the system provide ample time and scope to take account of the unique circumstances of each country. Moreover, the experience obtained during the transition period should enable the Fund to modify the SDDS as necessary to make it an even more effective instrument.

We have a few questions concerning the financing for technical assistance to countries participating in the SDDS. It is not clear from the staff paper whether this technical assistance is being provided to countries already participating in the SDDS or to all Fund members. The countries that are participating in the SDDS are among the higher-income members of the Fund, which should be able to pay for any improvements or any technical assistance on their own. Given the tight resource constraints, we agree with Mr. Mesaki that the first priority is to review the Fund's budget, and then limit assistance in this area to countries with the greatest need, in particular the poorest members of the Fund, rather than those in either the group of highest-income countries or in the next category down.

Finally, we welcome the establishment of the hyperlink between the DSBB and individual country pages. However, we would appreciate some additional information on the purpose and the scope of the proposed country summary page. At previous discussions on this matter, Directors seemed to be reluctant to have the Fund duplicate country data that could better be provided by the countries themselves, and I would hope that this summary page would not be a step in that direction.

Mr. He made the following statement:

I am very much encouraged by the progress in launching SDDS, in particular the painstaking technical preparations made by the staff and by the members having subscribed or striving for subscription.

As expected, the need for technical assistance associated with data dissemination standards is substantial. In designing modalities for financing assistance in this area, first it is important to take cost effectiveness into consideration. In this regard, apart from country-specific assistance, the benefits of regional seminars for members with comparable statistical practices should be fully exploited. Second, a stable source of financing for the purpose of improving statistical practice is desirable. Third, there is a need for caution that the increase in technical assistance in applying data dissemination standards does not crowd out technical assistance in other areas, particularly to the members who are striving, but not yet able, to subscribe.

I support the proposal to introduce hyperlinks in view of the staff analysis of the potential benefits versus potential costs although some quantitative estimates of such costs would be appreciated. Recommendation of a common reference format for metadata and for country data may also be desirable at an early stage.

Finally, we encourage the staff to come up with proposals for fine tuning the SDDS as soon as such a need is apparent so as to ensure that it reflects the evolution of good practices on the one hand, and continues to attract more members to subscribe on the other. We also encourage progress in developing the general standard.

Mr. Clark made the following statement:

Like others, I am very pleased to see the Fund's efforts over the past year and half coming to fruition. Following the approval by the Executive Board of the SDDS last March, the staff, in conjunction with national authorities, has worked hard to implement the SDDS in a relatively short period of time.

Judging by the number and mix of countries that have subscribed to the SDDS, the special standard appears to have been set at an appropriate - even if somewhat challenging - level, and should therefore encourage widespread improvement in statistical systems. This should contribute to the better functioning of international capital markets - the underlying objective of the exercise.

I welcome the imminent opening of the data dissemination bulletin board, and am pleased that Canada and Ireland will be among the countries appearing on the DSBB from the beginning.

Those of us who saw the demonstration were very impressed with the "look and feel" of the bulletin board.

The staff has invited Directors to comment on a proposal to introduce hyperlinks from the DSBB to country data sites on the Internet by a predetermined date. I agree that an essential next step in this process is to provide ready access to each country's data base and I therefore support in principle the hyperlink proposal. My Canadian authorities have informed me that a few technical problems will need to be resolved before they can participate. These problems relate to the involvement of three agency Web sites and the Fund requirement for a single Web site as well as the need to provide access to certain data that are not yet available on existing Web sites. These are the kind of problems that will be faced by all countries who have tried to get an early start in setting up Web sites. I assume these can be resolved.

I recall from previous discussions that the Board agreed that there should be two reviews of progress toward meeting the SDDS. I would reiterate that, given that countries have subscribed to a standard that in most if not all cases they do not yet fully meet, it is crucial for the credibility of the whole exercise that the degree of compliance with countries' commitments under the standard be monitored as planned.

Mr. Guzmán-Calafell made the following statement:

I am happy to see the progress that has been made to date in the implementation of the Special Data Dissemination Standard. Both the number of countries and the mix of industrial and emerging market economies participating in the standards reflect the positive response to this initiative, which represents indeed an important contribution of the Fund to enhance the quality of information and therefore to an improved functioning of markets worldwide. I join previous speakers in commending the staff for the impressive amount of work carried out, as well as for the efficiency displayed in setting this initiative.

I will be brief and limit my intervention to three remarks.

First, I believe we must keep our standards under constant scrutiny to identify any problems that emerge at an early stage and to be able to provide the required solutions on a timely basis. In this regard, I found the references to country reactions to specific elements of the SDDS as particularly useful. The staff notes that the specifications that presented the most common and difficult problems were for the general government\public sector operations data and the national accounts. In the case of the national accounts, the problem is concentrated in countries with large agricultural sectors and its solution within the time constraint of the transition period can only be achieved through the provision of adequate technical assistance. While the financing of the latter poses some challenges, after considering the characteristics of subscribers to the SDDS I infer that this is not an obstacle of a widespread nature. However, I wonder if this is also the case for the difficulties resulting from the coverage on a timely basis of state\provincial and local governments. I would like the staff to explain whether the difficulties observed in this area can be considered as generalized among subscribers or whether they are concentrated only on a handful of countries. Obviously, the approach to follow to tackle this problem would be radically different in one case or the other.

Second, the staff proposes the establishment of a special subaccount within the Framework Administered Account for technical assistance activities, to which countries subscribing to the SDDS and interested in technical assistance in statistics, as well as other interested donors, would be asked to contribute. The proposal to request subscriber countries seeking technical assistance to contribute to the financing of the latter has some merits. However, I believe it carries also a number of disadvantages that might even outweigh its benefits. On the one hand, the countries that most likely will need such assistance will be precisely those with the lowest levels of economic development, and therefore those facing the most serious budgetary constraints. Also, an initiative of this nature may discourage other potential subscribers to join the SDDS. In this regard, I share Mr. Mesaki's view that we give consideration to an increase of the resources available for technical assistance in our overall budget. I also wonder if reducing or eliminating the period during which the SDDS will be free of charge to users and devoting these resources to technical assistance activities could be of any help.

Third, I strongly support the proposals regarding the introduction of a hyperlink from the DSBB to country data sites on the Internet for countries wishing to have such links. This chair has continuously emphasized that the usefulness of the DSBB would be considerably enhanced by accompanying mechanisms allowing electronic access to the data itself. The staff's proposal is to define, together with the corresponding countries, a set of parameters that would permit to provide only a few observations to minimize any impact on revenue from data sales. I am assuming that in those cases when countries provide access to their data free of charge the hyperlink would permit to screen the whole set of data and not only a limited sample. I wonder if the staff could explain whether in cases like these the specification of the above-mentioned parameters would still be of use.

Mr. Donecker made the following statement:

We welcome the progress achieved so far in establishing the SDDS and we support the proposed progress report to the Interim Committee.

A wide range of countries have already subscribed to the SDDS and, according to staff, the Dissemination Standards Bulletin Board is scheduled to open to the public this week. Thus the process of providing policy makers as well as financial markets and the general public with more timely and more comprehensive key economic data has been set in motion and has gained a momentum of its own. Other countries that for various reasons have so far been unable to subscribe to the SDDS, will be encouraged to follow suit.

However, I also note from the staff's report that a number of difficulties still need to be resolved between staff and national authorities before some of them can subscribe to the SDDS. Some countries may still need a lot of technical assistance from the statistics experts of the Fund and/or from other expert sources before they feel ready to subscribe to the SDDS. Some may need just simply more time to coordinate the necessary statistical work and reporting systems on their national level. Some countries with sound and comprehensive statistical systems may still hesitate with their subscription because they have the impression that the SDDS is too rigid in some of its features in its present form.

The staff of our statistical department has worked very hard to get the SDDS "under steam" and deserves praise for all its efforts. It should continue to provide advice and technical assistance in this context as much as is feasible with its limited and over strained resources, while continuing with the preparation of the General Standard.

However, because of its limited capacity and the enormous additional workload associated with the establishment of the SDDS and the ongoing work with regard to the General Standard, the statistical department will most likely not be able to provide a lot of "in depth" technical assistance in statistics in relation to the establishment of the SDDS to a number of interested countries out of its own staff resources. A number of countries interested in the SDDS therefore may need assistance from other statistical expert sources that may be quite costly. These technical assistance implications of the standards initiative have already been raised in earlier meetings on the subject. In my view, the cost of such additional needs in technical assistance that member countries are identifying in the context of the introduction of the SDDS should first and foremost be a responsibility of each member, since each member stands also to profit most from such improvements of its statistical systems. After all, a country will, in this way, raise its standing in the international financial markets and thus be able to borrow at lower rates. The Fund should continue to assist with the selection of outside experts as well as with general guidance, but the overall as well as the financial responsibility for improvements of a member's statistical system must remain with each member. This does not preclude the Fund's continuing to provide technical assistance in statistics in particularly deserving cases out of its budget.

The proposal to introduce hyperlinks from the DSBB to country data sites on the Internet for countries that wish to have such links is acceptable to us on the basis that the decision to participate is left with the individual member. I fail to see an urgent need for the Fund to decide on this matter. We should not place too many obstacles into the path of members that are willing to or have already subscribed to the SDDS.

Mr. Shields asked whether Mr. Donecker could comment on Germany's timetable for subscribing to the SDDS.

Mr. Donecker recalled that, at the previous Board discussion on the Article IV consultation with Germany, Mr. Esdar had indicated that Germany might require some more time than other countries in subscribing to the SDDS. He had conveyed the comments put forward by Directors during that discussion to his authorities, who were making every effort to prepare the way for subscribing to the SDDS.

Mr. Kannan made the following statement:

> It is encouraging to note the progress made on the SDDS. We are grateful to the staff for the candid way in which regional seminars on the SDDS have been conducted. This chair participated in the seminar in Bangkok, which proved to be very useful and clarified many issues pertaining to the SDDS. There should be an adequate follow-up of such seminars, so that member countries can derive the benefits in full. Like many other developing countries, India is encountering some difficulties pertaining to the periodicity of national accounts. We look forward to further seminars aimed at resolving these issues.
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> It is not possible to publish quarterly accounts pertaining to agricultural output with accuracy, given the nature and composition of output in a geographically diverse economy, such as India. In view of the strong commitment under the SDDS and the heavy work pressures on the Fund staff, we can agree to the proposal for the Board to take up the issues related to the GDDS in early 1997, rather than before the end of 1996, as originally envisaged. However, the practice of discussing data standards in the context of Article IV consultations with individual members should be continued.

Mr. Estrella made the following statement:

> We would like to congratulate the staff for their efforts in assisting countries in the evaluation of their data dissemination practices and in the preparation of the metadata necessary to implement the approved Special Data Dissemination Standard (SDDS). We would like to see the same approach in the implementation of the General Data Dissemination Standard (GDDS), which is now expected to be discussed by the Board only in early 1997 and reported to the Interim Committee in April 1997.
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> Since the approval of the SDDS on March 29, 1996 and until August 29, 1996, 33 countries have subscribed to the SDDS, which is about 19 percent of the Fund's membership. Although, we would have preferred to have a large critical mass of countries, say 25 percent of the Fund's membership, before opening the SDDS to the public on the Internet, we nevertheless want to commend the achievement of being able to launch the SDDS today.
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> We fully support the introduction of hyperlinks from the Dissemination Standard Bulletin Board (DSBB) to countries' home page. It will be very

serviceable and would not be a major drain on Fund staff resources. Currently a significant number of countries provide data through the Internet; and, in fact, the Internet address will be available on the page that identifies the formats in which countries' data is disseminated. Though we understand the staff's intention to standardize countries' data provision, we wonder whether it would not be simpler to introduce hyperlinks immediately, and work toward the standardized table/page suggested by the staff, during the transition period. In other words, the current longer procedure of three stages (copy, paste, and enter) could immediately be replaced by a one stage procedure (point and click on the address).

Finally, we could support in principle the idea of establishing a special sub-account within the Framework Administered Account for technical assistance activities. In this regard, as we have said previously, countries will need to estimate the cost to them of adopting the SDDS before deciding on subscriptions, because this cost could be considerable. There is also a cost for the Fund. We are still waiting for this information from the staff.

Mr. Keller made the following statement:

We are pleased with the newest developments with respect to the Special Data Dissemination Standard. We welcome in particular the opening of the Dissemination Standards Bulletin Board. The staff deserves our special thanks for the considerable amount of work they have accomplished over the last months.

We would like to make the following comments on our preliminary experience: Switzerland and Poland have subscribed to the standard knowing that an additional effort will be needed in order to fulfill the requirements of the SDDS by the end of the transition period. In Switzerland, the initial reaction of the data producers to the initiative was rather cautious. They saw no particular reason for the Fund to become involved in a field in which other international organizations had more experience. However, during the process of preparing the metadata, and in particular thanks to the Seminar in Geneva, they better perceived the merits of the project as an opportunity to improve their practice. For the Swiss National Bank, for example, the SDDS provides a good occasion to carry out its old project of increasing the periodicity of the capital account data. For others, the requirement to establish advance release calendars is seen as a good opportunity to increase their professionalism. Thus, at least for Switzerland, we think that the SDDS has the desired effect to improve the statistical practice.

As regards the two concrete propositions in the staff paper we can be brief:

We believe that as many countries as possible should participate in the SDDS project. As some poorer countries will be able to fulfill the requirements of the SDDS only with external assistance, such technical assistance should be given to countries wishing to develop and improve their data. As to its financing modalities, we can agree, in principle, to the staff's proposal of establishing a special subaccount within the Framework Administered Account for technical assistance activities. In order to assure an efficient use of these funds, a moderate charge should be levied on countries making use of technical assistance.

We share the staff's view that the establishment of hyperlinks would greatly facilitate access to country data. However, we do not think that a move toward common formatting of data is necessary. A link may simply bring a user to the appropriate page of an already existing site of the statistical agency which produces the data described on the DSBB. It would then be up to this agency to determine how much detail it wants to publish on the Internet. The requirement of posting a summary table or page, in contrast, may force the data producers to post the same data twice—once on their normal site and once in the special format for the SDDS, which might not add to clarity and efficiency.

Ms. Srejber made the following statement:

I have no comments on the draft report of the Managing Director to the Interim Committee. Those involved in implementing the Interim Committee's request for establishing the data dissemination standards have done a tremendous job and have made reporting back to the Committee easy. In fact, several countries in my constituency have, independently of one another, expressed both admiration and appreciation for the professional manner in which the Fund staff has conducted its work in this area. Therefore, I can join other Directors in congratulating the staff for a very good job.

The future work program with respect to both the GDDS and the SDDS is ambitious—and might, in fact, seem too ambitious compared with available resources. As almost all countries are in the process of improving their statistics and, therefore, have little additional expertise available to provide technical assistance to other countries, it might be more difficult than anticipated for countries to rely on assistance from other members.

Given the resource constraints of the Fund, it is important not to lose sight of the GDDS. While it will be helpful for the users of the DSBB to have the hyperlink to individual country data, it will be important to ensure that the resources devoted to this feature—which might seem to be an over achievement compared with our initial goals—do not negatively influence efforts to improve statistical standards in countries that do not yet subscribe to the SDDS.

Mr. Hamilius made the following statement:

I join previous speakers in commending the staff for both the quality and the quantity of work it has completed in recent months to make the SDDS a reality. My strong admiration for this accomplishment was vividly confirmed during an interesting on-line demonstration provided by the staff last week. I am confident that this new instrument will be very well received by financial markets during the forthcoming presentations scheduled to take place in several financial centers.

Pleased as we are with the launching of this new information mechanism, we should not forget that this project entails significant capital and personnel costs. This is not a reason to slow down the further development of the DSBB. But, the cost constraints, imposed both on the Fund and on member countries, are significant. This might explain why some major countries—both creditors and debtors—have not yet subscribed to the SDDS. Let us hope that the subscription list can soon be completed. As to my own constituency, I can confirm that those countries that have not yet subscribed to the SDDS are working hard to do so within a reasonable time.

I wonder whether the staff could comment on the proposal to establish a sub-account to finance technical assistance related to the SDDS. Although I welcome the proposal for additional technical assistance to members, I have doubts about whether it can be financed by countries subscribing to the SDDS and other interested donors. As difficult as the implementation of such a scheme may appear, we should further explore modalities for having users of the DSBB contribute to this financing.

Although I recognize the importance and the usefulness of having hyperlinks from the DSBB to individual country data, I support the remarks made by Mr. Mesaki on the timing and the language difficulties involved. It is surprising to note that the Board will not return to the issues related to the GDDS until early 1997. The postponement should not be seen as a move to marginalize the countries that are not yet in a position to subscribe to the SDDS. The GDDS should be considered as equal in importance to the SDDS. Good macroeconomic policymaking requires improved statistical databases, and subscribing to the GDDS can be considered an intermediate step toward the higher standard.

Mr. Vernikov made the following statement:

I share the appreciation expressed by other Directors for the work carried out by the staff. We welcome the progress achieved to date, and we endorse the draft report to the Interim Committee. It is encouraging to note that 34 countries have already subscribed to the SDDS, and that these countries represent different kinds of economies. However, the number of transition economies that have subscribed thus far is very limited. I hope that within a reasonable time more countries, also representing different regions and different economic types, will be able to subscribe. I understand that this will require continued assistance from the staff. In this regard, we highly appreciate the efforts the staff has been devoting to this program. These efforts have included a number of activities, such as the recent seminar for countries of the former Soviet Union.

On technical assistance and resources to finance it, I support the comments put forward by Mr. Guzmán-Calafell, and I can associate myself with Mr. Hamilius's remarks on the methods of cost recovery for activities related to the SDDS. We need to explore closely modalities to recover costs from the potential users of the DSBB. These users are in a position to pay for the use of the information that has been made very comprehensive and easily accessible through links with the DSBB. On balance, I again welcome the progress achieved and commend the staff's efforts.

Mr. Shields made the following statement:

I join previous speakers in congratulating the staff. The feedback I have received on the recent seminar held at the Bank of England has been extremely positive. There is obviously a great deal of interest in the DSBB from potential users, as well as admiration for the comprehensive way in which this project had been approached. They are looking forward to making use of the information to be made available through the worldwide web link.

It is impressive to note not only the structure of the SDDS, but also the number of countries that have already subscribed to it. This clearly represents a critical mass, and I hope to see advances in the number of subscribers from all the categories covered. It is also noteworthy that a majority of these subscribers already have metadata up on the Internet.

The establishment of the hyperlink would seem to represent a low-cost activity for the Fund, but with very large benefits for potential users. The availability of such a hyperlink facility will make potential users more likely to go through the Fund bulletin board and, therefore, become more aware of the quality of the data. I certainly would support getting this in place as soon as possible and also making it as flexible as it can be. We do not want to impose additional costs on others if that can be avoided. It obviously will be more difficult for some countries, in particular non-English-speaking countries, to make the necessary metadata available. Nevertheless, I hope we can move toward having complete financial and economic data for all countries as quickly as possible. I also hope that once the hyperlinks are established for some countries, it will help spur others. The staff should not wait to make the hyperlinks available only when all countries are ready.

I agree with previous speakers that many of the countries subscribing to the SDDS should be able to pay for needed technical assistance themselves, and that they should be encouraged to do so. However, it had been envisaged that additional resources would be obtained, potentially, from charging users for the DSBB. I hope that this possibility can be explored further.

I also agree with Mr. Clark that reviews of the data standards are important. Obviously, concerns have been expressed about certain elements of the data standards, and there will be a need to monitor developments carefully as they unfold and, most important, there will a need to monitor the progress of the many countries who are using this as a transitional regime to see whether they are likely to meet the timetables they have established for adoption of the standards.

Finally, I am looking forward to our discussion on the GDDS in early 1997. Although it has been very important to get the special data standards up and running, there is cause for concern about the standards of data provision pertaining to members without access to markets. We need to push forward with the consideration of that topic as quickly as possible.

Mr. Fayolle made the following statement:

I have only two very brief points. Like previous speakers, I welcome the progress which has been made in implementing these special data dissemination standards, and I commend the staff for its tremendous work. On technical assistance, I think we have to follow a very cautious approach. I will not be specific today on this issue, but will only recall the general point of view that this chair has already many times expressed. We expect that countries which participate in the SDDS will do it in their own capacity.

Mr. Ismael made the following statement:

Today, three members of my constituency—Malaysia, Singapore, and Thailand—have agreed to subscribe to the SDDS, although this will involve substantial work to upgrade their statistical systems. Other members of my constituency are reviewing their statistical systems before taking final decisions. It was agreed at previous Board discussions that Fund technical advice would be forthcoming to help countries to overcome data limitations. For the current discussion, some Directors have suggested that the Fund impose charges for its technical assistance to SDDS subscribers. The Board should carefully reconsider such a proposal, lest those who have already agreed to participate in the SDDS should feel that they have fallen into a trap.

Mr. Mahdavian made the following statement:

It is encouraging to note that the Fund's initiative on data standards is proceeding successfully, and that the DSBB will open to the public this week, with a large number of members subscribing The staff should be commended for its hard work.

The Board has taken up the issues related to the provision of technical assistance at previous discussions, and many Directors have indicated that the establishment of the SDDS should not lead to a diversion of technical assistance from developing countries to less needy members. Some complex issues related to this exercise merit careful evaluation, including the issues of assessing statistical capacity, preparing manuals, implementing the standards, and, most important, upgrading the statistical capability of several members. Hence, the modalities related to the composition and financing of technical assistance need to be considered carefully. Moreover, it will be very important to ensure that the Fund's involvement in technical assistance for statistical activities is effectively coordinated with the efforts of other specialized international organizations.

I support the staff proposal to establish a special sub-account within the framework administered account for technical assistance. I wonder whether the staff could provide a rough assessment of the resources needed to upgrade the statistical system in a member country. In this respect, I refer to the development of quarterly national accounts, which could be a very costly exercise.

We agree with previous speakers that it is convenient for users to access actual country data through the DSBB. This link would facilitate access to country data through the Fund site and may also reduce the burden of work. Linking the Fund's site to country data will promote standardization in data formatting, which is a value added to this initiative. This approach would lead to a degree of coordination and harmonization in presenting data, which is generally consistent with the efforts of other specialized international organizations. Furthermore, the selection of a national coordinating agency in this exercise could be useful since different data categories are sometimes compiled by different institutions in the same country.

The design and implementation of the GDDS should not be accorded lower priority than the SDDS since it affects the bulk of the membership. After all, one can assume that, except for periodicity and timeliness, the GDDS may not turn out to be much different from the SDDS. The Fund effort in this area aims at designing a standard and setting goals for Fund members to improve their economic and financial statistics. I encourage the staff to proceed with the GDDS and the drafting and publication of associated manuals. These manuals may prove to be very helpful in the prioritization of statistical activities within national agencies.

Mr. Himani commented that he shared the concerns expressed by previous speakers about the implications of the data standards exercise for the provision of technical assistance in other areas.

Mr. Akatu made the following statement:

We are pleased to note the progress made in the development of the Special Data Dissemination standard (SDDS). The number of countries that have subscribed to the standard since April, as well as, the advanced stage of the work on the metadata are pointers to the importance member countries attach to improving their data and dissemination practices. We commend the staff for the hard work and look forward to the opening of the DSBB to the public later in the week.

We note that technical assistance has assumed a major dimension in the context of the intention of a number of the subscribing countries, to bring data in the areas of national accounts and also general government to the required standard by the end of the transition period. I welcome in this regard, the move by staff to explore ways of arranging the technical assistance needed. It is, however, evident that the Board may need to undertake a comprehensive assessment of the likely technical assistance implications of the implementation of both the Special Data Dissemination Standard (SDDS) and the General Data

Dissemination Standard (GDDS) in order to determine overall needs and set priorities. The staff note that cutbacks in technical assistance in other areas will be necessary if the needs identified in the two areas of statistics mentioned above are to be met. They also anticipate demand for technical assistance in other areas of statistics, as a result of members' interest in SDDS. The proposed hyperlink is one more additional aspect expected to generate additional demand for technical assistance. We note furthermore, that the pace of work on the GDDS is already being affected by the staff resources committed to the preparation of the metadata for the launch of the DSBB.

In the context of a re-assessment of the enlarged demand for technical assistance, we consider it important to ensure that the pressures brought on by the new needs connected with the SDDS and GDDS do not seriously affect technical assistance in other areas. In this regard, the staff's suggestion for the establishment of a subaccount for technical assistance, to which countries subscribing to SDDS and others interested in technical assistance could contribute, is worth exploring. The essence of this proposal seems to be in line with the Fund's existing practice with respect to technical assistance.

The hyperlink proposal appears to be a natural development of the DSBB and is welcome. It would certainly be a great convenience for users of DSBB to able to access various country data sites using it as a starting point. This facility would help make the DSBB more attractive to users thereby enhancing the goals for which it is being established.

Mr. Saha said that he joined previous speakers in commending the staff for its hard work on data dissemination. He could support most of the views expressed by previous speakers. In particular, he shared the concerns that had been expressed about likely additional demands for technical assistance and the need to accelerate work on the GDDS. He supported the draft progress report to the Interim Committee.

The Director of the Statistics Department noted that technological advances were making it easier and less costly for countries to post financial and economic statistics on the Internet. Over recent months, an increasing number of countries had posted summary pages carrying limited amounts of economic and financial data. However, statistical agencies in many countries—which were becoming increasing dependent on sales of publications on economic and financial data for revenues—were hesitant to post complete, up-to-the-minute statistics on the Internet. Thus, a typical country page on the Internet might contain the most recent observation for a data series, such as the consumer price index, and one or two previous observations; however, it would not provide detailed information, such as data covering a long time series. In addition, owing to significant differences in the types of presentations made by individual countries on the Internet, it was very difficult and time-consuming to locate specific data series or to gauge the coverage, periodicity, or timeliness of data. It was to be hoped that the introduction of hyperlinks between the DSBB and individual country pages might further progress toward more standardized presentations by individual members. The staff would not recommend moving immediately to the establishment of hyperlinks, because some time would be required for countries to adopt standardized formats for the presentation of data. Moreover, as Directors had noted, some time would be required for the development of specialized language presentations for some member countries.

Nevertheless, the establishment and maintenance of hyperlinks was not expected to place a significant drain on staff resources.

A number of countries that had subscribed to the SDDS would need to make substantial adjustments to their statistical systems in order to meet the requirements of the SDDS by the end of the transition period, the Director said. Several of those countries were currently trying to identify their specific needs for technical assistance in the area of statistics. In the context of the regional seminars that had been conducted on the SDDS, several countries—with access to the international capital markets—had indicated to the staff that they were interested in subscribing to the SDDS, but that they were not yet in a position to do so. For example, for many countries meeting the requirements of the SDDS with respect to the national accounts would be a problem. However, while some countries would likely require the assistance of a resident advisor to work with the national statistics office in devising and implementing a system for compiling quarterly national accounts statistics, other countries would likely prefer to conduct this work with support from the Fund in the form of staff visits to provide advice and/or oversee the implementation of improved methodologies. In the circumstances, it was clear that greater demands for technical assistance in the area of statistics would be forthcoming, but the staff was not yet in a position to comment on the exact nature or extent of those demands. Further consultations with individual countries on their plans for subscribing to the SDDS, including their likely needs for technical assistance, were scheduled to take place during and immediately following the Annual Meetings. On the basis of those consultations, it would be possible to better identify the likely magnitude of the additional technical assistance requirements to be associated with the SDDS.

It should be noted that, under the Framework Administered Account created in 1995 for the purpose of financing technical assistance activities, subaccounts could be created at the request of donors for the specific purpose of funding technical assistance for individual countries, the Director stated. Therefore, the Board might wish to consider the establishment of a special subaccount within the Framework Administered Account to fund technical assistance for a number of countries. Countries subscribing to the SDDS and interested in technical assistance in statistics or other interested donors could be asked to contribute to such an account as part of the effort to enhance data dissemination.

Much of the work that had been conducted on the SDDS was relevant to the development of a less demanding GDDS, the Director of the Statistics Department continued. The content of the GDDS was likely to be similar to the SDDS in terms of the three dimensions of integrity, access, and quality but was likely to be somewhat different in terms of data coverage, periodicity, and the timing. Before formulating specific recommendations on the GDDS, there was a need for the staff to consult with a wider range of members—such as among the countries in the Middle East, Africa, and the former Soviet Union, as well as the small island economies—that were expected to subscribe to the GDDS in order to acquire a better understanding of their economic structures and their institutional arrangements for the compilation of economic and financial statistics. Toward that end, the staff was making arrangements for a few seminars, at which members could provide the staff with feedback on proposals for the GDDS and convey their concerns about needed improvements in their economic and financial statistics. The staff hoped to distribute a paper on the GDDS to members of the Board by the end of 1996.

The Deputy Director of the Statistics Department said that the staff was consulting with a variety of countries to determine an appropriate time frame for the establishment of hyperlinks between the DSBB and individual country pages on the Internet. Most of the countries with which the staff had consulted thus far had indicated that they would welcome further discussions both with the staff and with other countries on the design of individual country summary pages to be posted on the Internet and to which the Fund would link.

The requirement of the SDDS related to the general government/public sector operations data had posed the most problems for countries, the Deputy Director of the Statistics Department stated. A number of countries did not have adequate coverage of state/provincial and local government operations, especially coverage on a timely basis. Therefore, a number of countries had elected to take the flexibility option under the SDDS, which would allow them to disseminate data on general government operations less frequently than prescribed by the SDDS. In addition, several countries had indicated that it would not be possible for them to collect data on local government operations on an annual basis; therefore, they intended to gather those data every two years and present an extrapolation of the data in intervening years.

The Acting Chairman noted that Directors had expressed concerns that the greater demand for technical assistance associated with the work on the SDDS might decrease the availability of technical assistance for countries that were not yet in a position to subscribe. He wondered whether the staff could comment on the extent to which technical assistance demands related to the data dissemination standards might differ from the technical assistance normally provided to member countries in the area of statistics.

The Director of the Statistics Department responded that the establishment of the SDDS would clearly entail additional demands for technical assistance, as some countries would need to effect improvements in their statistical systems that they might not otherwise have made. In addition, as work on the GDDS unfolded, many countries could be expected to identify weaknesses in their statistical systems that might not otherwise have been noted, and countries would be better able to articulate their technical assistance needs. Thus, the demand for technical assistance from the Fund, particularly with respect to improvements in members' financial statistics and national accounts data, would clearly continue to grow over the period ahead. Although the staff was making every effort to strengthen coordination with other multilateral and bilateral organizations in support of technical assistance efforts, many of the agencies involved in the provision of technical assistance, such as the OECD and Eurostat, were faced with budget constraints. Other multilateral and bilateral organizations were also experiencing resource constraints in terms of the number of experts available to provide technical assistance in the area of statistics.

The Acting Chairman commented that, in light of the emphasis placed by the international community on the importance of data dissemination as part of the response to changing conditions in the international capital markets, it would be appropriate to increase the amount of financing available for technical assistance efforts. In that respect, it was encouraging to note the suggestion put forward by Mr. Mesaki on the need to expand the Fund's budget.

Mr. Newman considered that it would be important to take into account the additional demands for technical assistance stemming from the data standards initiative in formulating the Fund's overall budget.

He could support the proposal on the establishment of a hyperlink facility, Mr. Newman stated. Efforts to standardize the presentation of country data should not delay the introduction of hyperlinks on the Internet.

Mr. Ismael said that he agreed with Mr. Newman.

The Acting Chairman made the following summing up:

> Executive Directors were pleased that 34 member countries had now subscribed to the Special Data Dissemination Standard (SDDS), with a good mix of industrial countries and developing and transition countries. They encouraged other members that were in a position to subscribe to do so at an early date. Directors looked forward to the opening of the Dissemination Standards Bulletin Board (DSBB) scheduled for September 19, 1996.
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> Directors observed that there was likely to be considerable additional demand for technical assistance by members stemming from the data standards initiative. Responding fully to these needs would be a major challenge in light of the technical assistance needs already in the pipeline and the ongoing work on the General Data Dissemination Standards to which Directors attached importance. The additional technical assistance needs would need to be considered in formulating the Fund's budget and in establishing Fund technical assistance priorities. Some speakers thought that, to the extent feasible, member countries participating in the SDDS should be prepared to meet some of the costs of technical assistance themselves; others commented that work on the SDDS should not decrease the availability of technical assistance for countries that were not in a position to participate. Coordination with other multilateral and bilateral organizations was also needed to support technical assistance efforts. The staff was encouraged to pursue opportunities for additional financing, including those outlined in the staff paper. Some Directors also asked the staff to look into the potential for cost recovery from users of the DSBB.
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> Executive Directors agreed that it would be useful for the DSBB to have a hyperlink facility, enabling users to move directly from a country's metadata on the DSBB to actual country economic and financial data. They agreed with the staff proposal to introduce hyperlinks from the DSBB to country data sites on the Internet for countries that wish to have such links, while taking into account country-specific circumstances in setting a date for the provision of such hyperlinks.

4. GROUP TRAVEL BY EXECUTIVE DIRECTORS—REPORT

The Executive Directors considered a report on the June 1996 Executive Board travel to Egypt, the Republic of Yemen, and Jordan (EBD/96/90, 7/15/96; Sup. 1, 7/23/96; Cor. 1, 7/24/96; and Cor. 2, 7/25/96).

Mr. Clark said that, on behalf of the five Executive Directors who had participated in the group travel to Egypt, Jordan, and the Republic of Yemen, he wished to thank the staff for its pre-trip briefings, which had covered political and social issues as well as the economies concerned. He also wanted to thank the authorities of the countries visited for their hospitality during the trip, which had been very well organized at short notice.

Although group travel by Executive Directors entailed certain costs, such travel also involved substantial benefits, Mr. Clark considered. In particular, such travel could help to "humanize" the image of the Fund, as it provided Directors opportunities to explain the role of the Fund to political officials and the press. Such travel could also help to increase the Board's understanding of the economic situations facing individual countries and the significant influence domestic interest groups had on reform efforts.

For the current discussion, he would emphasize the main operational conclusions of the report, namely, that the Fund should avoid giving the impression that it took a "one-size-fits-all" approach to reform, Mr. Clark stated. There was a need to take into account social concerns in the design of Fund programs; there was a need to focus on the important role of trade liberalization and civil service reform—which entailed job losses—in the design of Fund-supported programs; and there was a need to stress that structural reform was as important as macroeconomic stabilization.

As the need for appropriate macroeconomic policies had become almost universally accepted, the most pressing problems facing most countries were structural in nature, Mr. Clark noted. Although the World Bank had the mandate for work on structural reforms, the Fund had the "muscle" to push countries into undertaking such reforms. Thus, there was a need to bear in mind the need for partnership between the Fund and the World Bank in providing policy advice and financial assistance to individual countries.

Mr. Mesaki made the following statement:

> I would like to express my sincere appreciation for the hospitality extended by the Egyptian, Jordanian, and Yemeni authorities. I would also like to thank Mr. Shaalan for his excellent coordination and meeting arrangements. This was my first trip to the Middle East, and I was extremely impressed. In trying to assess a country's economy, it is very helpful to understand its historical, social, and political background. Although it is sometimes frustrating to note the lack of such background information in staff reports, I recognize that it would be very difficult to include such information in concise reports focused on economic developments. By participating in the group travel to the Middle East, I gained significant insights into the nuances that recent staff reports have attempted to convey about those economies.
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> As the report notes, criticism of the Fund was rather strong in the countries visited, and Directors devoted much of their attention to trying to help the authorities and business communities gain a better understanding of the Fund. These efforts were beneficial both for the Fund and for the parties concerned.
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> The travel would have been even more fruitful if all Executive Directors could have participated in the meetings and exchanges of views with government officials and representatives from the private sectors of each country. There was an enthusiasm for reform in each of the countries visited. It is particularly encouraging to note that an agreement has been reached with the

Egyptian authorities on a program that could be supported by the Fund, and that strong reforms are under way in both Jordan and Yemen.

With respect to the case of Jordan, it will be important to take prompt action to address the redemption of the dinar. The Fund should stand ready to take appropriate action, such as by increasing access limits or invoking the emergency financing mechanism, if necessary.

Ms. Lissakers said that she agreed with the comments put forward by Mr. Mesaki and Mr. Clark. Group travel was very valuable to Executive Directors as a means of gaining insight into the challenges faced by the staff in negotiations with individual countries and into the views taken by governments on the receiving end of Fund advice. At the same time, Executive Directors' discussions with the press and with critics of the Fund and/or of government policies helped to improve public understanding of the Fund's policies and operations. The recent travel by Executive Directors certainly had been covered well by the press in Egypt, Jordan, and Yemen. The Executive Board had a role to play in trying to present a more "humane" image of the Fund, and Directors could do more than the staff in terms of interacting with the public in countries undergoing Fund-supported programs.

Delegations of Executive Directors traveling to member countries should include at least one representative from a country undergoing a Fund-supported program, Ms. Lissakers considered. During the recent group travel, it had been striking to note the degree to which program countries felt isolated and felt that no other country had ever gone through the difficulties they were encountering. Both in Egypt and in Yemen, government officials had paid particularly close attention to the advice offered by Mr. Calderón, based on his country's experience in implementing a Fund-supported program. That experience clearly had added to Mr. Calderón's credibility, as the authorities had been prepared to devote careful attention to the arguments put forward by a representative of a government that had gone through a Fund-supported program.

The time frame of the visits to Egypt, Jordan, and Yemen had been appropriate, although it would have been useful for Directors to have had a little more time between meetings to digest the key points covered in discussions, Ms. Lissakers commented. It would also be useful to try to include in such visits at least a little time outside of the capital cities. During the recent group travel, Directors had made a visit to Ramadan City, an industrial city outside of Cairo. That trip showed the value of visiting a site removed from the center of government power. It would have been beneficial if the trip to Yemen had included a visit to Aden to enable Directors to obtain a view of the workings of the economy outside the capital city.

Mr. Calderón made the following statement:

I agree with the comments put forward by Ms. Lissakers and Mr. Mesaki. I also join them in expressing appreciation to the countries visited and to Mr. Shaalan, who did an excellent job of coordinating the schedule of meetings.

Before participating in this group travel, I was somewhat skeptical about the benefits of such travel by Executive Directors. The experience of this trip has convinced me that such travel is worthwhile.

The first and perhaps most obvious benefit is the opportunity for Directors to gain in-depth knowledge of the countries visited. Although some things—such as the need for reform—may be better captured in staff reports, the travel provided Directors with a better understanding the efforts that had been made, the obstacles involved, and the suffering that occurs in the process of reform. This may be especially beneficial for Directors from industrial countries. Such travel also provides Directors an opportunity to given positive reinforcement to the authorities undergoing the adjustment process.

The second aspect I would point out is that these experiences are important not only for the three countries visited, but also for others, as it enables members of the Board to gain better insight into how Fund-supported programs work, and how they are perceived.

Finally, the authorities of the countries visited as well as the journalists and representatives of the public and private sectors expressed appreciation for having an opportunity to meet with Executive Directors, which were, a way, more political representatives than the staff. The travel also helped to change public perceptions about the Fund.

Mr. Shields made the following statement:

I join previous speakers in thanking the staff and certainly Mr. Shaalan for the organization of the recent group travel and for the very relaxed and helpful way in which Mr. Shaalan hosted our visits and activities. The authorities of Egypt, Jordan, and Yemen were exceptionally forthcoming in their discussions with us. They were also very hospitable. Indeed, we may need to revisit the Board's policy on gifts, because we received a lot of gifts during the tour. It was a very good way of introducing us to the countries, but it does raise one or two issues.

The authorities and other parties we met with were appreciative of the way in which this visit was organized and the spirit in which it was conducted. They seemed to understand that we were there for information and to help promote better understanding of the Fund, and that we were not there to negotiate. They seemed to appreciate the fact that they were seeing a different side of the Fund, in which representatives of countries with different perspectives, both on the Fund and the programs it supports, could exchange views based on their own countries' experience.

I agree with Ms. Lissakers that it was extremely useful to have Mr. Calderón there to exchange information with the authorities about other countries' experience in implementing Fund-supported programs. It would be helpful if future groups of Executive Directors for such travel could represent a good mixture of member countries.

It was encouraging to note the wide variety of participants from the countries visited in the meetings, and the fact that some participants had attended various meetings in several different capacities. That served as a useful reminder of the way in which information is actually exchanged and decisions are made within countries. The presence of various interest groups and business people in the political discussions was noteworthy, although this can be a mixed blessing: it clearly demonstrated the influence such parties had in providing a powerful stimulus for reform, albeit, with their own particular interests in mind; but it also demonstrated the way in which specific parts of reforms programs could be delayed or derailed, owing to pressures from such groups.

As to the costs of group travel by Executive Directors, this chair is traditionally the last to recommend any exercise that would add to the costs of the Fund. Nevertheless, such group travel is clearly worthwhile. In light of the total Fund travel budget, the cost of such travel by Executive Directors is relatively small. Nevertheless, Directors should have a responsibility for absorbing the costs of these exercises.

I agree with Ms. Lissakers that it would be useful to travel to areas outside capital cities. Although that would add to the expense and difficulty of the arrangements, the added diversity and experience gained is worthwhile.

Mr. Shaalan said that he had elected not to participate in the preparation of the report on Executive Directors' group travel, which was well balanced. As a proponent of group travel by Executive Directors, he was pleased to note the many positive comments put forward by the Directors who had participated in the travel to the Middle East. As he was largely in agreement with those comments, his intervention for the current discussion could be brief.

Many of the officials from the countries visited had conveyed to him their positive assessments of the group travel, Mr. Shaalan stated. The officials of Egypt, Jordan, and Yemen had been pleased to find that members of the Fund's Executive Board were interested in their views about recent developments in their countries and in the region. The interactive discussions that had taken place with officials and representatives from the business community in Egypt, Jordan, and Yemen had clearly helped to bring the Fund to life in the eyes of those countries. In that respect, he fully agreed with Mr. Clark that group travel by Executive Directors helped to "humanize" the image of the Fund, as it provided Executive Directors with an opportunity to explain in detail the positions taken by Board on key issues facing member country authorities, such as on the need for specific types of reforms. It also gave the authorities an important opportunity to hold personal exchanges of view with individual Directors.

He differed with Ms. Lissakers on the most appropriate duration of group travel by Executive Directors, Mr. Shaalan commented. The two and one-half days spent in each of the countries visited represented a very short period. It would have been extremely useful to have spent one additional day in each of the countries visited.

In response to the point raised by Mr. Shields on the question of gifts, it should be noted that gift-giving was a tradition in the Middle East, Mr. Shaalan said. It would be misleading to read anything more into that.

Ms. Lissakers stated that she wished to join other Directors in thanking Mr. Shaalan for arranging the group travel and for serving as a host in each of the countries visited. His efforts clearly had made an important contribution to the overall success of the travel. She was also grateful to the staff for the excellent briefing materials it had prepared as background for the group travel. The preparation of such briefing materials had placed an additional burden on the staff at a time when its workload was already heavy.

Mr. Kaeser said that, although he had been skeptical about the usefulness of group travel by Executive Directors at the outset, the report on the recent group travel and Directors' comments on that experience had convinced him of the usefulness of that initiative.

Shortly after the group travel to Egypt, some civil disturbances had erupted in response to the increase in the price of bread, Mr. Kaeser recalled. He wondered whether Directors had been aware of the rising tensions with respect to prices increases during their visit to Egypt.

Mr. Disanayaka stated that he joined previous speakers in thanking Mr. Shaalan and the other Executive Directors who had participated in the group travel to Egypt, Jordan, and Yemen. He was also grateful to the staff for the preparation of appropriate briefing materials for the travel.

The report on group travel by Executive Directors put forward a number of useful operational conclusions that warranted further consideration in the context of future Board discussions on individual countries, Mr. Disanayaka commented. Those conclusions highlighted the benefits to be derived from holding open and frank discussions between Executive Directors and representatives from member countries. As the report made clear, such face-to-face discussions could go a long way toward deepening the Board's understanding of the problems faced by member countries and the difficulties that country authorities encountered in implementing Fund-supported programs. In that connection, it would be useful for such group travel to include discussions between Executive Directors and politicians not only from the current government, but also from opposition parties.

He agreed with Ms. Lissakers that it would also be useful for such group travel to include visits to areas outside the capital cities of the countries visited, Mr. Disanayaka remarked. Such visits could enhance understanding of the real standard of living and the actual workings of the economy at large.

Such group travel was especially useful at the present stage, when the Fund was becoming more involved, with the World Bank and other international institutions, in encouraging appropriate structural reforms, Mr. Disanayaka considered. During his service at the Asian Development Bank, he had had occasions to participate in group travel by Executive Directors from that organization to some of its member countries. The Asian Development Bank had found such travel very useful as a means not only of enhancing the Board's understanding of member countries, but also of improving the Bank's image among its members. Such travel should be encouraged by members of the Executive Boards of other international organizations, such as the World Bank, and other development banks. It would be appropriate for the Fund to take a leading role in starting that process.

The Deputy Director of the Middle Eastern Department noted that the report on group ravel by Executive Directors contained a number of important insights. As the report noted, misperceptions about the Fund were fairly widespread throughout the Middle East. Such misperceptions, which tended to undermine public support for Fund activities within the region, seemed to be attributable to a lack of reliable information about the Fund and insufficient understanding of the information that was available. The staff had stepped up its efforts to address that problem. With assistance from the External Relations Department, the Middle Eastern Department had increased Fund publications on the region. The staff was also trying to "humanize" the image of the Fund by participating in more conferences and seminars on topics of particular importance to countries in the Middle East. The recent travel by Executive Directors had clearly helped in the effort to enhance public understanding of the Fund's policies and practices, particularly in Egypt, where the recent travel was very well covered in the media.

The report on group travel correctly emphasized the importance of structural reform, the Deputy Director commented. The main challenge facing Egypt, Jordan, and Yemen was the need to obtain higher rates of sustainable growth, and structural reform was clearly the key to addressing that challenge. Although the report on group travel had raised a number of important points regarding the role of the Fund in the design of structural reform programs, it was important to emphasize that the staff had to strike a very delicate balance between what was optimal and what was possible in each of the countries concerned. The approach of the staff in each case had been twofold. First, the Fund staff tried to provide a counter force to the long-established vested interests within those countries that stood to benefit from continued rent-seeking behaviors that delays in the reform process would entail. Second, the involvement of the Fund was geared toward the individual countries' administrative capacities in terms of formulating and implementing policy; it also took into account the involvement of other bilateral and multilateral agencies, particularly the World Bank.

Although group travel by Executive Directors clearly carried some risk of complicating the process of negotiations between the staff and national authorities, there had been no indications that the recent travel by Executive Directors had had any negative impact on program negotiations, the Deputy Director of the Middle Eastern Department noted.

Mr. Berrizbeitia said that he joined previous speakers in welcoming the report on group travel by Executive Directors. He had from the outset considered that personal contacts between Executive Directors and member country authorities would help to promote better understanding of the complex political, social, and economic situations facing member countries. He would certainly favor group travel by Executive Directors in the future.

The operational conclusions contained in the report were particularly relevant for the ongoing work of the Executive Board, Mr. Berrizbeitia considered. He fully agreed with the emphasis that had been placed on the importance of country "ownership" of the programs they implemented.

The harsh public perceptions of the Fund that were widespread not only in the Middle East, but also in other regions could be counteracted through more effective communication about Fund policies and practices, Mr. Berrizbeitia stated. The External Relations Department was increasingly becoming involved in efforts to improve the Fund's policies on communications with the public, and those efforts should be promoted within the Fund. Group travel by Executive Directors should also be promoted as a means to further enhance communications with members and to make clear that the Fund does not take a one-size-fits-all approach to reform. In that connection, he fully supported Mr. Clark's assertion that group travel could help the "humanize" the image of the Fund.

He also agreed with the emphasis that the report had placed on strengthening Board members' understanding of the social and political situations faced by individual countries, Mr. Berrizbeitia continued. It would be important to consider ways in which to take such considerations into account in the design of Fund-supported programs, without sacrificing the minimum requirement of economic stabilization. In that respect, the staff should make every effort to ensure that political realities were taken into account in the recommendations put forward to member countries. Such an effort would clearly contribute to the overall success of Fund-supported programs. More widespread circulation of background information on the historical, sociological, and political background of individual countries—along the lines of the briefing materials provided to Executive Directors for the recent group travel—would clearly be helpful.

The report on group travel by Executive Directors was correct to emphasize the need for structural reforms, which was at the root of the economic problems faced by many developing countries, Mr. Berrizbeitia went on. However, experience showed that it was far easier to implement macroeconomic reforms than structural reforms, owing to the deep-seated effects structural reform measures had on well-established interest groups within countries. For that reason, it would be important for the Fund to incorporate a greater sense of realism, in particular with respect to the time frames envisaged, in the programs it supported. It would also be important to provide sufficient time for domestic political systems to absorb the impact of suggested reform measures. The greater need for realism which, in turn, called for in-depth country-specific knowledge, supported the point raised by Mr. Clark on the need to combine the World Bank's mandate in the area of structural reforms with the Fund's "muscle" in pushing countries to undertake such reforms. Early and close collaboration between the two organizations in program design, particularly in cases requiring extensive structural reform efforts, was clearly desirable.

Another benefit of group travel by Executive Directors, which had not been sufficiently emphasized in the report on the recent group travel, was the opportunity such travel provided for Directors to clarify the respective roles of the Fund's staff and its Executive Board to member country officials, Mr. Berrizbeitia added.

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

Mr. Mirakhor stated that he joined previous speakers in commending the very useful and well-written report on group travel by Executive Directors. The report for the current discussion could be used to set the standard for reports on future group travel.

The main operational conclusions put forward in the report touched on some of the most fundamental issues the Board had been grappling with over recent months, Mr. Mirakhor noted. In that respect, it had implications not only for the staff, but also for members of the Executive Board. It was to be hoped that the Board would have an opportunity in the future to address each of those conclusions in detail. In that respect, the section of the report commenting on the possible tradeoffs between hard budget constraints and privatization was particularly interesting and important to the work of the Fund. Perhaps, after gaining further experience with such travel, the Board could take up the accumulated observations about Fund policies and operations for detailed consideration.

Press reports showed that Executive Directors had been well received by the media in the countries visited, Mr. Mirakhor said. Therefore, he wondered whether the Executive

Directors who had participated in the group travel would have an opportunity to meet with representatives of the press in Washington to report on their findings. Such an opportunity would be welcome, given the historical nature of the group travel, which was unprecedented in the Fund. Further contacts with the press in Washington would help to "humanize" the image of the Fund and would send an important signal to authorities of the countries that had been visited that their efforts to receive members of the Executive Board and to discuss the problems faced by their countries had not gone unnoticed.

There was a clear need to enhance public understanding in the Middle East not only about the Fund's operations, but also about its views on various types of economic policies, Mr. Mirakhor considered. Similarly, there was a need to improve public understanding in other regions about economic, social, and cultural developments in the Middle East. In the effort to improve such understandings, it should be noted that Fund missions served an important role in encouraging the authorities to focus on the issues of immediate concern. In that respect, it should be emphasized that the Fund did not try to micromanage policies, but it frequently served as an important catalyst for policy discussions among local decision makers.

Also with respect to the effort to enhanced understanding about the Fund, he wondered whether the section of the report on the Fund's role in the reform process could be circulated to the authorities of other countries in the Middle East, if not to the membership at large, Mr. Mirakhor stated.

Ms. Srejber made the following statement:

It was interesting to read the impressions of my colleagues who traveled recently to Egypt, Yemen and Jordan. No doubt they had a unique opportunity to devote more time for each of the countries and to learn more about the given country's situation and views on the adjustment the countries are going through, when meeting representatives from different circles of the society. The Directors who traveled could devote 2-3 days to study each country, whereas here in the Board Executive Directors cannot normally spend so much time for each country due to our intensive schedule and large membership. It would of course be perfect if each and every one of the Board members had this enhanced knowledge, but knowing the high turnover in this Board I am afraid that this kind of expertise is not kept by the Board but is more of a personal value. It would be interesting to hear whether this group travel had any positive effects on the understanding between the staff working on the countries and the authorities.

Many of the issues mentioned in the Chapter V. The Fund's Role in the Reform Process, that provide the major insights gained by the visiting Directors have been usually provided in the opening or in the final concluding statements of the Executive Directors representing countries in the Article IV discussion or on the occasions of the reviews of programs. Thus, I personally did not find much news, but rather a confirmation of the views provided here in the Board. On the suggestion that tactics should be left to the authorities and Fund advice/program to strategy, I do not agree that it is always useful to leave so called tactics to the authorities. It has to be judged on a case by case basis, as in some countries vested interests are strong and it is helpful for the authorities to have a very detailed agreement with the Fund.

> As I recall this initiative of traveling was confirmed on a trial basis for this year, therefore, we should not hurry with a solid conclusion, but rather wait for the other trip. The only thing I would like to add is that I find the recommendations somewhat strange, especially those concerning the composition of the group of Directors. It looks to me as if this is becoming some kind of technical assistance team.

Mr. Wijnholds commented that, as one of the Directors who had favored group travel by Executive Directors from the outset, he was pleased to note the positive assessments put forward by many Directors on the recent experience.

As he and Mr. Kiekens would be hosting the next group travel to Georgia, Hungary, and Ukraine in late October–early November 1996, he was grateful for the current discussion, Mr. Wijnholds said. The three countries slated for the next group travel represented an interesting combination of one relatively advanced Eastern European economy in transition, one relatively large economy still in the midst of the transition process, and one relatively isolated transition economy under an enhanced structural adjustment arrangement.

Although the concerns about the need to avoid weakening the negotiating position of management and the staff in countries visited seemed to be somewhat exaggerated, they were being taken into careful consideration in setting up the time frame for the forthcoming visit, Mr. Wijnholds said.

At previous discussions on group travel by Executive Directors, he had received the impression that it would be best to avoid trips to areas outside the capital cities of the countries visited, as such trips could send a misleading signal that Directors were not taking the travel seriously, Mr. Wijnholds commented. In light of Directors' comments on the potential benefits of such trips, an effort would be made to include such trips in the forthcoming travel to Georgia, Hungary, and Ukraine.

While he agreed with Mr. Mirakhor that it would be very useful to Executive Directors to meet with representatives of the press in the countries visited, he had reservations about the usefulness of arranging for contacts with the press in Washington following such trips, Mr. Wijnholds stated.

Mr. Han made the following statement:

> At the outset, let me join the previous speakers in commending the successful trip made by some Directors to Egypt, Jordan and the Republic of Yemen. I am deeply impressed by the job done by those visiting directors, especially in view of the short time for preparation before their departure. It was a productive trip and fulfilled its objective of strengthening the mutual understanding between the Executive Board and the country authorities at a deeper level—an essential factor for both sides, and more importantly for the Fund in establishing and enhancing its image.
>
> I agree with the recommendations which will be of great value for future trips by Directors. I have a small request. Could the country information prepared by the staff for such trips by Executive Directors be provided to all

members of the Executive Board? This way all Directors can be kept fully in the picture.

Ms. Lissakers said that the recommendations on the composition of groups of Executive Director for future travel were based on observations about what had worked particularly well on the recent tour. The authorities of Egypt, Jordan, and Yemen had taken the recent group travel very seriously, as evidenced by the time that officials at the highest level had devoted to discussions with Executive Directors on the main issues currently facing their countries. Although there might be a tendency for some officials to dismiss the recommendations put forward by the Fund staff on the assumption that staff missions were composed of bureaucrats with an institutional mind set, they were not as likely to attempt to dismiss the views put forward by Executive Directors, who had experience in grappling with political resistance to particular economic adjustment measures. During the recent travel, the authorities had clearly paid particular attention to the views expressed by Mr. Calderón, because he represented a country that was currently undergoing a Fund-supported program. The fact that the group of Executive Directors participating in the recent travel had conveyed a common theme, despite their varied backgrounds, had also added to the value of the discussions held with the authorities of Egypt, Jordan, and Yemen.

The recommendation contained in the section of the report on the role of the Fund in the reform process that the Fund should focus its attention at the strategic level and allow the authorities to determine the tactics and the timing of specific reform measures was not intended to suggest that the staff should not participate in the design of specific measures aimed at meeting program objectives, Ms. Lissakers stated. Rather, it was meant to highlight the importance of taking a case-by-case approach to the design of programs in order to ensure that the details were viable in the particular circumstances of the countries concerned. It was also intended to stress the importance of taking into account the views of local authorities on what specific measures were likely to work within a given time frame. As experience in countries whose Fund-supported programs had gone off track showed, programs failed when the details related to the design and/or timing of specific measures were not appropriately planned in advance.

With respect to the rate of turnover in the Executive Board, it should be noted that when individual Executive Directors separated from the Fund, they usually returned to the central banks or finance ministries of their own countries, where their work was related to the issues dealt with by the Fund, Ms. Lissakers remarked. Thus, group travel clearly contributed to the development of human capital. Moreover, given the open and frank exchange of views that took place both within the Board and within individual Executive Directors' offices, the turn over of individual Directors did not negate the value of group travel in terms of building institutional memory within the Fund.

Ms. Srejber said that she did not doubt that the discussions with national authorities had been enhanced by the practical experience of Executive Directors. However, if there was a need to send Executive Directors to hold discussions with member countries, because the staff did not have sufficient experience in the design and implementation of economic policies, the Fund might need to review its recruitment policies.

Similarly, she could agree that group travel was an interesting and valuable experience for the individual Executive Directors participating in the visits, Ms. Srejber stated. However, given the rate of turnover in the in Executive Board, which defrayed the benefits to be gained for the Fund in terms of institutional memory, it would seem appropriate for the central banks and ministries of finance represented by the Executive Directors concerned to cover the costs of group travel.

Mr. Shaalan noted that Ms. Srejber had been correct to observe that many of the operational conclusions of the report on group travel were similar to the points raised in the opening and closing remarks of Executive Directors representing individual countries at Board discussions. However, the operational conclusions of the report represented the collective view of a group of Directors formed on the basis of practical experience. Therefore, they should be seen to carry more weight than the views put forward by an individual Director about a member of his constituency.

Mr. Clark recalled that the Executive Directors that had participated in the recent group travel to Jordan had been aware of the tense situation surrounding the increase in the price of bread. In discussions with the authorities, senior officials had indicated that that price increase would likely push the limits of what could be seen as socially palatable within the environment prevailing at that time. It should be noted that, in the event, the civil disturbance in response to the price increase had been fairly limited.

During the recent group travel to Egypt, Jordan, and Yemen, Executive Directors had had an opportunity to meet with a variety of political leaders, including from opposition parities, Mr. Clark said. Indeed, the Executive Directors who had participated in the travel felt that the meetings held with representatives of opposition parties had been extremely valuable.

He agreed with Mr. Mirakhor that, after gaining further experience with group travel by Executive Directors, the accumulated observations about Fund policies and operations should be taken up for consideration, Mr. Clark stated. Although it would be untimely for Executive Directors to meet with representatives from the press in Washington at the present stage, given the period that had lapsed since the recent group travel, he agreed with Mr. Mirakhor that it might be useful for Executive Directors participating in the next group travel to do so. In addition, as the *IMF Survey* had noted the group travel to Egypt, Jordan, and Yemen, it might be possible in the future to prepare an article for the *IMF Survey*, combining the observations gained from that trip and the forthcoming travel to Georgia, Hungary, and Ukraine.

Mr. Esdar commented that Directors should be encouraged to use caution in contacts with the press. It would be misleading to suggest that the staff and management were less "humane" than Executive Directors in their discussions with national authorities. He was confident that the staff and management were at least as careful as Executive Directors in presenting balanced views to member country officials.

The operational conclusions contained in the report on group travel were very interesting, Mr. Esdar considered. He agreed with previous speakers that, after gaining further experience with group travel, it would be useful to take up those conclusions more generally, perhaps in the context of a review of conditionality, in which the staff would also have some input based on its experience with individual countries. It should be noted, however, that such a review was not likely to bring about significant changes in Fund conditionality.

Similarly, although the report's observations about the need for flexibility in the design of adjustment programs were interesting and useful, he was confident that the staff provided sufficient flexibility in its program negotiations to take into account the social and political circumstances of the individual countries concerned, Mr. Esdar said.

The Director of the External Relations Department commented that the current discussion was particularly interesting from the point of view of the External Relations Department. In reacting to public perceptions—and criticisms—of the Fund on a daily basis, there was a tendency to lose sight of the larger need to enhance public understandings about the role of the Fund and its practices. Suggestions from individual Executive Directors concerning the external relations strategy of the Fund would be very welcome.

With the advent of group travel, future external relations efforts by the Fund would entail active participation not only from the staff and management, but also from Executive Directors, the Director noted. Therefore, it would be useful to try to improve the coordination of external relations activities to ensure that the public would gain a well-balanced view of its policies and operations as well as of the linkages between them. Over recent years, the Fund had increasingly relied on its resident representatives in member countries to enhance public awareness and understandings about the role of the Fund and to establish a basis for future contacts between the Fund and representatives of the press.

While group travel by Executive Directors would certainly add a new dimension to the external relations activities of the Fund, the staff had been able to increase its program as well as its contacts with the press and nongovernmental organizations without increasing the overall resources devoted to those activities, the Director of the External Relations Department stated.

Mr. Berrizbeitia recalled that in August 1996, his office and the External Relations Department had organized two seminars in Venezuela on the role of the Fund and the design of Fund-supported programs. Those seminars, which were geared toward politicians—including from opposition parties—and the press had been very successful in promoting greater knowledge about the Fund. He would encourage other Directors to undertake similar initiatives in the countries they represented.

The Acting Chairman commented that the operational conclusions contained in the report on group travel by Executive Directors were long-standing issues for the Fund. He agreed with Directors that it would be useful to hold a separate discussion on them.

Although the recent experience with group travel clearly helped to allay some of the previous concerns that had been raised about the initiative for Executive Directors to visit individual members, it would be crucial during such travel to bear in mind that country officials—and members of the public—might confuse Executive Directors with the staff, the Board, or the institution as a whole, the Acting Chairman noted. Thus, Executive Directors' action could have a permanent affect on negotiations with member countries. It would also be important for Executive Directors to carefully assess whether they had discovered the true underlying situation in the country visited.

The enhanced understanding of Jordan's problems by some Executive Directors had been apparent at a recent Board discussion on that country, the Acting Chairman recalled. He agreed with Directors that efforts to enhance understanding of members' economies were very important to the Board's work. At the same time, however, it was important to bear in mind that, while the Executive Board had significant influence on the staff and management, it was an integral part of the institution as a whole. It would be misleading to suggest that Directors understood country situations better than the staff or that they were more flexible. Given its role as a promoter of reform—which was often painful—the Fund would never be popular. There would always be a need to strike an appropriate balance between understanding the dilemmas faced by members and the need for tough action.

Mr. Esdar said that he agreed with the Acting Chairman's comments. It should also be noted that the information provided by the staff to the Executive Board reflected a body of knowledge built up over years as well as a variety of decisions taken by the Board. That information was also supplemented by the countries Executive Directors represented, which also had a great deal of influence on the decision-making process. Against that background, a longer circulation period for staff reports would allow Directors more time to gather information about the countries in question and to confer with their national authorities.

Ms. Lissakers noted that the recent group travel to Egypt, Jordan, and Yemen could be seen as a test of the risk involved with respect to negotiations with member countries. Given the sensitive negotiations that had been under way with Egypt and Jordan at the time of the visit, Directors had been careful to reinforce the messages conveyed by the staff. Although there would always be a risk of affecting such negotiations between the staff and the authorities in member countries visited, Executive Directors had the professionalism and diplomatic skills to avoid that risk.

Mr. Wijnholds said that he agreed with Ms. Lissakers on the risk to program negotiations. He also agreed with the Acting Chairman that national authorities and the public often had difficulties distinguishing between Executive Directors, the staff, and management. Therefore, it would be helpful if Executive Directors made efforts to clarify the roles of the staff, management, and the Board in their contacts with the countries they represented.

Mr. Shields commented that he agreed with previous speakers on the need for Executive Directors to avoid weakening the negotiating position of management and the staff in countries visited. That risk heightened the need for the staff to keep Directors abreast of the status of negotiations at all times.

The Executive Directors then concluded their consideration of the report on group travel by Executive Directors.

DECISION TAKEN SINCE PREVIOUS BOARD MEETING

The following decision was adopted by the Executive Board without meeting in the period between EBM/96/87 (9/13/96) and EBM/96/88 (9/16/96).

5. EVALUATION GROUP—TERMS OF REFERENCE

The terms of reference for the Evaluation Group laid out in EBD/96/102, Supplement 1 (7/26/96), are approved.

Adopted September 13, 1996

APPROVAL: June 2, 1997

REINHARD H. MUNZBERG
Secretary