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**Also Present**

African Department: G.G. Johnson. European I Department: H.M. Flickenschild. External Relations Department: G. Windsperger. Legal Department: R.C. Baban, D.E. Siegel. Middle Eastern Department: P. Chabrier, Director; V. Sundararajan, Deputy Director. Policy Development and Review Department: J.T. Boorman, Director; T. Leddy, Deputy Director; S.B. Creane, S. Ishii, W.C. Keller, R.H. Nord. Secretary's Department: P. Gotur, M.J. Miller. Statistical Department: C.S. Carson, Director; E. Ayales, R.G. Di Calogero, J.C.E. Healey, T.P. McLoughlin, M. Montanjees, K.W. O'Connor, S.P. Quin, E.W. Saunders, D.J. Scheuer. Treasurer's Department: D. Williams, Treasurer; J.C. Corr, R.H. Floyd, H. Treichel. Bureau of Computing Services: A. Limarzi. Office of the Managing Director—Office of Budget and Planning: T.U. Diamond. Office in Europe: C. Brachet. Advisors to Executive Directors: C.M. Gonzalez, J.M. Jones, M.-H. Mahdavian, M.F. Melhem, H. Ogushi, O. Sein, M. Sobel. Assistants to Executive Directors: D.A.A. Daco, O. A. Himani, J.K. Honeyfield, T.-M. Kudiwu, J.P. Leijdekker, D. Merino, I. Moon, L. Palei, A.R. Palmason, L. Pinzani, T. Presečan, T. Schneider, S. Simonsen, Song J.

## 1. GENERAL DATA DISSEMINATION SYSTEM

The Executive Directors considered a paper on the development of standards for the dissemination of economic and financial statistics to the public by member countries (SM/97/75, 3/5/97).

The Acting Chairman noted that it had been expected that, following that day's discussion, the staff would prepare another paper for Board consideration that would contain specific proposed decisions, as well as a draft report to the Interim Committee. However, in the light of the Interim Committee's request that the Board complete work on the General Data Dissemination System (GDDS) before its spring 1997 meetings, and the extremely heavy agenda that the Board faced in the coming weeks, he suggested that, if there was sufficient consensus and agreement on the basic principles underlying the staff's proposals, the Board could report to the Interim Committee on the basis of that day's summing up. The summing up would then be provided to the Interim Committee together with an update of the status of the Special Data Dissemination Standard (SDDS). The summing up and a draft of the update would be circulated to Directors prior to the Interim Committee meeting.

The Director of the Statistics Department noted that a number of international organizations had followed the development of the GDDS with interest. In 1996, for example, the United Nations' regional commissions had provided the facilities for the Fund's regional seminar workshop on the SDDS. In addition, the International Labour Organisation was working toward dissemination standards for labor data that would be consistent and supportive of the Fund's work. In the months ahead, there would also be several discussions in international fora on the presentation of metadata—including, and especially, presentation on the Internet—in which the Fund staff would be taking an active part. Therefore, if the Board agreed, and in accordance with the procedures followed for the SDDS, copies of the staff paper on the General Data Dissemination System could be made available to the statistical offices of several of those organizations, specifically the OECD, EUROSTAT, the Statistical Office of the European Community, the United Nations Statistical Division in New York, three regional commissions—the ECE, ESCAP, and ECLAC—and the International Labour Organisation.

Mr. Sivaraman and Mr. Trivedi submitted the following statement:

In an age of globalization and integration of markets for finance, goods and services, timely availability of adequate and correct data cannot be over-emphasized. Deficiencies in the availability, correctness and quantum of data have been repeatedly brought out by the staff in the reports on Article IV consultations. This chair would acknowledge the fact that even in India where there is no dearth of trained and experienced statisticians and an established statistical system, there is a lot that needs to be done in bringing it up-to-date and modern. Several steps are being taken in other countries of this constituency to improve the statistical systems.

For any statistical system to function effectively, efficiently and transparently, there is a need to have an appropriate legislative framework in place. While the paper is comprehensive and deals with all the facets of setting up a General Data Dissemination System, the importance of having a proper legislative framework before a system is set up seems to have taken a backseat.

There is only a passing reference for the enactment or updating of statistical laws and charters. I feel that this aspect of setting up a GDDS requires to be more rigorously analyzed. While many countries may be having statistical laws and charters, they may not be adequate in the background of the developments that have taken place in the global economy and its demand for accurate and timely availability of data. Statistical laws may have to be re-framed and given adequate teeth so that there is a legislative sanction for setting up a statistical structure for a member country. There would also be the need for designating a Chief Statistical Authority for the country who would function ultimately with a great degree of autonomy for collection, analysis and dissemination of data for the country as a whole. This assumes greater significance in the case of federal states where the provincial governments are generally vested with the powers to deal with statistical matters under the Constitution. There may be a need for proper coordination between the provincial and federal statistical structures so that there is no divergence in methodologies in statistical estimation and preparation of the various data required periodically.

I would therefore urge the staff to study the legislative framework that is available in member countries for the establishment and implementation of a GDDS. I am not sure whether the Fund has information on whether all member countries have got proper legislative sanction for a statistical structure.

The data dimensions of the GDDS has in its framework: (1) National Accounts; (2) Central Government Operations; (3) Broad Money; and (4) Balance of Payments

It may be necessary to have a fifth dimension unless it is expected that it is already covered in the other four dimensions, namely the private sector.

In working out any consistency accounting matrix for the economy as a whole, it may probably be desirable to have data availability on the private sector relating to wages and profits, net government transfers, net transfers and payments from the external sector to the private sector. Similarly, information on private sector savings, monetary systems' credit to the private sector, net foreign borrowing of the private sector could also be dealt with adequately.

The second suggestion I have is on the data categories and indicators. In the fiscal sector, there is a provision for collecting data only on central government aggregates and the central government debt. It would be necessary to have information on the state governments' aggregates and state governments' debt for a better understanding of the fiscal sector in a federal set up. It would also be necessary to have information on the budgetary transactions of local bodies some of which could be very large in some member countries. There seems to be an omission and these could be included.

The third suggestion is in the socio-demographic data where it would be necessary in the later stages to have a population break-up by age. This would indicate the requirements of social sector expenditure and the dimensions of the employment problem of a country. Likewise, on the health

side, it would be necessary to have information on the number of hospital beds as well as the number of nurses.

I do see that the implementation of the GDDS, apart from being complex, would have resource implications for the Fund. As more and more members join the GDDS, the Fund would necessarily have to allocate the staff separately to deal with the paper work and to monitor the accession to the membership of GDDS as well as the progress of its implementation. On my part, I would support addition to the staff to deal with this additional work load.

I also agree with the proposal that it would be necessary to have regional seminars held for a group of countries who indicate willingness to join the GDDS wherein the state statistical authorities could be given a full exposure to what GDDS would really mean to them and in what manner the countries can proceed with the implementation of it.

As I mentioned in the beginning the importance of legislative framework, I would appreciate if the staff could attempt the drafting of a model statistical legislation which could provide a broad framework for a country to enact its own laws for setting up an efficient, modern statistical structure.

Mr. Newman made the following statement:

It is now widely recognized that the compilation and distribution of comprehensive, accurate, and timely statistics are crucial to good policy making, informed public debate, and effective surveillance. At the same time, development and implementation of statistical systems that meet these objectives take time, effort, and resources. The development of the Fund's general data dissemination system as a complement to the SDDS can make a useful contribution to encouraging countries to make the effort and thus reap the rewards.

For analytical purposes, it may be useful to consider the staff's proposals in the more traditional framework of the Fund arrangements. I want to emphasize here for the moment that all I am talking about is an analytical framework. I am not trying to create the perception that there is any binding commitment in this particular framework. However, the GDDS can be viewed as a form of statistical stand-by or EFF-ESAF in which participation is voluntary, and with the Fund support in the form of technical assistance and a public seal of approval. The proposed comprehensive framework can be considered a form of a letter of intent or policy framework paper in which the participant describes its current situation and planned policy actions. The framework, like a letter of intent or a policy framework paper, takes account of the particular needs and situation of the individual member, but is based on concepts that are common to all members. The coverage, periodicity, and timeliness objectives would be akin to quantitative performance criteria, and the access, integrity, and quality aspects to structural benchmarks.

As the staff notes, the current proposals differ significantly from the Board's initial conception of the GDDS as an SDDS with lower performance hurdles. However, the flexible approach suggested now appears more suitable to an arrangement that is available to all members, some of which may be able to implement a "statistical stand-by" because the basic structural framework is in place, while others will require a "statistical ESAF" to begin building the data system from the ground up. Nevertheless, it will be important that the GDDS set achievable goals based on good practices that will put countries firmly on the road to the best practices contained in the SDDS.

The staff's proposals regarding the content of the comprehensive framework would provide the consumers of country data with a clear indication of the shortcomings in statistical systems and plans for improvement. However, it will be difficult to monitor progress, especially with regard to such highly judgmental issues as quality. Therefore, the tracking data inevitably will be seen as a partial surrogate for assessing progress. It is in this area that the staff's proposed objectives appear somewhat less ambitious than they might be, and in some cases even fall short of what is often required of countries obtaining the Fund financing. Consequently, important information necessary for sound analysis may be lacking or become available only late in the process, and with significant lags. For example, the disaggregation of GDP into its components is envisaged as part of a long-term development of an overall national income accounts system, with the GDP aggregate used in the near term to track performance. However, information on consumption, government expenditures, investment and savings, and net exports is essential to understanding what is happening to aggregate demand. Similarly, the lack of timely information on the public sector beyond the central government—including public enterprises and off-budget activities—could give a distorted view of the stance and possible impact of fiscal policy. Finally, balance of payments data that does not include the capital account will miss those flows that are most volatile and likely to cause difficulties. It might be desirable to expand on the tracking objectives to include these areas, given their importance for effective analysis of economic developments, and to indicate those areas where the authorities might give priority attention at an early date. Similarly, the structural benchmarks on access and integrity appear to exclude any provision for calendars of release dates, although such calendars are crucial for assuring evenhanded access to data. The staff may want to consider further whether it would be feasible and desirable to introduce release calendars for at least some of the data which are particularly important to the public and the markets.

The staff's proposals recognize that some form of the Fund endorsement or acknowledgment could provide a useful incentive for members to undertake a statistical arrangement. The the Fund normally issues a press release when a country enters into a stand-by or ESAF arrangement, and a similar practice could be followed in the statistical area. However, it may be premature to include the statistical letters of intent or policy framework papers on the Electronic Bulletin Board at the outset. The GDDS is based on the assumption that there are serious shortcomings in the quality of a country's data, and seeks to inform data consumers about the potential pitfalls.

Nevertheless, placement on the Fund's Electronic Bulletin Board could be misconstrued as a Fund seal of approval, regardless of Fund efforts to warn data users with disclaimers that it does not certify the accuracy of the country's submission or the actual data. Moreover, premature inclusion on the Bulletin Board could have the perverse effect of reducing incentives for members to actually implement the planned improvements in their statistical systems, since there would be no further the Fund acknowledgment of success. Therefore, it might be preferable to provide for inclusion on the Bulletin Board only when the member has implemented the planned improvements and achieved the objectives in its statistical program. The Fund could monitor progress in this regard in the context of the Article IV consultations and include information in the staff report, but only include the country on the Bulletin Board when it is satisfied that sufficient progress has been achieved. This would allow for the wider participation envisaged in the staff's proposed system, while also encouraging participants to actually achieve the higher standard of performance.

At this stage, it is difficult to assess the potential resource costs to the Fund of the GDDS. It is not clear how many countries will want to participate, particularly as the benefits of increased transparency may not be readily apparent relative to the up-front cost. We also do not know what is likely to be the demand for technical assistance, the scope for external financing or to divert resources from other areas, and the possibility of obtaining cost recovery. The staff could provide more precise estimates of the resource implications once these questions are more fully considered.

Mr. Iradian made the following statement:

We support the thrust of the staff's approach regarding data dimension and the suggested consideration of attention to social/demographic data. Over time, this could provide a framework for the enhancement of data compilation and dissemination. The efforts that have been made to incorporate greater flexibility into the system are important. We agree with the staff's proposal that participation would be voluntary.

It is not clear, however, whether the use of the proposed General System as a framework for development and dissemination of the covered data would eventually replace the current reporting arrangement that the Fund has with its member countries. If not, we are concerned that the proposed system would strain developing countries' resource availability and absorptive capacities because they will have to produce three different sets of statistics: (1) for the Fund's statistical publications program; (2) for the use by area departments; and (3) for the GDDS. Moreover, it would appear that it is not an efficient method of operating. We know that this issue has been under consideration for very many years and would therefore appreciate the present status of the issue and the staff views.

The General System should aim at strengthening the major comprehensive macroeconomic data frameworks and improving indicators of concern to the Fund, as required in Article IV, program work, and ongoing

surveillance. The achievement of these objectives will require the following: (i) extensive technical assistance to train national technicians in the Fund's statistical methodologies; (ii) frequent regional seminars/workshops or the Fund INS courses in statistical methodologies; and (iii) more frequent participation by economists from the Statistics Department in area department missions will be needed to assist in resolution of methodological problems and harmonize statistics. This would require enhanced cooperation and coordination of statistics not only among national agencies but also between the Statistics Department and the area departments of the Fund. Little progress have so far been made in harmonizing the data base of the Fund.

We agree with the staff that the implementation of the GDDS would require substantial additional Fund resources. The implementation of the General System as outlined by the staff would imply additional demands for technical assistance. Given the Fund's budget constraints, I wonder whether there is some scope to improve the resource allocation of the Statistics Department. One suggestion would be to reorganize the Statistics Department on a regional basis rather than on a functional one as it is at present. This would facilitate cooperation and coordination with area department's economists to harmonize the existing data base on respective countries. STA will then be more involved in area department's missions to facilitate the staff data work. At present, area departments' economists usually spend more than half of their time during missions and at headquarters on data compilation issues. Could some efficiency gains in this area be realized by improved integration between area departments and the Department of Statistics? Staff views on these issues will be appreciated.

Mr. Ono made the following statement:

First of all I welcome that, in line with the Interim Committee request, the staff has brought the proposal on GDDS to the Board today.

Let me comment on the issues for discussion

Regarding the staff's approach to GDDS, I would like to touch upon the relationship between GDDS and SDDS. It is encouraging that forty-two countries, more than previously expected, have subscribed to SDDS so far. Against this background, the staff proposes to hold the GDDS not just to a "second standard"—with lower hurdles than the SDDS—but to a system which emphasizes improvement of data quality as well as data dissemination practice. I broadly endorse this idea. Given this framework, countries which already have or are likely to seek access to international capital markets should be encouraged to subscribe to the SDDS. GDDS should cover mainly countries at the early stage of developing a statistical system. In this respect, I believe the Fund should clearly indicate to the public the fundamental differences in the GDDS and the SDDS in order to avoid the possible misunderstanding that the Fund is providing a sort of endorsement for the data dissemination practice of GDDS countries. This is necessary in order to provide those countries which have or are likely to seek to access to the

international capital market with an adequate incentive to subscribe to the SDDS.

As for the trade-off between improvement of data quality and dissemination practice, the staff is taking an approach in which timeliness objectives for most indicators are loosely specified in terms of a range, with high priority being attached to improvement of data quality. It is true that sensitivity on timeliness of data would be lower for data users of GDDS countries than for those of SDDS countries. From this point of view, putting priority on data quality improvement can be justified. It should be noted, however, that the optimum balance between efforts to improve data dissemination and those to improve data quality would differ among the GDDS countries depending on the country's position in the process of data development. Therefore the actual data improvement plan should be tailored for each country.

Regarding the four dimensions, I do not have any specific comments but would like to hear the views of those chairs whose constituencies include potential GDDS countries. As for the consideration for social/demographic data, I believe this is appropriate since those data could provide basic information for understanding the uncaptured economic activities which are significant in many transition or developing countries.

I will now turn to the issue of implementation. I broadly endorse the proposal with regard to the criteria for participation in GDDS. I also support making the participation voluntary. The staff is assuming that a number of the improvements required under the GDDS would be achievable within three to five years. I have the impression that this might be too loose and that it might therefore be questionable whether GDDS will be an appropriate encouragement for countries which are trying to strengthen their data development.

Regarding the dissemination of metadata of GDDS countries, this is crucial since it will enable external monitoring of the progress of data system improvement. It will also provide a strong incentive to improve both data quality and dissemination practice. While I note the point raised by the staff that preparation and maintenance of metadata information systems is a resource-intensive activity and would require additional resources, I believe dissemination by some cost-effective measures should be considered.

With regard to cost implication, I cannot now judge the appropriateness of cost estimation made by the staff since the estimation contains many uncertainties, including the reactions from potential GDDS countries. I urge the staff to closely examine the needs for Technical Assistance thorough the consultation process, bearing in mind that cost-effective assistance should be made in light of resource limitation.

Finally, I do not have specific objections to the presented work program.

Mr. Eyzaguirre made the following statement:

We wish to commend the staff for their balanced paper on the development of a General Data Dissemination System. We will confine our comments to the salient points raised.

The GDDS should avoid being unduly prescriptive, specific, and detailed. It should be aimed at improving the quality of national statistical systems rather than requiring observance of standards that are too demanding. Taking into account the diversity in economic structure and development of national statistical systems, we find a flexible framework appropriate. It is important to minimize the burden for the national authorities, of working with a common framework while ensuring gradual convergence of domestic methods to a "best practices standard." At the same time, flexibility should be compatible with the international comparativeness of relevant economic indicators. The GDDS should also serve to facilitate the exchange of country experiences and the discussion of relevant issues in the statistical community.

In our view, participation in the General System should always remain voluntary. In that regard, we share Mr. Sivaraman and Mr. Trivedi's concern that the legislative framework available in some member countries could frustrate or delay the establishment and implementation of a GDDS. The Fund should collaborate with all members making an effort to improve their statistical systems, regardless of whether they participate in the SDDS or GDDS. Thus, it would be useful to have an annual progress report of members' statistical practices, including a description of the applicable statistics law or code of practice. Similarly, the Fund should support the public provision of the metadata on the statistical practices of countries that choose to participate in the General System, including the creation of an Electronic Bulletin Board. The voluntary subscription approach for the GDDS should not downplay the systemic relevance of a large number of countries adopting satisfactory data dissemination practices.

The GDDS should be evolutionary to take account of the developments in members countries. We agree with the staff recommendation that coverage, periodicity and timeliness of the data under the GDDS should be less prescriptive than under the SDDS. However, for all Data Categories and Indicators in Table 1-B, the Special Standard should constitute the more ambitious end of the range of periodicity and timeliness. The Data Dimension of the GDDS seems broadly appropriate. Nevertheless, dissemination of general government aggregates and banking sector indicators should also be encouraged. Furthermore, we share the staff's interest in socio-demographic and environmental indicators, but their specifications must be left to the UN or the World Bank.

The terms and conditions under which official statistics are produced, information about revisions, internal government access to data before release and ministerial commentary on the occasion of release must be the same as in SDDS. Given that such practices are, to some extent, unavoidable, due to the focus on the data produced by official national agencies, insistence on

transparency is essential to ensure the integrity of the statistics. At the same time, existing practices should be allowed when these result in more frequent and timely information than under the general system.

We recognize that, dissemination of advance release calendars could entail substantial differences for some statistical agencies. The commitment to publish statistical data no-later-than a specific date seems, however, appropriate because it would allow the authorities to disseminate the data as soon as it is available, and build up experience for a future calendar. Instead of spending scarce statistical resources in redissemination, for example of commercial interest rates, focus should remain on ensuring that information is made available to the general public.

The GDDS and SDDS should be the pillars of the Fund's statistical activities, and be operated in a way that avoids duplication of efforts among the different areas in the Fund and others IFIs that collect statistics. In that regard, we urge completion of the Fund Manual on Monetary and Financial Statistics and the revision of the Manual on government Finance Statistics currently under way.

We fully recognize the importance of designating a GDDS country coordinator. This experience has worked well in the Special Standard, and exchange of information among country coordinators for the GDDS should be foreseen in seminars and workshops organized by the Fund. Nevertheless, their usefulness will depend on the institutional framework, e.g., budgetary constraints, availability of qualified human resources, long established statistical practices and political commitment to enhancing the statistical base in the countries concerned.

Implementation of the GDDS should constitute a high priority for the Fund and represent an important contribution to strengthening surveillance. Thus, the Fund has a responsibility to facilitate adoption of a system for the dissemination of economic statistical information, and this implies devoting resources as needed, so that the Fund will not only flag deficiencies but also provide necessary the technical assistance for compliance by member countries. Providing the resources to meet these demands does not mean changing the criteria agreed in the medium-term budgetary outlook. Rather it entails, in our view, adequate prioritization of Fund activities. Finally, cooperation and coordination mechanisms with UN, World Bank and other regional organizations should be improved to ensure that available technical assistance is effectively maximized.

Mr. Heinbuecher made the following statement:

We very much welcome the timely progress on the GDDS-project. We basically support the pragmatic approach proposed by the staff for dealing with the different degree of statistical sophistication in member countries that are not yet in a position to subscribe to the SDDS. Improving the quality of economic and financial statistics and their dissemination to the public along a common development path may not only serve the public in the respective

countries and the international financial markets. Progress in this area may also have positive spill-over effects on the quality of exercises like the World Economic Outlook or the data collecting efforts in the preparation for consultations and program reviews. It seems also important to underline that the GDDS should provide a basis for countries to step up to the SDDS at a later stage.

Since we can agree with the thrust of the staff's proposals for the GDDS, I only would like to comment on three issues.

First, the staff has proposed to include social and demographic data and even some environmental indicators in the GDDS. In our view a data system or standard under the auspices of the Fund should focus on data which are relevant from an economic and financial perspective. On this basis we do not see much of a justification for using Fund's scarce resources to provide technical assistance for improving data of such categories.

Secondly, the staff has pointed to the need for substantial resources to establish hyperlinks between the DSBB and the countries own Internet sites and to place summary methodologies for all data categories on the DSBB. Similar resources are likely to be needed for providing GDDS-information on the Bulletin Board by outside users. This gives further rise to the question of adequately charging access to the Bulletin Board. I wonder whether the staff could comment on this issue.

Thirdly, as just indicated, we could support the idea of making GDDS-participation public and to include GDDS-related metadata and hyperlinks in the Bulletin Board. However, since the GDDS is not a strictly defined standard like the SDDS it seems even more important to clearly point out in the Bulletin Board that the Fund is not giving any seal of approval or even a guarantee for the quality etc. of the data disseminated by member countries participating in the GDDS.

In this respect, we support the view expressed by Mr. Ono to clearly point out publicly the differences between SDDS and GDDS.

Finally we can support your proposal of directly reporting to the IC on the basis of today's summing up if there appears a broad convergence of views on the relevant issues.

Mr. Cippa made the following statement:

We would first like to thank the staff for the paper provided to us. Finding an appropriate balance between the needs of data users—including those of the Fund—and the capacities of data producers, while taking into account the structural diversity of potentially participating countries, is indeed a difficult task. We acknowledge the efforts the staff has made to come up with a workable solution.

The staff refers to its product as a “system” rather than a “standard” in order to “highlight that it is more qualitative, more developmental, and more long term in nature.” At the beginning of the paper, the staff gives some reasons why it has adopted this approach. While agreeing that the arguments put forward by the staff call for a standard which is not simply a less ambitious version of the SDDS, we are not convinced that the adoption of a system like the proposed GDDS goes in the right direction. Our reservations are based on the following considerations:

Firstly, the objective of the GDDS has become quite fuzzy. In the aftermath of the Mexican Peso crisis—when we started the initiative to improve the dissemination of statistics to the public—we were looking for an instrument that identified a set of core economic indicators deemed to be essential for an effective monitoring of macroeconomic developments. The SDDS is a clear response to this need. The proposed GDDS, in contrast, is more some kind of a broad statistical development program. Since the staff did not want to be “unduly prescriptive, specific and detailed” the specification of most categories is quite vague, indicators are not prescribed but recommended or encouraged, and there is no prescribed timetable for the improvement of the statistical practices. The staff has also considerably enlarged the coverage of the data: socio-demographic data are now part of the GDDS and the staff even considers adding environmental indicators to the system in the future. We agree that these indicators may, under certain circumstances, be important for making judgments on the macroeconomic stability of a country. However, their inclusion in the system turns the short list of core economic indicators into a basket of somehow desirable statistics.

Secondly, the Fund is not the only international organization active in the field of economic statistics. In particular the World Bank, the ILO and the ECOSOC of the UN are already doing similar work. We therefore do not believe that the Fund should push ahead with a framework for statistical development without coordinating with these organizations. We have no indication that this coordination took place although we take notice of Mrs. Carson’s comments at the beginning of the discussion. In the staff paper there is no analysis of the comparative advantage of the Fund in the development of statistics. There is also no analysis of how the proposed GDDS fits into the initiatives of other international economic organizations. Thus, we think that the staff should first explore the possibility of the Fund contributing with its expertise to existing statistical initiatives before launching its own program.

On the basis of the above considerations, in our view the thrust of the Fund’s approach with the GDDS needs further clarification. The trade off between setting clear benchmarks and giving “guidance” should be considered in more detail, as well as the comparative advantage of our institution in implementing this ambitious plan of developing statistical infrastructures in member countries. All the more that the implementation of the program will have serious resource implications. In this last respect, although at this stage it is difficult to be precise, it is our guess that the increase in demand for technical

assistance will exceed the rather subdued staff expectations and that the costs for our institution in a period of budget restraint would be substantial.

As regards the data dimension (coverage, periodicity and timeliness) of GDDS, table 1 prepared by the staff can serve as a starting point. We would like to add the following specific comments to this proposal:

On the Fiscal Sector: We would like to know for which reasons data are only required for the central government and not for the whole public sector as well. As to the central government aggregates, we suggest for transparency reasons to explicitly distinguish between domestic and foreign financing. Concerning central government debt we propose to add, as an additional indicator, "debt guaranteed by central government, as relevant," since this indicator may be important for many countries to be covered by the GDDS.

As regards Balance of Payments: We suggest to put up for discussion the inclusion of the indicator "private remittances, as relevant." In some countries, private remittances represent a considerable part of the balance of payments.

And last on Socio-demographic data: We recognize that socio-demographic data can be important for measuring and analyzing economic development and structural change. In our view, the World Bank's "World Development Report" already provides this information. We see no need for the GDDS covering the same data. The World Bank also has much more experience in this area and it can provide support for countries with inadequate socio-demographic data. We therefore suggest that the Fund concentrates on the dissemination of macroeconomic data.

Mr. Coumbis made the following statement:

I was surprised to see that the general data dissemination exercise was a system and not a standard. Most of us expected the staff to provide a new standard at a lower level than the special standard. After studying the proposed system, however, I believe that the staff's choice was a reasonable one and a flexible approach, though our decision to accept the proposed system or a modified version of it will depend on the cost element of this project for the Fund, given budgetary constraints.

We can see the general system as a framework providing objectives toward which all countries can work over time. The core of the system is Table 1, Parts A and B. In Part A we can see the objectives for the comprehensive statistical framework, and in Part B the objectives for indicators in the four sectors. I agree with the basic premise of the system, namely that participation in the system should be voluntary and that a country would be considered as participating when it is committed to accepting the three conditions: a) to use GDPS as a framework; b) to designate a coordinator; and c) to prepare descriptions of current statistical production plans for short and long-term improvements and resources, including technical assistance,

necessary to achieve the designed improvements. These descriptions will be sent to the Fund and may be published. It should be noted that improvements in many cases may take 3 to 5 years to be completed. On the basis of these general considerations, I can say yes to the first four questions of the paper. I would like, however, to stress a few quite basic characteristics of the proposed general system.

The system recognizes the need to improve data quality substantially, and therefore it provides a tradeoff with the specification of timeliness. Timeliness for most indicators is specified as a range. The more ambitious end of the range is that of the special standard, while the other end indicates good practices across a broad range of countries.

The system encourages the development of socio-demographic data.

For the access dimension the needs of most data users may be less time sensitive. Therefore, the formulation in terms of "no later than" or in terms of a range of dates is considered satisfactory.

As we already said, the system emphasizes the improvement of data quality. It is possible, however, that the documentation on methodology and sources, as well as the statistical cross-checks, is lacking and should therefore be developed. Given that this is a very difficult and time-consuming task, the staff is proposing that the Fund staff should prepare quality assessment frameworks, tailored to the data covered by the system, that can facilitate the work of data producers.

With respect to the last two questions concerning the dissemination of metadata and the cost element of this exercise, I have some doubts and objections.

About the dissemination of metadata, the staff provides the pros and cons of this approach. I am not convinced by these arguments, especially if we take into account that a cost element is involved in this process and especially if we use a bulletin board. Bulletin boards used for the general standard may be confused with the bulletin boards used for the special standard. This could give the wrong impression to the users of the bulletin board for the special standard. Meanwhile, the members that will have been committed to participate early in the general system should send their metadata to the Fund, which can then use them for internal purposes only and to follow the progress made by the members. In that respect I agree with Mr. Newman's idea that only when a country has made all necessary improvements can it be included in the bulletin board.

With respect to the resources, in terms of the staff years that will be required by this exercise, it is very difficult to make a judgment now, but I am not sure that the staff has taken into account all the various aspects of the work that is connected with the general system and that will require the Fund's technical assistance. For instance, in the paper it is noted that in many countries the infrastructure for statistical production and dissemination, as well as the

proper coordination between the provincial and federal statistical structures for members that have such structures, may be quite inadequate. Therefore, we may assume that some members may ask the technical assistance of the Fund for the administrative restructuring of their statistical services. In Mr. Sivaraman's view, moreover, it is mentioned that in some countries the legal framework for a statistical system to function efficiently and transparently may be inadequate. This means that statistical laws may be reexamined and adjusted to the new requirements of the restructured statistical services.

As I have already mentioned, the staff is proposing that the Fund should prepare a quality assessment framework tailored to the data covered by the general system, in order to assist members in preparing the documentation on methodology and sources, which is needed in the quality dimension. There is no doubt that this exercise will also absorb the staff resources of the Fund.

Finally, as I already said, the use of a bulletin board for data dissemination will also substantially increase the use of Fund resources in this exercise. I would appreciate some comments from the staff on the extent to which these activities will affect their estimates on the resources required for the implementation of the general system, provided, of course, that the staff agrees that these activities are in fact connected with the proposed general system.

The Director of the Policy Development and Review Department stated that he was intrigued by Mr. Newman's comparison of the GDDS to a Fund arrangement. He would need to give more thought to that analogy, as well as to Mr. Newman's suggestions of issuing a press release when a country subscribed to the GDDS, and of putting its metadata on the bulletin board only after the country had made sufficient progress. Some caution was needed in relation to press releases, as they had the potential of sending misleading signals about the actual situation of the statistical system of the country. Moreover, with regard to putting metadata on the bulletin board, it was important to emphasize that the bulletin board for the GDDS would have to be very different from that for the SDDS, to avoid any confusion between the two among users.

Whether information should only be disseminated once a country had made sufficient progress was a question that went to the nature of the GDDS, the Director observed. The staff had given much thought to whether the GDDS should be a less demanding version of the SDDS—an "SDDS lite"—or whether it should be something different. In the end, it had been decided that it should be something different, so as to strike a balance between disseminating data, on the one hand, and improving what was disseminated, on the other. There was a fundamental difference between the countries that could qualify, so to speak, in the GDDS, and those that had statistical systems in place that were given high marks across the board and that could qualify for the SDDS: for the latter the issue was one of getting information out, improving the quality of the dissemination process, determining release dates, and injecting discipline into the system, particularly vis-à-vis the markets; for the former, however, a balance needed to be struck between setting a high standard that would leave out a very large proportion of the membership, and resorting to the lowest common denominator, which would have little meaning.

One also had to consider the incentives that were built into the GDDS, the Director continued. If a standard similar to that described in Part B of Table 1 of the SDDS tables was established, there might be a rush to improve such things as timeliness or periodicity rather than important aspects of the basic underlying quality of the productive systems that were in place to generate statistics. Therefore, the emphasis had been placed, in the GDDS, on the development and improvement of systems.

At the same time, an effort was being made to imbed a good practices standard against which users of data could assess the situation of particular countries, the Director stated. In that regard, it was important to note that it should be the users of data—whether domestic bankers or foreign investors—who ought to be monitoring and conveying their judgments to countries about the extent to which they were producing data that was useful to them. Hopefully, over time, one would see a reflection of the judgment that those data users made in their interest in participating in the economic development in a particular country.

Regarding the inclusion of social indicators in the GDDS, and Mr. Heinbuecher's suggestion that the Fund ought to concentrate on relevant economic and financial data only, the Director noted that the GDDS was not specifically an exercise for the provision of data, or a reporting system, to the Fund. It was an exercise in encouraging the dissemination of data needed by parties who were interested in the progress being made in a country; and those data were not necessarily limited to that under the strict mandate of the Fund. Moreover, as the operations of the World Bank and other donors demonstrated, one could not judge the success of economic policies without looking at what resulted from those policies, not just in terms of effects on the balance of payments and on prices but also with regard to long-term developmental issues, such as literacy and life expectancy. Therefore, in monitoring the progress of a country over time, it was important to consider a wide variety of indicators.

The Director of the Statistics Department noted that the GDDS would not lead to the creation of a new system of data reporting. It was meant, however, to improve the underlying quality of the data that were already provided, and to encourage better practices in their dissemination. One first step in that direction was to clarify the differences between the set of data that was available within the country, that which was reported to the Fund for publication in the International Financial Statistics (IFS) and other statistical publications—which usually underwent a process within the Statistics Department to put it on a basis that would be more internationally comparable, by following international guidelines—and that used by Fund country economists. By encouraging a country to follow international guidelines for data collection and provision, the GDDS should help to reconcile the data published within a country with that available in the IFS. It was also necessary, however, to deal with the multiple databases that existed within the Fund itself, and the lack of clarity as to why they needed to exist. In that regard, each department had put in place data management guidelines consistent with those provided by a predecessor to the Data Management Committee. Similarly, it was important that the Fund find ways to be more efficient in its collection of data from countries; and as could be seen from mission briefs, the harmonization of a reporting system between the Statistics Department and the area departments was an issue that came up time and time again, and was viewed as being very important. Finally, it should be noted that the idea of moving toward a system that allowed better access among the databases that currently existed was a very important element in the Fund's information technology strategic plan for the next five years.

As for the SDDS, the advance dissemination of release calendars was an important feature of the GDDS, the Director stated. What was different about the GDDS was the recognition that countries might well be making a first important step by just providing a “no later than” date by which their annual data would come out; and for data with other frequencies, providing a range of dates. That allowed them to draw on their current practices and learn how to provide such advance release calendars. As that was clearly a widely recognized good practice, it was important to incorporate it in the GDDS in a way that was appropriate to the diversity of countries and situations.

The paper suggested that countries should identify the improvements that would be made within a three- to five-year time frame, the Director observed. That time frame had been chosen after reviewing the experience of the Statistics Department in various sectors, to try to determine how long it would take most countries to make substantial changes. For example, if a country did not have a system for measuring capital flows within its balance of payments, it would likely take at least three years—depending upon the institutional factors within the country—to incorporate such data in either of the two kinds of systems that might be used to capture those capital flows. The Statistics Department’s experience in transition countries in putting in place a plan of accounts for a commercial banking system that would be usable within the framework of monetary data also suggested that a time frame of three to five years, again depending on the factors within the country, seemed quite reasonable. Similarly, it could easily take five years for a country to put into place a new survey that would be important in providing the source data for national accounts, as one had to take account of the time needed to design the survey, do some field testing, and collect sufficient data. With that in mind, and knowing that the Fund should be encouraging such important endeavours, the staff wanted to be sure that countries got the message that the Fund was weighing, as a very important factor, their ability to make such major changes, and that it recognized that they could well take a good amount of time.

The GDDS would require countries to provide updates to their metadata at least on an annual basis, and therefore it would be possible to track, at least annually, the changes that were being put in place, the Director explained. That contrasted with the SDDS, where some of the changes that did not deal with the underlying statistical system could be put in place on a fairly quick basis, and were already beginning to be reported on the Dissemination Standards Bulletin Board. However, the staff had felt that an annual update of the metadata on the GDDS would strike a balance between giving countries enough time to make some of the changes that were necessary without putting an undue burden on them in terms of reporting their improvements for the metadata for the Fund and the world at large.

As to whether an annual “state of statistics” report could be put together, one idea would be to join the reviews of the Special Standard with an annual review of the operation of the proposed General System to produce, in effect, a review of statistical dissemination practices in member countries, the Director noted.

Mr. Estrella wondered what the Fund would do if a country in the GDDS did not make any progress.

The Director of the Statistics Department replied that, as there were many different reasons why a country might not be making progress, it would be necessary to proceed very cautiously and avoid a precipitous response. For example, a country might make plans for improvements, but then become unable to secure the necessary budgetary resources to carry

them out. The way the GDDS was set up, the most important thing would be for the country to explain what was happening, and to ensure that there was sufficient transparency. If appropriate, the Fund could also offer technical assistance to solve the problem that was causing the delay. However, given the long-term nature of the GDDS, there would likely be no grounds to forbid a country from continuing to show its metadata on the bulletin board that the Fund would maintain.

The Acting Chairman asked whether a country could be removed from the system in a situation where the Fund no longer thought that a good faith effort was being made along the lines of the original agreement.

The Director of the Statistics Department responded that it would have to be an extreme situation for the Fund to feel the need to take the step of saying that a country was not fulfilling its obligations of participation.

The Acting Chairman noted that similar issues had been raised with the SDDS and they seemed to have been resolvable to the satisfaction of the Board.

Mr. Waterman asked the staff to clarify its position on Mr. Newman's proposal that a country should only be put on the bulletin board after it had made significant progress, a proposal with which he sympathized.

The Director of the Statistics Department replied that she would have two concerns in that regard: first, as it might take several years for a country to be able to make significant progress, the country's efforts to improve its statistics would only be acknowledged very late; second, such an approach would put the Fund in a position of having to judge what was significant improvement, and that might be troublesome. Even small improvements could open a door that might have very important ramifications in statistics. To evaluate the importance of what might look like a small step in the context of the bigger qualitative framework of the GDDS would require one to be rather judgmental, and that could put the Fund staff in the very difficult situation, even given its substantial expertise, of having to justify its decision to allow or deny a country's access to the bulletin board.

Mr. Waterman noted that, while he accepted the point that the Director of the Statistics Department had made, the contrary point was that putting a country on the bulletin board might be seen as an implicit endorsement of what that country was doing or what it was committing to. The Fund could then be faced with the problem of having to decide what to do if a country that was on the bulletin board, and was receiving recognition for it, did not make reasonable progress.

The Director of the Statistics Department noted that, in that case, the metadata would indicate that the country was not making any progress, and it might be useful for the users of the bulletin board to know that.

Mr. Newman stated that a country's intention to make efforts to improve its statistical system could be acknowledged through the press release he had suggested. Moreover, together with the press release, the country could decide to publish its statistical letter of intent, to explain what it was intending to do. There was a moral hazard, however, in putting the country on the bulletin board for general dissemination right away, as the Fund might be perceived as endorsing the quality of the country's intended efforts. If there was to be moral

hazard, he would prefer that it be on the side of the staff's evaluation of whether actual progress had been made.

The Director of the Policy Development and Review Department noted that, given the widely different levels of member countries' statistical systems, if the Fund made any endorsement at all, it should probably be an endorsement of the continuous progress being made by a country, regardless of the level it might have reached. Therefore, it might not be equitable to simply determine a basic level at which a country would be allowed to be on the bulletin board, as that might prevent certain countries' substantial efforts from being acknowledged, if they were starting from a very weak base.

The Director of the Statistics Department observed that the way the Fund was addressing the inclusion of social and environmental data could be used as a case study of the kind of cooperation and coordination that was being done with other international organizations.

The inclusion of sociodemographic data had been suggested to recognize that, in some countries, there were trade-offs between the allocation of resources to improve economic, financial, or sociodemographic data, the Director continued. The staff had wanted to provide a framework in which a country's priorities could be reflected, and their choices made clear as to where they were making improvements. It was unclear what type of socio-demographic indicators should be included in the system; therefore a suggested list had been drawn up and countries could choose to provide data for any of those indicators. The list had been drawn from work already done by other international organizations which had greater expertise in that area than the Fund, in particular the United Nations Statistical Commission. There had also been great coordination with other international organizations over the past year, to keep them informed of progress being made with both the SDDS and GDDS, but also to ensure that several sets of sources and methods were not required of countries to report to different international organizations.

Mr. Heinbuecher noted that he certainly recognized that there was a difference between the data reporting of countries to the Fund for surveillance and for data to be made public. At the same time, the purpose of the initiative should be kept in mind. As Mr. Cippa had said, there was a danger of ending up with a broad basket of all sorts of indicators which were interesting and relevant for all sorts of questions beyond what the Fund should be focusing on. Given the budget constraints, the Fund should focus its efforts and its use of technical assistance on data categories that were more typical for the Fund's activities and let other institutions provide assistance for developing statistics on sociodemographic and environment issues.

The Director of the Statistics Department replied that no change in the division of labor among international organizations with respect to technical assistance, in particular, was envisaged. The Fund's expertise remained in the sectors of economic and financial data, and it should have been made clear in the paper that including sociodemographic data in the GDDS did not necessarily imply that the Fund's technical assistance would be extended into that area.

On the resource implications of the GDDS, it should be clarified that the provision of technical assistance to help countries meet the criteria in the GDDS would not necessarily be an added burden, the Director noted. In the previous two years, the Statistics Department had provided about 42 person years of technical assistance each year, of which roughly three

fourths had gone to countries for which the GDDS was relevant. Moreover, each year there had been about nine multi-topic missions of the kind that were useful to countries that wanted to consider developing a long-term plan to improve data quality and dissemination, in ways similar to what would be done under the GDDS. Therefore, a great deal of the technical assistance that would be required would just be better structured and more focused if the GDDS were in place. Indeed, the staff had foreseen that there might be some countries that would be interested in speedy and very concentrated technical assistance, in order to use the GDDS as a stepping stone to the SDDS; and it was for that that the staff had provided very rough estimates.

Some of the other possible costs mentioned by Mr. Coumbis were tied closely to initiatives already under way, and thus would not necessarily add a great budgetary burden, the Director observed. For example, costs linked to the quality assessment framework would be tied closely to ongoing efforts to improve the quality of data provided to the Fund for surveillance. Nevertheless, there were administrative costs in maintaining a metadata system. Whether it was put on a bulletin board or not was a marginal issue; pulling together the information about countries' current practices and their plans would be the most resource intensive. A question that could be considered was whether the Fund needed to know, in an organized, systematic, and comprehensive way, about countries' statistical practices and their plans for improvement. The Statistics Department had a view on that, but it was interested in the Board's view.

Mr. Barro Chambrier made the following statement:

I welcome the examination of the paper on the General System, after the establishment of the special standard and the positive response of the member countries. The paper also provides us with the opportunity to respond to the request of the Interim Committee of the last October, aimed at encouraging the Fund to establish the General System by April 1997, so as to fulfill the gap left after launching the Special Standard a year ago.

I am in agreement with the thrust of the staff paper and share the broad approach on the General System, as detailed in appendix II. In particular, I find appropriate the flexibility that takes into account the highly diverse practices of data production. The key features of developing a short- and long-term plan to improve the data would be useful, provided that technical assistance is made available to member countries participating to the General System. I think that it is important that emphasis be placed on the quality of the data as well as on their dissemination. Quality is of primary importance and, in this context, it is critical that the methodology used for producing the data be reliable and have some uniformity. It is not only critical that the countries make good use of the technical assistance provided, but the countries should also devote efforts to start publication of the data within a reasonable amount of time.

Two issues that often come up in countries of my constituency that make use of technical assistance are:

First, that there is a lack of coordination among the entities that provide technical assistance, especially as regards the development of statistical bases; here, I would like to stress the necessity for the Fund to enhance the

cooperation with regional entity like for example Afristat in a spirit of complementarity.

Second, because of the requirements of the multilateral organizations, technical assistance tends to favor the Customs or the Treasury. Also, in recipient countries themselves, the more qualified persons tend to prefer working at the Customs or the Treasury than working at the Statistical Departments, who are responsible to gather and publish most data.

I think that in our technical assistance program, these issues need to be looked at more carefully, so as to ensure that Statistical Department receive the necessary assistance and that working conditions there are as good as in other departments. A monitoring mechanism should be set up to ensure that the improvements arising from the implementation of technical assistance and the continuity in producing high quality data are maintained. Article IV consultations constitute one way to monitor the quality of data.

Many countries in my constituency would support the implementation of the General System, especially as technical assistance associated with the General System would help in addressing the weaknesses of their statistical infrastructure.

I would like to make the following comments on some specific points, namely the data coverage, the integrity and the quality dimensions, the resource requirements, and the future work on General System.

We support the fact that the General System is somewhat less prescriptive, since there is an urgent need to improve the quality of the data in most developing economies. The establishment of General System is welcomed, as it will encourage countries to move toward transparency and the international guidelines. The coverage of the data to be provided under the General System is quite comprehensive and we broadly agree with the periodicity and timeliness that are recommended. Although the periodicity of national accounts and the balance of payments statistics, is annual for the countries of my constituency, the timeliness is far beyond what is recommended by the staff. We, therefore, share the staff view that the system should be aimed at encouraging improvements over time in the periodicity and timeliness of data.

It is important to note for many countries in my constituency that the informal sectors is somewhat underestimated, therefore it will be critical that further attention be devoted in this area, so as to address this problem.

As for the integrity and quality dimensions, we have no objection to the transparency principle. We also fully support the quality dimension, since no data will be valuable, unless its quality is not questionable. In that regard, linkages between the statistical data may be the major issues that could affect the quality of the data, since the financial data and the external data are compiled by different agencies, therefore there is an obvious need to enhance the coordination among the different bodies.

Regarding the public provision of information, it should be on voluntary basis. We see the advantages as it becomes an incentive for countries to improve statistics more quickly. I also share the importance of the social demographic data and all countries should carefully assess development in this sector over time, and reorient their policies consequently.

As regards the envisaged adoption of the General System, there is no doubt that there are some resource implications for the Fund. Therefore, Mr. Sivaraman is right to point out the need for the Fund to increase the resources devoted to this purpose in case more and more countries join the General System.

To summarize our position, all member countries should be encouraged to make extraneous efforts toward major improvements in their statistics. Nevertheless, it should be recognized that the General System could only be feasible with a comprehensive and sustained Fund technical assistance. Also, the dissemination of official statistics being a public good, the Fund will need to play a critical role, in collaboration with other international organizations to ensure its most effective use.

Mr. Duenwald made the following statement:

This Chair has supported efforts to improve data provision by member countries, both to the public and to the Fund, from the outset. We are happy to see the progress made since the Interim Committee, at its fall 1995 meeting, endorsed a two-tier approach to data dissemination standards. The Special Standard has been established with 42 countries, including Canada and Ireland, having subscribed. While the Interim Committee asked the Board to complete work on a less demanding general standard by April 1997, Fund staff have proposed a General System, rather than standard, that would emphasize the development and dissemination of comprehensive frameworks and indicators with a frequency and timeliness that reflects countries' abilities and the needs of diverse data users. Such a system stresses development rather than observance of good statistical practices, and is therefore an acknowledgment of the great diversity in the stages of development of member countries' statistical systems. Such an approach was probably necessitated by a desire to avoid creating a standard that would have amounted to the lowest common denominator. We therefore endorse the broad thrust of the staff's approach toward the establishment of the GDDS, and are confident that the General System will help to improve the quality of Fund surveillance activities. Let me nevertheless raise a few issues.

As a first comment, it would have been useful had the staff provided a rough assessment of the quality of statistics of members that are likely to be covered by the GDDS. This would have helped to put in perspective the costs of implementing the GDDS and its potential benefits. In the absence of such a preliminary analysis, it is impossible to arrive at a credible estimate of the likely resource costs. Indeed, during Monday's briefing session, Mr. Boorman highlighted the difficulty of coming up with an estimate on the likely budgetary implications of implementing the GDDS.

I would also note that we view the special standard as the most important surveillance standard to aspire to over the longer term, while realizing that, for some countries, achievement of the special standard is unlikely in the foreseeable future. In this context, I would note that one should avoid the presumption that improving statistical practices is important only for countries planning to tap international capital markets. Economic agents active primarily domestically, be they governments, commercial banks or other enterprises, also rely on timely and reliable economic data in their decision making. For example, the typical small economy in our constituency has much to gain from improved statistical practice, since this would be useful to national authorities as they formulate and evaluate appropriate macroeconomic policies. While we have not yet heard from most of our Caribbean constituents, I can say that they broadly endorse the GDDS as proposed by the staff. In particular, they welcome the proposal that the Fund work with national statistical agencies in improving data quality.

While it is widely recognized among member countries that a flow of reliable, timely and comprehensive data is indispensable to informed policy making, countries probably need more immediate incentives to participate in the GDDS. Indeed, the staff argue that the GDDS should be viewed as a process for improving data standards with appropriate incentives. The proposal to publish, in some form or another, the current status of the participating countries' data standards and their plans to improve them may provide some incentive to sustain improvement efforts by giving the country in question some public recognition of its efforts. It may also, however, discourage countries from participating in the scheme. It could therefore be more useful to publish metadata when countries meet the basic standards as is the case for the SDDS, but as Mr. Boorman noted this is a difficult question that goes to the heart of the idea behind the GDDS. This issue appears to require more discussion.

In publishing the metadata for countries participating in the GDDS, and this is a point made already by Mr. Newman and Mr. Ono, we must be careful to avoid giving data users the impression that the country's statistical practices and data are somehow endorsed by the Fund. In this context, we believe that a clear distinction, particularly presentationally, should be maintained between the General System and the special standard to ensure that the general does not in some way detract from the special. I appreciate Mr. Boorman's remarks in this regard.

While we are generally supportive of the staff's approach regarding the data dimension (i.e., coverage, periodicity and timeliness), we believe that data users would be better served with a limited number of series in a timely manner than a larger number of series subject to long and variable delays. Similarly, improved frequency standards for a few key indicators should be encouraged over broader coverage. These data issues are particularly relevant given the wide diversity of national statistics capabilities among GDDS countries and the trade-offs they will face. As a result, the GDDS should strive to provide a select set of timely and relatively frequent data on domestic prices, developments in the real economy, external balances and the exchange rate,

interest rates, key aspects of government finance, and the central bank's balance sheet. This set of data has the advantage of minimizing the need for major surveys of private sector firms and individuals. Indeed, many of the data series required could be derived from information available to governments and central banks as part of their basic operations. In Table 1, for example, data series such as industrial production or producer prices should not be unduly focused on.

We have some sympathy with the suggested attention to social/demographic data, particularly as development effectiveness, rather than development expenditure only, is subjected to greater scrutiny. As a general point, therefore, we agree that countries should aim to disseminate such data to the public. However, among the suggested data classes in this area, population is probably the most relevant to the Fund. Data issues relating to health, education and poverty are best left to the World Bank to deal with, in terms of the provision of technical assistance.

With these comments, I thank the staff for their thoughtful approach to this complex issue.

The Acting Chairman thanked Mr. Duenwald for reminding the Board that there were more reasons for the GDDS to go forward than merely the provision of information to the capital markets.

Mr. Alemán made the following statement:

Let me join other speakers in commending the staff for the excellent set of papers prepared on the General Data Dissemination System. As it has been pointed out before, in the context of today's globalization and integration markets, the need to have adequate, accurate, appropriate and timely data cannot be overemphasized. The General Data Dissemination System will be an intermediate step toward the Special Data Dissemination Standard.

All these requirements of data dissemination should be analyzed in the context of the tremendous development of the modern communication systems. In this sense, while it is extremely important for countries that have or intend to have access to international capital markets, to have a reliable data dissemination system, it is also important to our developing economies that are trying to build confidence in international and domestic potential investors.

To carry out all this project will require undoubtedly an enormous effort in terms of human and financial resources. On the other hand, the improvement in statistical data for the majority of the Fund's membership, will be substantial, not only since the beginning but also in the long-run future.

Since I am in overall agreement with the proposals and approach for the establishment of the system contained in the report, I will comment briefly on some of the issues raised by the staff.

First, I consider including the social/demographic data as a very important component of the system, specially in the context of evaluation of the long-run trend of a country's economy. These indicators should be very helpful in evaluating and monitoring social objectives in the economy. However, these indicators, as well as the environment indicators, should be included as objectives to be reached rather than as an initial part of the system.

Second, although I am in agreement with the staff's assessment of resource costs, in the next paper for Board consideration the staff could make some preliminary evaluation of the members that could be included in the system. This could be done in terms of some indication of data quality already provided to the Fund, for most of the indicators proposed. This will help us in the evaluation for future decision on the assignation of human and financial resources. I assume that there could be more than 20 countries that would be interested in participating in the system. Probably the countries of our constituency not included at the present in the Special Standards could be subscribed to the General system, with the objective to join the special standards in the near future. In this context, the preliminary evaluation will provide the Board with information on future budget requirements. Some comments on the possibility of making this preliminary evaluation by the staff will be welcomed.

Third, the work program to be followed, after this discussion, seems to be well conceived and I do not have a problem in supporting the staff's proposal. However, I should emphasize that in the next steps in preparing Modules II and III of the Guide to the Data Dissemination Standards, there should be consideration of linking the system with country data sites that are posted in electronic bulletin board by some countries, and with the data already provided to the Fund for statistical purposes.

Fourth, the importance of a legislative framework as pointed out by Mr. Sivaraman and Mr. Trivedi should be analyzed. I recognize that there is a trade off between quality and timeliness in most of our statistical system and this general system will allow our countries to improve the economic and financial indicators required for analysis and monitoring the economic performance. However, in the process of market liberalizations in adjustment programs there is also a trade off between controls and enforcement of data provision.

Finally I support your proposal made at the beginning of the session, to prepare the report to the Interim Committee after this discussion.

Mr. Al-Tuwaijri made the following statement:

At the outset, I would like to compliment the staff for the work they have done to prepare this paper. This has no doubt been a very complicated and arduous task. The amount of time it took to prepare this paper only confirms the large magnitude of the work involved.

I can generally endorse the principle behind the proposed system. It is intended as a system to assist countries in their own efforts to disseminate economic and financial data to the public, rather than prescribing a uniform standard for all. Furthermore, the proposed system entails a welcome degree of flexibility and pays due regard to differences across the Fund membership, including the diversity of member's economies, the level of market sensitivity to the release of key indicators, and the stage of development of the member's data production and dissemination systems. By taking all these considerations into account, the staff have proposed a system that has the potential of being useful to the entire membership.

This being said, I have the following remarks:

First, from the perspective of the Fund, and notwithstanding Ms. Carson's comments earlier, the system will entail considerable budgetary costs, particularly if a large number of countries subscribe. These costs are still not clear, and I am not sure how we are going to meet the resource demands in our current budgetary stance. I think we have stretched our resources quite far, and it is not clear where we will be able to agree on further cuts to provide the necessary resources for this new project.

Second, I can support Mr. Eyzaguirre, Mr. Cippa, and Mr. Heinbuecher with regard to the inclusion of social and demographic data.

Third, any system being proposed needs to pay due regard to the internal institutional structures in member countries. Mr. Sivaraman raises some important issues in this regard. Changing existing structures may not be easy, and members may not find it desirable to do so for their own internal reasons.

Fourth, while I agree with the approach that emphasis should be placed on improvements in data, rather than meeting pre-specified benchmarks, I am uncomfortable with proposals that might suggest that the Fund be an arbiter in this regard. Specifically, I do not think that the Fund should be in the position of notifying the public of what changes take place or even simply announcing such changes. This may give the impression of the Fund's "stamp of approval" and we should not be in a position that might imply that we are making any judgments on such issue. For this, and other reasons, I think it may not be necessary to set up an electronic bulletin board as proposed. I feel it would be more prudent to simply announce the system, and encourage each Fund member to use it to enhance their own practices. It does not seem desirable or prudent for the Fund to engage in a costly and complicated monitoring process.

Fifth, we cannot underestimate the potential costs to countries to follow this system. Given that the original intention was to have a system to which a large number of countries will adhere, it is best to keep requirements to a minimum.

In sum, I appreciate the logic of the proposed system. I also welcome the flexibility proposed by the staff, as well as the sensitivity paid to the diversity of the Fund's membership. However, in its current form, the system may be somewhat complicated and broad. A more streamlined and simple system may be easier for countries to implement, while being less costly to these countries as well as to the Fund.

Mr. Estrella made the following statement:

We fully support the concept that the General Data Dissemination System should provide a framework to guide member countries in the development of national statistical systems in a flexible way, since the GDDS is intended to guide all member countries, not only those that have access to international capital markets. The staff proposal for the GDDS correctly takes into account, as Mr. Al-Tuwaijri has said, the diversity of countries' economies, the level of market sensitivity to the release of key indicators, and the varying development state of data production and dissemination systems.

Therefore, we support the proposed guidelines for development of national statistical systems in the short and long term. We also support, as in the case of the Special Data Dissemination Standard, four "dimensions"—namely, data, access, integrity, and quality. Regarding timeliness, we agree that the proposed specification for most indicators should be in terms of a range, where the more ambitious end of the range is that prescribed by SDDS. Regarding access, integrity and quality, we agree that the proposed elements take into account that the facilities may be limited across countries, that the degree of time sensitivity varies across users, and that information about methodology and administrative practices may have to be developed before any data can be disseminated in some countries.

However, we all recognize that although better data published regularly are very important to economic analysis, meeting these objectives takes an enormous amount of time and resources. Therefore, we concur with Messrs. Coumbis and Aleman and can agree in principle with any effort by this institution to improve data collection and dissemination, but before making any final decision we need to know more specific details of the implied incremental resource demands for technical assistance and administration of the GDDS, for both the Fund and the member countries which decide to participate.

We are not sure why a member needs to fulfill all three commitments—to use the GDDS as a framework; designate a country coordinator, and prepare the necessary "metadata"—before the Fund would publicly recognize that a country is participating in the GDDS. Could it not recognize a country's participation in those aspects of the GDDS which a country can commit itself to accept as soon as it is able to do so? This would create, without a doubt, an important incentive for countries to participate as soon as possible in the GDDS.

Finally, we would be ready to go along with Mr. Newman's proposal of a press release. However, this would have to be issued before a country meets the three conditions, and would be only to inform of the country's commitment. After the country has met the three requirements set by the staff, then we can publicly announce the specific framework and participation of the country in the GDDS through the Bulletin Board in the Internet.

Mr. Yakusha made the following statement:

Given the already extensive workload of the Statistics Department, a certain selectivity may be required in the allocation of technical assistance. We would advocate the continued use of the expertise of some of the statistically more developed member states so as not to put the entire burden of providing technical assistance on the staff. More generally, we feel that a more in depth discussion of the resources involved in the staff proposal will be necessary before completing the blueprint for the GDDS.

Second, on the issue of the provision of social, demographic, and environmental data, I would like to note that such data is not included in the SDDS, and it seems illogical to have GDDS countries disseminate a more extensive set of data than SDDS countries, as the latter can be assumed to be more developed and less constrained in terms of resources. Moreover, there are other development-oriented institutions which seem more suited to taking on the task of improving such statistics. Cooperation with those institutions would have the added benefit of taking some pressure off the Statistics Department. Last but not least, including such data could lead to the misunderstanding by NGOs and the media that data on environmental and demographic issues are central to the Fund analysis; they are, of course, relevant, but not core tasks of the Fund.

While appreciating the efforts to encourage member countries to participate in the GDDS, it is our opinion that more emphasis should be given to determining deadlines for certain crucial accomplishments in bringing national statistics more in line with internationally accepted standards. Encouragement of participation in the GDDS should not lead to protracted periods of adjustment of national statistics toward these standards.

Mr. Waterman made the following statement:

We support the proposed system and thank the staff for the earlier briefing that it provided to us. As we see it, the proposal was concerned with the need to ensure that countries develop an adequate statistical base for their own purposes, taking account of users' interest. This will hopefully lead to improved standards, but what we are talking about will not be a benchmark by which a country's statistical system can be judged. But, as Mrs. Carson and others have recognized, it could well be a stepping stone to the SDDS.

Given the diversity of the Fund's membership and some basic problems that many face, I certainly appreciate why the staff has come out where it has, and the three elements of the proposed system seem sensible to me. However,

while I agree with and support what the Fund is trying to achieve through the GDDS, I have two main comments about its implementation. First, it will be important to gauge the amount of interest in it. Secondly, if there is likely to be significant demand, like others I would like to get a better handle on the resource costs associated with the system and how we are going to address that.

This constituency may be atypical, in that the larger members have or intend to subscribe to the SDDS, but some of the smaller ones may even find the demands of the proposed system more than they can handle, at least initially. One smaller member country has indicated that it already has in place the type of strategic development plan that the Fund is recommending, but the major constraint lies in the technical and financial capacity to implement the plan. There are often unexpected disruptions, and new demands emerge from time to time, and some flexibility to adjust plans will obviously be helpful. Such flexibility would seem to be implicit in the proposal, and I think it was consistent with what Mrs. Carson was saying earlier, but it might be useful to recognize this explicitly in the outline. More generally, in the light of comments today, and depending on the response to the initiative, the staff may need to reflect more on some aspects of the proposed structure. I have some detailed comments, including on the question of periodicity, which I will pass to the staff.

As others have argued, assessing the demand for the initiative is also essential if we are to better estimate the resource costs associated with it. It is certainly important, before signing off on the proposal, to have a better feel for the effect it is going to have on the budget and resource demands and what other Fund activities might have to be downsized or changed in order to free up resources to fund the initiative. It would also be particularly useful to have an estimate of the costs of the dissemination mechanism at an early stage rather than in 1998.

I note also that it is the intention to continue to assist countries with technical advice even though they may not be able to participate in the scheme from the beginning, and I support that. But it is important to recognize that there are many players in this area, including the United Nations and the ILO, and the Fund needs to focus assistance on those areas where it has a particular expertise, such as in balance of payments and money and banking statistics. In some ways, it is a rather obvious point, but it is important, I think, to recognize that at a broader level, improving statistical systems is about good governance, and in some countries more general reforms to improve governance may be important to complement this initiative.

Finally, I agree with the Chairman's proposal that we should try to avoid a further discussion on the subject before the Interim Committee meeting. Maybe that can be handled by way of circulating a further report on a lapse of time basis.

Mr. Shields made the following statement:

I like the approach that the staff has adopted in this paper. As others have mentioned, it is indeed very different from the initial concept of identifying less demanding absolute standards. It is a step forward from that notion, and it was well worth waiting the extra few months before we discussed it. It does reflect well both the different needs of countries which are not tapping the capital markets in the way that some advanced and emerging markets are, and of those that are at very different stages of development in their statistical resources and data dissemination. This being so, I agree that the emphasis should be primarily on encouraging better practices and on transparency as to data quality.

Nevertheless, in terms of providing development plans to the staff, I presume that it would be reasonably easy to include quantitative benchmarks in those plans so that the staff and the public could assess how countries were doing. In fact, this could be noted in the bulletin board, once it is up. However, in light of our previous discussion, I do not think that progress relative to such benchmarks should be a criterion for knocking countries off the board. It seems to me that the whole emphasis is on improvement and involvement, not on precisely where the countries reach. It could also create anomalies, where a country that had already fairly high standards but was not progressing could be put off the board, whereas a country with low standards that was making progress would stay on. The only criteria for removing countries should be whether they are participating or not, and if for some reason they are not responding to the Fund and not providing the basic information on an annual basis which is asked for.

It is possible to make it clear to the public that there is and will be a great deal of difference between this data system and the SDDS, so I am not too worried about people getting the wrong message, although we do have to be careful of our labeling. Because it should be possible to explain this reasonably well, I would be in favor of getting the material up on an electronic bulletin board as soon as possible, perhaps by the 1998 Annual Meetings, although in the short run I accept that we should go for rather simpler techniques of dissemination.

In terms of the ideas for timeliness, it seems to me that the differences between the general data system and the special data standards are right. On periodicity, I wonder whether, in a few areas, monthly data is not a bit too optimistic. Perhaps quarterly data would do for various categories.

On the costs of operating and staying involved with the GDDS, I am a little worried that it could demand rather more internal resources than so far seems likely, and this might mean, therefore, again some rejuvelling of priorities, particularly with regards to demands on technical assistance. In addition, it would impose quite large costs on the member countries themselves. Noting Mr. Newman's analogy at the beginning of our discussion, one can see why countries might want financing from some new source to complete these improvements.

The Chairman suggested at the beginning of the meeting that we could perhaps simply submit a summing up of this meeting as a progress report for the Interim Committee. While I would like that in theory, I am a bit worried that, given the diversity of views expressed around the table, and some of the skepticism, that might not be possible. Another session might be helpful in bringing views closer together.

In terms of reporting to the Interim Committee, we need to report on what we hope to set up for the general data system, as well as on some elements of the special data standards; for instance, the establishment of a hyperlink.

Mr. Munthali made the following statement:

In the present global economic and financial environment, the need to improve the availability of reliable data has been brought into sharper focus, and the development of the General System would make an important contribution to that effect. It is in this context that this chair has often emphasized the importance of Fund's technical assistance.

The proposed General Data Dissemination System, which bears close resemblance to SDDS launched last year, provides a useful framework to bring forward the process of modernizing and improving statistics for member countries that cannot participate in the latter. As such, we believe participation in GDDS is a desirable objective for all members, not only for disseminating reliable information to the public but, perhaps more importantly, to enhance the monitoring of developments in the economy and the design and implementation of appropriate policy responses. As an ultimate goal, therefore, the voluntary nature of participation is an important feature, given the diversity in the statistical infrastructure of member countries.

In our view, most of the countries are likely to find it difficult to avoid participation, in part because perceptions created by nonparticipation could have some downside effects. These could, therefore, act as incentives for member countries to subscribe to the system. Even in low-income countries, potential investors would be attracted by the availability of timely and more reliable statistics. In these circumstances, the Fund should stand ready for wider participation as countries seek to develop their statistical infrastructure for data compilation and dissemination in line with the requirements under the GDDS.

The key to the implementation of the General System is that it would be less prescriptive and would maintain adequate flexibility to meet the peculiar circumstances of individual member countries. In most of the countries represented by this chair, the statistical systems are still in their infancy, inadequate, and incomplete. Improvements will necessarily take a long time, as this may involve undertaking basic sample surveys and strengthening statistical agencies. Besides, shortcomings in the quality of certain data bases will continue to require careful prioritization of statistical needs to maximize the scarce resources. For example, the quality of data may have to be

compromised and, in these instances, the authorities may choose to emphasize the timeliness of those data, which is absolutely critical for the conduct of macroeconomic policy.

For most of my countries, therefore, the development of the General System could be viewed as an integral part of economic restructuring and development for which technical assistance from the Fund and other donors would be important. As economic conditions improve and growth is sustained over time, progress toward establishing the General System would be enhanced as more resources are devoted to attaining that objective. In the near term, therefore, progress will be slow, constrained by the lack of adequate funding, as implementation of GDDS is likely to involve additional resources.

One of the conditions laid down for participation in GDDS is the appointment of a country coordinator who would work closely with Fund staff. Perhaps the designation of an individual should be identified with that of a specific government agency. In this connection, although we are in broad agreement with the overall data dimension with respect to coverage, periodicity, and timeliness, we note that social-demographic data are produced at longer intervals, in part, because of funding problems. If this has been included only to give latitude to those countries that are able to provide such information, we would have no problem supporting the staff's approach

Mr. Siviraman and Mr. Trivedi have raised the specific issue of legislative framework. We believe that the issue deserves to be studied more widely to ensure that such legislative bottlenecks are properly addressed in all countries that are willing to participate in the General System.

The broad statistical frameworks and the indicators, as outlined in Table 1, bear some resemblance to the kind of information that is required by the staff in monitoring developments under Fund-supported programs or Article IV consultation reports. Some of this information is also available in the IFS. It is likely that discrepancies will occur among the three sources of data and could bring the credibility of the authorities into question. Such a situation could have more serious implications for member countries that are undertaking Fund-supported programs. It will be important, therefore, to establish safeguards as early as possible, perhaps during the first phase, involving the preparation and compilation of a meta-data information system. I would appreciate further clarification from the staff.

Finally, it is clear that the implementation of GDDS has important budget implications for the Fund, given the increased demand that its implementation will place on technical assistance resources. This matter has been raised again and again in the context of the budget discussion, and it is now necessary to address it in more specific terms. This Chair would support the allocation of additional staff resources, including, in particular, any technical assistance requirements that countries willing to participate may need. In that connection, the proposed regional seminars and workshops would be important vehicles to familiarize member countries with the requirements of GDDS.

Mr. Han made the following statement:

At the outset, I wish to congratulate the staff for the well-focused paper. I have no major difficulty with the staff assessments concerning the thrust of its approach. In developing GDDS, we have to bear in mind the factors that distinguish the Special Standard from the General System under discussion. In addition to the difference in the urgency of data users' needs, the staff has rightly pointed out the much greater diversity in the statistical frameworks of the countries for whom the GDDS is intended than in the group of members that have subscribed to the SDDS. Such diversity reflects not only the difference in statistical capacity and hence in data quality and availability, but also the difference in economic characteristics and consequently in the importance of data categories. I wish to emphasize that, for the majority of countries, the requirement for domestic efforts and external assistance in implementing the GDDS is greater than for the advanced members to adapt to the SDDS. It is important to recognize that, compared with the SDDS, the initial stage of implementation of the GDDS would involve greater flexibility, more resources, more planning, and a longer process.

With regard to the implementation of the GDDS, the approach to participation outlined by the staff seems reasonable and practical. Participation should indeed be voluntary and provision of metadata on DSBB would be necessary to give incentive to members and an adequate role to the public.

On the various dimensions, I can generally associate myself with the staff. In terms of the data categories, however, I am wondering whether it would be helpful and feasible to leave some space for unspecified quantitative and/or qualitative information on major structural changes (such as in tariff rates, price control, and tax rates) so as to facilitate the timely and positive response of the public to such changes.

Given the existing work load of the staff and resource constraints, the work program envisaged by the staff appears appropriate. The implementation of the system would require substantial resources on the part of the Fund. But over the long term, with good planning and coordination, the use of resources for technical assistance under the multilateral GDDS framework may be more efficient than on ad hoc case-by-case basis. In view of the resource constraints in the Fund, bilateral assistance should also be encouraged, not only among the potential GDDS participants, but also among SDDS subscribers in particular.

While it would be unrealistic and unnecessary to delay the launching of GDDS until legal frameworks are in place in all member countries, a comprehensive assessment of the availability of such a legal basis in member countries needed for the implementation of GDDS would be helpful. Based on such an assessment, one of the options could be considered by the Statistics Department; some model legal frameworks or model features could be introduced to a wide range of members. This would be particularly helpful and cost effective since it is not feasible to provide technical assistance individually and simultaneously to a large number of countries.

Finally I can support your proposal that there is no need to have further Board discussion on this issue before the Spring Meetings.

Mr. Andersen made the following statement:

The timely provision of comprehensive, high quality statistical data is an important element of all countries' endeavors to take well-founded economic policy decisions, as well as to cope with the consequences of increased economic globalization. I would like to commend the staff for supplementing their excellent work on the SDDS with a pragmatic and considered approach for the general guidance of all member countries about data dissemination practices, as in the suggested GDDS.

I share the thrust of the staff approach and find myself in broad agreement with the proposals on the implementation of the General System, including on the expected future work. On the Chairman's usual suggestion on how to report to the Interim Committee, I am not sure that we would disappoint any of the Committee members if we told them that some details still require further thoughts and considerations. I am pretty sure that the forthcoming additions to the Board schedule, both on policy items that are necessary in view of the Interim Committee meeting and other necessary policy items, will keep us quite busy in the coming weeks. Apart from that, I would like just to add a few remarks on five issues.

First, I share the assessment that the GDDS should be referred to as a system rather than as a standard, for the reasons mentioned by the staff. The System provides a reasonable framework for development and dissemination of economic and financial data for countries not prepared to consider subscription to the SDDS in the near future, but it deserves to be underscored that the latter should remain the end goal for all countries accessing or contemplating access to international capital markets.

Second, I welcome the priority given to improvements in data quality in the proposed System, even though the quality dimension may often be less visible to data users than endeavors devoted to improvement in, for example, timeliness, particularly in the short term.

I support the suggested coverage of socio-demographic data, in view of their importance in monitoring and evaluating long-term economic objectives, including for donors. There is an obvious need for close collaboration with other international organizations, such as the World Bank and the United Nations, in order to minimize the Fund's resources devoted to this area.

With this in mind, I would also welcome if such collaboration would result in the inclusion of environmental indicators some time in the future. Of course, close scrutiny of the size of the Statistical Department would be warranted if the Fund were going to provide technical assistance in these areas, so I welcome Mrs. Carson's assurances in that regard.

Fourthly, I consider it important that the System is designed in a way that creates incentives for making improvements in the data situation. While the advantages of timely and high quality data should be a sufficiently strong motivating factor in itself, the still relatively weak data situations in many countries argues for due attention to be paid to complementary approaches that will keep up the momentum. Also, after countries have fulfilled the formal criteria for participation in the System, public identification of countries' participation in the System, as well as their metadata, may well be useful instruments in that regard, although the risk referred to by Mr. Newman and some others deserves further thoughts.

Moreover, considering that many countries, including a number of lesser advanced economies, have already subscribed to the SDDS or can be expected to do so in the not-too-distant future, I wonder whether there could be an inconvenient signal effect of participating in the General System; for instance, if neighboring countries, or countries which the market sees as investment alternatives have subscribed already to the SDDS. The staff may wish to comment further on the relevance of such a problem and on how it can be reduced if it is judged to be significant.

Finally, on resources, the staff approach appears reasonable, though it is important to keep the resource cost issue under continuous scrutiny. While some additional resources devoted to technical assistance are justified at the outset, there should hopefully be significant efficiency gains to be harvested at a later stage, including for our surveillance activities, where the provision of comprehensive, timely, and high quality data from an increasing number of our members should lessen the need for lengthy and voluminous staff missions in a number of countries.

Mr. Fremann made the following statement:

I would like to thank the staff for its comprehensive work on the GDDS, and the very useful briefing session organized last Monday. Nevertheless, despite the clarifications we have received from the staff, I am still puzzled by the orientation given to the GDDS on two major issues.

First, I thought that the GDDS would mirror the efforts made by members to meet a standard of good practices for the provision of data agreed with the Fund, and that its purpose would have been limited to secure the dissemination process. Therefore, I do not fully understand how the proposed approach fits with the statistical policy of the Fund where there are current efforts to improve the provision of data under Article IV procedures. There is an indication on page 10 announcing that a discussion on the complementarity of the integration of the Fund's statistical activities will be held by the end of the year. In my view, such consideration should have been a preliminary step.

One of the major issues, as highlighted by previous speakers, is the potential cost of the initiative both for the country, as indicated by many speakers, and for the Fund, which is committed de facto to provide technical assistance.

I am quite reluctant to agree on an approach without any clear understanding of the potential cost to the Fund. In this regard, I have noted some discrepancy between the optimistic view of Mrs. Carson and repeated calls by previous speakers for additional resources.

Second, I do not think that unrestricted priority should be given in all cases to technical assistance for implementing the GDDS. In many cases, the set-up of a framework for treasury or central bank operations should remain the priority of the Fund's technical assistance.

In conclusion, I can go along with the Chairman's proposal to transmit to the Interim Committee the summing up of today's meeting. Nevertheless, we will have to emphasize in the summing up that before launching the GDDS some clarification will be needed as to its financial implications.

Mr. Zamani made the following statement:

Let me begin by commending the staff's efforts in preparing this very comprehensive paper. This chair appreciates the description of the System, as well as of the means to implementing it.

We are aware that, as the integration of the world economy gathers momentum, there is an obvious need for timely provision, as well as public dissemination, of economic data by member countries. We surely acknowledge the usefulness and desirability of the GDDS. However, we would like to mention that, in many developing countries, there is still a need to improve and widen desirable practices in data collection and production, as well as the public dissemination of these data. Therefore, full compliance with the requirements specified under the GDDS may prove to be a bit trying for some countries.

There is also, as stated by the staff, the issue of resources. The financial cost for the implementation of the GDDS may be quite significant for some member countries, especially those countries that need to improve and enhance their underdeveloped methods of data collection. External assistance here is much needed. Additional budgetary resources have to be allocated also to the Fund in order to implement the GDDS program. In addition, there is this issue of disclosure of some data which could be confidential in nature, as noted by several speakers today.

This chair generally agrees with the thrust of the staff approach, as stated under Paragraphs 58 and 59 of the report. With regard to Paragraph 60, we would wish for flexibility in the proposals for periodicity and timeliness, insofar as some countries may find themselves unable to comply with the specifications as of now.

Admittedly, there are several countries in my constituency that have already subscribed to the SDDS, as is well-known to the Board, while there are others that are not yet ready for full participation in the GDDS. As has been stated before, it is not because of unwillingness on the part of the countries to

participate in full, but because of the inability to comply with the procedures, due to their still underdeveloped system of data documentation.

Finally, although some members of the Fund may not be able as yet to fully participate in the GDDS, I am confident that the Fund will not neglect them and, instead, institute necessary plans and programs in order to assist them in improving statistical documentation. This is in line with the aspiration that in the not-too-distant future these members will be able to eventually join other members in participating fully in the GDDS.

Mr. Daïri made the following statement:

There is an overall and broad agreement that economic and financial data collected and compiled on the basis of internationally accepted guidelines and published at regular intervals are of fundamental importance to economic analysis. Improvement in data provision to the Fund and the public would strengthen the Fund's surveillance and allow the general public and market participants to make better judgment. We welcome the present discussion and wish to make a few comments.

The staff's approach in providing guidance to all member countries about the dissemination of economic and financial data has correctly recognized the still developing state of data production and dissemination in many member countries, as well as the need for improvement in data quality. The staff paper emphasizes setting objectives for short- and long-term development of statistical infrastructure and the dissemination of plans for improvement of statistical systems. This approach, though basically positive, has far-reaching implications, both in terms of resources needed to upgrade the statistical infrastructure of participating members and the time frame required to achieve improvements. It also seems to be somewhat different from the original objective set by the Interim Committee for designing a general standard for data dissemination. I agree with the staff that the quality of data needs to be addressed for the general system, however, it should not hamper the whole process by requesting members to make specific commitments.

On country implementation, the requirement of full documentation and prescription of current practices as well as the preparation of plans for improvement are indeed burdensome. Moreover, the Fund's public recognition of a country's participation in the general system involves a commitment by the country to prepare work programs for data improvement. This is the core of the general system. There is a lot of uncertainty regarding the number of participating countries, the amount of resources that they are able to allocate, and the technical assistance required at the assessment and implementation phases. Therefore, the general standard, as proposed, may take a long time to affect membership. I would urge the staff to take a pragmatic approach and extract a reduced scheme from the general system for submission and early implementation by membership as a minimum standard for enhancement of current practices. This should not diminish the data standards, as indicated in Appendix II, Table 1, which are generally appropriate. Discussion on possible improvements would take place in the context of Article IV consultations

drawing on existing guidelines. Attention should be given to the consistency of envisaged measures and their rank of priority when considering requests for technical assistance, and to coordination of statistical policy inside the Fund as well as with other international organizations. Except when requesting Fund's support, there would be no requirement for members to commit themselves to specific actions, nor would the Fund make any public judgment on member's statistical practices and quality. Availability of technical assistance to member countries should be secured once an agreement is reached on the needed improvements.

We cannot endorse the staff's comment that experience with members' data provision to the Fund should provide an important indicator for the preparation of specific proposals on periodicity and timeliness. These data are often produced on a preliminary basis and do not necessarily meet the quality criteria for an immediate release to the public.

Encouraging countries to have their metadata published in the Fund bulletin board should be at the core of the system. It will allow easy access to standards applied in the country, without implying the Fund's judgment on statistical policies or dissemination practices. It would be up to the market and the public to assess the progress made in each country in meeting the general standards. The publication of the metadata should not be conditional to commitment on future changes in the statistical policy. Under these conditions, there would be no moral hazard for the Fund in publishing the metadata on the Fund's bulletin board, provided that a clear delineation is made between the special data dissemination standards and the general data dissemination system.

On future work, I agree with the Chairman's proposal to use the conclusion of this meeting as a basis for a report to the Interim Committee.

Mr. Kiekens made the following statement:

As in the case of the Special Data Dissemination Standard, the staff has one more devoted considerable effort to develop a general system for countries to follow in the production and dissemination of statistical data.

The staff is right to take account of the wide differences in member countries' needs and capabilities. I agree that it is not desirable to devise a lower tier standard. On the contrary, it is preferable to develop a system that creates a framework for long-term cooperation between the Fund and its members in order to achieve a gradual improvement of the quality of statistical data and their dissemination. This approach is in line with the personal view I defended at the July 1995 Board meeting. At that meeting, I argued against the two-tier system, observing that it would be more important for the Fund to identify which categories of data are the most important for a country to publish, given their importance to the markets, rather than introducing a black-and-white, two-tier system that would exclude countries from either of the Fund's bulletin boards unless they conformed to one standard or the other.

It is indeed for each member to decide for itself the extent to which it can comply with the Fund's recommendations and how quickly it can improve its data. In my initial view, the bulletin Board should have been accessible to all countries, irrespective of the progress they had made toward compliance with the standards. Indeed, through the bulletin Board, the markets can evaluate for themselves the progress countries make in publishing data. This point was made by Mr. Boorman in his reply to today's first round of questions.

Mr. Newman expresses reservations about the idea of giving free access to the bulletin Board to countries that wish to publish their metadata. In his view, free access will inevitably give market participants the impression that a country's data reach a certain level of quality, notwithstanding all the disclaimers the Fund might post on the bulletin Board. This is an important point that deserves further careful consideration. There is no easy solution. Making access to the bulletin Board conditional on a quality test by the Fund will charge the Fund with some auditing tasks and responsibilities. This may be unavoidable, and indeed is in line with the Fund's more general task of making judgments about the quality of countries' policies. All things considered, I tend to favor free access to the Fund's bulletin boards, without expressing a view on the quality of the data published by countries.

Under the approach of encouraging countries to improve gradually, it becomes an important policy issue to decide what resources the Fund will devote to assisting countries in progressing along the lines recommended in the General Data Dissemination System. I think we should strive, above all, to improve the efficiency of our technical assistance, inter alia by organizing group training sessions for officials from countries in a particular region whose countries have similar problems. We should also encourage such countries to cooperate more closely with one another in order to benefit from one another's progress and expertise, and from the assistance the Fund can provide at less cost to cooperating groups of countries.

I further recommend that at least on the occasion of Article IV consultations the authorities will report to the staff on their progress in the area of the GDDS. It would nonetheless be important to review the reports periodically, say on the occasion of the biannual reviews of surveillance, or the annual reviews of progress with the dissemination standards, in order to gain a better general idea of progress being made by the less advanced countries and how the Fund's technical assistance might be adjusted to serve them better.

I agree with the staff's approach to the data coverage, including their proposals concerning demographic and social data, provided that the Fund will rely on other international organizations to design these latter data categories, including any technical assistance for that purpose. I can also agree with their proposals concerning access, integrity, and quality of the data.

The Director of the Policy Development and Review Department noted that it would be extremely difficult to predict what the reaction of countries to the GDDS would be, and thus what budgetary resources would be required. It was to be hoped that many countries would want to join the GDDS right away, but that meant that the Fund would have to

respond quickly to their needs. In that regard, there was some scope in the System for moderating the pace at which progress would be made in terms of the provision of technical assistance. However, if countries came forcefully for assistance and into the System, one would not want the Fund to get in the way of the progress that could be made. Therefore, depending on the demands that arise, it might be necessary to reallocate resources, while still taking into account all the priorities faced by the Fund. The cooperation and involvement of other institutions would also be necessary. In that regard, it should be noted that there was no intention of changing the division of labor that currently existed in the international community on statistical issues. Nevertheless, the extent to which there might be an increased demand on the Fund to provide technical assistance would depend on the extent to which other institutions would be prepared to provide technical assistance to countries in those areas that are clearly under their expertise. As to the budgetary implications on countries themselves, the pace at which they planned to make progress in improving and developing their statistical systems was under their control. From that point of view, they were also in control of the resource demands that they created for themselves, and that would be a budgetary issue for them.

On whether participation in the GDDS might send a negative signal if neighboring or comparable countries had already adhered to the SDDS, one could note that the GDDS would allow users to see how close that particular country might be to reaching the same stage as its neighbors, and such information was probably better than having that country out of any system altogether, the Director remarked. It might also be an added incentive for a country to make quick progress and adhere to the SDDS.

There was a great deal more flexibility built into the GDDS than Mr. Zamani presumed, as there were only three conditions for countries to participate, the Director observed. None of those conditions had to do with the starting position of the country; it was a function of being willing to come into the System, to provide plans for improvement, to designate a coordinator, and so forth. Therefore, any country, regardless of starting position, could come into the System.

The Director of the Statistics Department agreed that one incentive for countries to participate in the GDDS was that it was a way to show, and gain recognition for, how close they were to being able to adhere to the SDDS, particularly if it might take them two or three years to be able to do so.

The staff would be very interested in talking bilaterally with those Directors who had suggested that it might be possible to streamline the System, the Director stated. One general kind of streamlining that the staff would be wary of as defeating the purpose of the System was any streamlining of Section A of the table. That would set up a perverse incentive for countries to fix those items that could be fixed quickly, while neglecting to undertake a broader improvement in the quality of data.

On whether it might be possible for countries to present more qualitative pictures, or additional aspects, of their economy, it would be quite feasible to do what had been done in the Special Standard, which was to indicate that countries could take advantage of two optional metadata categories in which they could present information about data categories of their choosing. Those had been limited to two, owing to resource considerations.

The Acting Chairman noted the indications by the staff that the resource implications of the GDDS would be less than the breadth of the System implied, because the distribution of responsibilities regarding assistance on data improvement would remain the same within the Fund and among the international organizations. The Fund would simply be asking countries to announce in the GDDS that those data were available and would become available regularly. In the event technical assistance was needed, both a reallocation of resources and the possibility of collaboration with outside agencies would be considered, which was already the normal procedure. However, the staff believed that it was not possible to give specific estimates of expected costs at that stage.

After adjourning at 1:05 p.m., the meeting reconvened at 2:35 p.m.

The Acting Chairman made the following summing up:

Executive Directors endorsed the thrust of the staff proposal on the framework for the General Data Dissemination System. They generally agreed with the staff's pragmatic and flexible approach, which recognized the diverse characteristics and capabilities of potential GDDS countries. In particular, Directors welcomed the primary focus of the GDDS on encouraging members to improve data quality and systems for the production and dissemination of statistics. They considered it appropriate for the GDDS to provide a broad framework to guide members in the development of their systems for the production and dissemination of economic and financial statistics, and to do so in a way that avoided being unduly prescriptive, specific, and detailed. Directors observed that improvements in statistical infrastructure for data compilation and dissemination could be far-reaching and could take considerable time to implement. The GDDS, by incorporating a good-practice standard for data production and dissemination, would also serve as a useful guide both for countries in developing their statistical systems and for data users in assessing participating countries' practices.

Directors agreed that participation in the GDDS should be voluntary and should involve provision of metadata that would facilitate assessments by data users of members' practices against the objectives of the General System and would also permit tracking of their progress in introducing needed improvements.

Directors agreed with the staff proposal that the specifications for coverage, periodicity, and timeliness of data for the GDDS should be less prescriptive than for the Special Data Dissemination Standard and should distinguish between improvements in broad statistical frameworks, on one hand, and indicators, on the other. Directors agreed, in particular, that the General System should emphasize efforts to improve data quality. Several Directors expressed concern that the specifications for certain data categories appeared to be too ambitious. In addition, several Directors made suggestions concerning the specification of certain data categories, including more disaggregated national accounts, broader coverage of the fiscal sector (to include government-guaranteed debt, state governments, and off-budget items) and provision of a breakdown into domestic and foreign financing, and more detailed balance of payments (such as private remittances and capital accounts

data). The staff will consider these suggestions in its future work. Many Directors accepted the staff suggestion that social and demographic data should be included in the General System, but several expressed concern that this proposal seemed to be taking the Fund into an area beyond its customary economic and financial domain. These Directors pointed out that other international institutions had expertise in the areas of social and demographic data. I can assure Directors that development of statistics in these areas, including technical assistance, will fall to other institutions. More generally, Directors emphasized the importance of close coordination with other international and regional organizations in assisting members to improve their statistical systems.

Directors strongly supported the principle for all countries of equal access to data by users and the importance of advance release calendars, while also accepting that the intensity of focus on the precise timing of data release might be less in many General System countries than for SDDS countries. Nevertheless, some Directors suggested that it would be desirable for the GDDS to specify more timely release dates for a limited set of core data. Directors supported the proposed approach to the integrity dimensions of the GDDS, based on transparency and provision to the public of information by countries about their practices. With regard to the quality dimension of the GDDS, Directors generally agreed with the proposed approach of emphasizing provision of information by statistical agencies concerning documentation of statistical methodologies and cross-checks. Some Directors noted the importance of setting up a legislative framework to underpin the establishment of an effective statistical structure. Directors emphasized the importance of encouraging GDDS countries to move toward internationally accepted methodologies in the preparation of economic and financial data, and underscored the potentially important role of technical assistance from the Fund and other agencies in that connection. In that regard, several Directors welcomed the proposed seminars to provide further guidance on the GDDS to members' statistical authorities.

Drawing on the encouraging experience with the SDDS and its associated Dissemination Standards Bulletin Board, Directors generally agreed that it would be important for the General System to include a framework for public dissemination of information about the statistical practices of participating countries. Most Directors agreed that an electronic bulletin board could be considered. Several Directors noted that it would be important for the Fund to make clear to the public the differences between the GDDS and the SDDS and to avoid a perception that participation in the GDDS implied a Fund seal of approval of members' statistics or statistical practices. At the same time, some Directors thought that the Fund should disseminate information about a country's statistical practices only after sufficient improvements had been made in the country's practices. Directors generally welcomed the support that would be given for a country's efforts to improve its data by the Fund announcing, at an appropriate time, a country's participation in the GDDS. Directors looked forward to specific staff proposals on these issues.

Directors took note of the estimates of resource implications provided in the paper, while emphasizing that much would depend on the speed with which members signed on to the GDDS. There were many expressions of concern regarding the possible budgetary burden that could arise both for the Fund and for member countries. On balance, Directors agreed with the measured pace of implementation envisaged by the staff, noting that this would not only serve to smooth out the resource demands associated with implementation but also seemed realistic in light of the absorptive capacity of many of the potential GDDS countries. It was stressed that member countries would need to call not only on the Fund but also on other institutions for the provision of technical assistance that might be required.

Directors agreed with the work program envisaged by the staff. In light of the points raised in today's meeting and further staff work that needs to be done in the coming months, Directors agreed that the summing up for today's meeting should serve as a report to the Interim Committee. Directors also looked forward to the early preparation of a paper that would present a specific proposal for Board approval that would establish the GDDS. The Managing Director will also report to the Interim Committee on progress on the SDDS; this report will be circulated to Executive Directors.

Mr. Shields remarked that the summing up suitably embraced both the staff's recommendations and the reservations of certain members. He noted, however, that no mention was made of the issue of charging a fee for access to information in the GDDS, to which a few Directors had alluded.

The Acting Chairman replied that that issue had been overlooked during the discussion. He suspected that the staff would have noted that the issue of charging access to information on the internet was a complicated one at present.

The Director of the Policy Development and Review Department stated that it was, in fact, a major issue with regard to both the GDDS and the SDDS. It was the staff's view that it would be necessary to come back to it at the appropriate stage in the development of both systems.

The Acting Chairman suggested that, as it was a more general issue, it could be left out of the summing up at that time, and returned to when the next report was presented to the Board.

**2. OVERDUE FINANCIAL OBLIGATIONS—SIX-MONTHLY REVIEW—PROGRESS UNDER STRENGTHENED COOPERATIVE STRATEGY**

The Executive Directors considered a staff paper on the six-monthly review of overdue financial obligations to the Fund and progress under the strengthened cooperative strategy (EBS/97/32, 3/5/97). They also had before them a staff paper containing background information on developments in cases of members in protracted arrears and a statistical update (EBS/97/39, 3/11/97; Cor. 1, 3/14/97; and Sup. 1, 3/24/97).

Mr. Kiekens made the following statement:

The three elements of the strengthened cooperative strategy, i.e. prevention, collaboration and remedial measures, remain appropriate. Even so, last year saw no decrease in the number of countries with overdue obligations, and the total amount of arrears even increased. However, these overdue obligations involve only a few countries whose severe economic problems are linked to even worse political problems.

I see no alternative but to continue the present strategy. I therefore agree with a one-year extension of the rights accumulation program. The Fund needs to have at its disposal both remedial and incentive measures, especially now that some countries with overdue obligations are showing signs of willingness to improve their cooperation with the Fund. The staff concludes, on page 8 of its paper, that "a decision to maintain the rights approach would call for the continuation of SCA-2." I take it that this conclusion is based on present rules and policies, and does not take account of possible policy changes that may be decided by the required majority of Board voting power.

Indeed, early refunding of the SCA-2 resources to the contributing countries remains—if my information is still valid—an integral part of our strategy to facilitate the needed bilateral contributions to the financing of the HIPC Initiative and the interim ESAF.

This is a good occasion to share some thoughts with Board members on the problems we will face when considering an early repayment of SCA-2 resources. If we are unwilling to be naïve, we will seek strong assurances that the SCA-2 repayments will be used mainly to fund HIPC and ESAF. In that vein, I repeat my earlier proposal that we make the refund to each contributor conditional on that country's acceptance that these resources will be used in whole or in part—according to objective criteria to be determined by the Board—for the financing of the interim ESAF. Indeed, the SCA-2 protects the general resources against the risk of extending credit to members who have completed a rights accumulation program. However, all countries eligible to participate in the rights accumulation program are also ESAF-eligible. Therefore, if the ESAF financing were assured, there would be certainty that no rights accumulation program would result in the use of GRA resources. In this case, the SCA-2 would become largely superfluous and therefore it is legitimate to make an early refund conditional on full financing for the interim ESAF.

Finally, I am sure that the staff will strongly urge members to reduce their overdue obligations to the Fund following the periodic currency valuation adjustments. This kind of overdue obligations remain at an unacceptably high level.

Mr. Zoccali made the following statement:

We consider that the Strengthened Cooperative Strategy on Overdue Obligations has served this institution well despite the emergence of a new case

of protracted arrears to the Fund during the review period. While total arrears to the Fund increased marginally, by some SDR2.2 billion at end-January 1997, overdue principal declined slightly. Furthermore, overdues continue to be concentrated in few members in protracted arrears. Keeping in mind that overdue obligations result in significant costs for creditor and debtor members through the burden sharing arrangements, the Fund should continue to apply all three elements of the strengthened cooperative strategy, with particular emphasis given to preventive measures, to avoid new cases of protracted arrears.

Does the emergence of a new case of protracted arrears, that of Afghanistan, invalidate the current strategy? Our answer is no, given that political and military situation in that country, has made it impossible to even send a mission to Kabul since March 1991.

In these circumstances, it would be hasty to assert that our strategy or more importantly the incentive structure that underpins it, has failed.

The other case of overdue obligations that emerged during the review period requiring remedial measures in the form of telexes dispatched to selected Governors and the authorities of the Central African Republic, led to the clearance of arrears shortly thereafter. In addition, Sudan despite setbacks last year was able to lift one of three complaints under Rule S-1 following clearance of net overdue SDR charges and reached an agreement on a new payment schedule and a staff-monitored program giving renewed validity to the effectiveness of our three-pronged arrears strategy.

The pursuit of intensified collaboration, still holds promise and should remain one of our priorities. We see merit, therefore, in staff's suggestion to extend the rights approach for up to one year, since it entails little cost to the Fund and keeps in place a visible and tested framework for fostering cooperation for remaining eligible countries which make the effort to move in that direction. We could also agree to revisit the future of the rights approach and the possible liquidation of SCA-2 balances in light of the ongoing discussions on the ESAF/HIPC initiative. I would defer our comments on liquidation modalities for SCA-2 for when that issue comes up for discussion.

Finally, on prevention, I wish only to highlight that implementation of sound macro-economic and structural policies by members and their willingness to take corrective measures when necessary should remain the fundamental safeguard of Fund resources. In this regard, we welcome the efforts being made to improve the quality and timeliness of information provided to the Fund and the greater attention being paid by the Fund to the macro-economic implications of banking sector developments in member countries. Similarly, the debt sustainability analysis in the context of the HIPC initiative serves to round out the assessment of financing requirements for highly indebted poor countries. Without minimizing the importance of remedial measures, realistic program design supported by high quality technical assistance, as part of the Fund's framework for enhanced surveillance should

continue to be the key preventive elements against the emergence of new cases of arrears.

Mr. Shields made the following statement:

I was rather disappointed by the main staff paper for this meeting. It did not do much more than provide a catalogue of events over the last year. I find it surprising that, apart from its recommendation on the rights accumulation policy, it does not make any attempt to draw conclusions from recent developments or to offer any possible suggestions for improvement. As the paper documents, Fund arrears stand at well over SDR 2 billion at the moment, and I do not think anyone can be optimistic about any significant improvement on this situation, in the light of the descriptions of the Fund's relationships with Zaïre and Sudan, in particular.

I find it tempting to conclude from recent evidence that the strengthened cooperative strategy, as far as its remedial aspects are concerned, has been tested and has been found wanting in both the cases of Sudan and Zaïre. Zaïre did, it is true, show some temporary improvement in payments and policies, but this was fairly late in the process, and it has since been reversed, although for particular domestic reasons.

Sudan's record of payments and policies has been dreadful over the last six years, if not the last 10 years. Furthermore, it was fairly clear in the recent Board discussions that many members do not want to see the arrears strategy taken to its intended conclusions as far as penalties are concerned. Unless we do see a significant change in approach by Sudan following tomorrow's Board discussion, we do not seem to have managed any sustained improvement in the plight of Sudan's economy or its people.

Because of my disappointment with the results of the arrears strategy, I would have hoped to see the presentation of some other ideas in today's paper. In particular, there are two alternatives which have been put to us in the past and which we should not put out of consideration: first, the suggestion that we should ask the Governors to publicly censure a country before it was asked to actually withdraw from the Fund; second, we could decide to withdraw all assistance and all contacts with a member, perhaps even including the Article IV surveillance, although that might entail a change in the Articles of Agreement.

The reason I see merit in both of these proposals is mainly because of the difficulties that we have had in pushing the Sudan case to its final conclusions. What has happened is that a majority of members have felt that it ought to be asked to withdraw, but not the full 85 percent of the Board. The full Board has clearly been extremely disappointed by what it has done, but it has not been prepared to go to the final stage. So these two forms of action would be ways of showing even more strongly the views of the Board in that situation, and would prevent Fund resources from being wasted and its credibility being undermined further.

The Board should also give consideration to what should be done when one member's arrears payments are made by another country. We have all seen a news report that Sudan's last payment was made by a prominent member of the Fund and this Board. If it is true, it would be useful to know the conditions on which the payment was made. If it was an outright grant, it does put into question the continuous assertions by Sudan that it is no longer getting external financial assistance. If, on the other hand, it was a short-term or nonconcessionary loan, it will have material effects on Sudan's future ability to pay. It also raises the question of whether individual countries are in a position, as they have been asked to do in this Board, to put further pressure on an errant country like Sudan to mend its ways. At the moment, that the credibility of the arrears strategy is at risk because of the slippages in the case of Sudan and the clear reluctance of the Board to take firm action. I do not think we should blind ourselves to the consequences of not following our own agreed procedures.

On the question of the rights accumulation approach, I can support a further one-year extension, and I do expect to see a full discussion of provisioning issues provided by the Treasurer's Department in the annual review of the Fund's precautionary balances.

Just a final point on presentation. It is now six years since the strengthened timetable was agreed. I note that the annex at the back of the document still contains references to whether an amendment of the Articles is adopted. So perhaps we could update this particular section of the report, in the light of what has happened.

Mrs. Gutti made the following statement:

The strengthened cooperative strategy has served the Fund well. Protracted arrears remain confined to a small minority of the membership. The rights approach has been demonstrated to be a workable tool, being an important element in the clearance of arrears and normalization of Fund relations with three countries, two of which are in my constituency; and the emphasis on prevention has helped to safeguard the integrity of the Fund as a monetary institution. It should also be noted that the strengthened cooperative strategy has been instrumental in focusing attention on a holistic approach to the adjustment effort: improved program design, enhanced surveillance aimed at identifying emerging economic and financial difficulties, technical assistance to improve implementation capacity, and the mobilization of adequate financing for adjustment programs.

Undoubtedly, the slow progress of certain countries under this process remains a matter of concern, as there are costs to the membership. However, this is not because the strategy is inadequate. Social and political problems in most, if not all, of the countries concerned have stood in the way of meaningful cooperation with the Fund.

All in all, we do not see the need to make any changes to the strategy at this time. I also strongly endorse the staff's proposal that the deadline for the availability of the rights approach be extended for one year. This would be an encouraging signal to Sudan, against the background of the renewed effort to improve relations with the Fund. There is also the promise that the peace process is gaining momentum in Liberia, which would make it possible for the authorities to intensify cooperation with the Fund.

Mr. Askari made the following statement:

The rise in total overdue obligations, although small, is of great concern to us. To protect the revolving nature of Fund resources and strengthen Fund liquidity, it is imperative to prevent further increases in overdue obligations and to ensure that the accumulated arrears are cleared as soon as possible. In this regard, I believe that the strengthened cooperative strategy has been relatively effective, despite the problems that we have with Sudan and Zaïre, and we should maintain it. This brings me to the issue of whether or not the extended rights accumulation program, the RAP, has so far been an effective mechanism for addressing overdue obligations. Although there are only three RAP-eligible countries left and it is very unlikely that any of them would draw on GRA resources, it would be, in my view, a mistake to let the RAP lapse, particularly because of its implications for the continuation of the SCA-2. I would therefore support the staff's proposal to extend the RAP, but only for one year. By then we will have a better sense of the status of the overdue obligations of the three remaining RAP-eligible countries and will have decided what to do with SCA-2 balances.

Mr. Barro Chambrier made the following statement:

I welcome this opportunity to review our strengthened cooperation strategy aimed at dealing with the problem of arrears to the Fund and commend the staff for providing us with a very helpful set of papers to help focus our discussion on this important issue.

As regards recent developments, it is encouraging to note that since the adoption of the strengthened cooperation strategy in early 1990, substantial reduction has occurred in the number of the members with protracted arrears to the Fund, which declined from the original number of eleven at the end-1989 to 7 at the end of February 1997. However, I note that the total amount of overdue obligations to the Fund increased slightly at the end of February 1997, compared with the end-1995.

Regarding the implementation of the strengthened cooperation strategy, there is no doubt that this strategy has made an important contribution in addressing the arrears problem, but it is also worth noting that the countries in arrears continue to be confronted with exceptional circumstances, well described in the background paper (EBS/97/39). I also share the view that the present arrears strategy, through its preventive, intensified collaboration and remedial aspects, continues to remain appropriate, as it provides strong incentives for members, in order to avoid incurring

overdue financial obligations. Fund's role, through technical assistance, policy advice, and the strengthening of Fund's surveillance, remains critical, in order to help find lasting solutions to the remaining arrears cases, confronted with serious difficulties.

With regard to the rights accumulation program, there is no doubt that it has been an important instrument in the clearance of arrears and normalization of Fund relations with some Fund's members. In light of this advantage, I can agree with the staff recommendation to extend it further for one year.

Concerning the Strengthened Timetable of Procedures, since these procedures have continued to be applied as intended, I do not see any reason to change them.

Finally, as to the overdue currency valuation adjustment obligations, I encourage the staff to continue to monitor it closely, in order to find early settlements from the members concerned.

Mr. Tahara made the following statement:

Regrettably, there was very limited progress toward resolving the arrears problems in 1996, and both the number of arrears countries and the total amount of arrears have increased since the last review. I strongly urge the authorities of countries in arrears to intensify their efforts toward clearing their arrears to the Fund. At the same time, I hope that the staff will make its best efforts to improve those countries' cooperation with the Fund.

In addition to the protracted arrears problem, it is regrettable that two temporary arrears cases have occurred. I strongly urge these countries to strengthen their capacity for external debt management. I also urge the staff to make a strict assessment of borrowing countries' debt service capacity.

Regarding the extension of the RAP, we should bear in mind that this scheme was originally designed to be temporary and that there is an implicit cost of increasing the possibility of moral hazard for arrears countries. However, the possible consequences of terminating the RAP should be carefully examined before deciding on its termination, including the issue of the refund of SCA-2 balances which are now being considered for use for the ESAF/HIPC Trust. We should also consider the impact of the termination on the Fund's arrears strategy as a whole.

On balance, I support the staff's suggestion to extend the RAP for up to one further year.

Mr. Han made the following statement:

While it is regrettable to see that the total overdue financial obligations to the Fund have experienced a slight increase for the first time since 1991, arrears to the Fund have continued to accumulate with members facing

protracted financial, political and security problems, and in some cases, international sanctions. The fact, that 95 percent of the total arrears to the Fund at the end of January 1997 has been concentrated among four members in protracted arrears, reflected the exceptionality of this issue. These special circumstances imply that we could not expect that the existing arrears could be settled in the near future.

However, solutions to the overdue financial obligations not only depend on changes with regard to their special constraints, but also rely on the efforts of both the Fund and the members. We continue to believe that substantial progress could be made through implementation of the strengthened cooperative strategy. And, successfully resolving the overdue financial obligation problem with such a strategy would not only contribute to the members economically, but would also benefit the Fund financially in the long run. This is, to my mind, consistent with the reasoning and efforts made by the Fund under the HIPC initiative. In this connection, the reaffirmation of the Sudanese authorities of their commitment to adhering to payment and the program agreed with the Fund is an encouraging development.

In light of the important contribution made by the rights approach in the clearance of arrears and normalization of Fund relations with members, this chair would like to endorse the staff suggestion concerning a further extension of the rights approach for another one year. Eligible members should not be prevented from availing themselves to the visible and tested framework that could foster their efforts in economic adjustments and close cooperations with the Fund. In this connection, we support the continuation of the SCA-2.

In view of the Fund's current financial structure, I would like to emphasize the importance of the preventive aspect of the strategy. The pursuit of economically viable and sound policies by members with substantial outstanding Fund credit and their willingness to undertake necessary adjustment as needed provides the most fundamental safeguard of Fund resources.

Mr. Guzmán-Calafell made the following statement:

Progress observed during the last year in the implementation of the strengthened cooperative strategy was modest. Total overdue obligations to the Fund rose, albeit slightly, one additional member was included among those with protracted arrears, and some important debtors which had begun to step up payments to the Fund faced renewed difficulties in the course of 1996, although in one of these cases the situation has changed significantly in the first months of 1997. Notwithstanding these trends, the main reasons behind the failure to achieve more positive results in facing the problem of arrears at the Fund do not lie in the approach followed, and therefore I agree that the main elements of the strengthened arrears strategy remain valid. I would only add that among the different components of this strategy, preventive measures deserve special attention.

I can go along with the staff's proposal to extend the rights approach. While it seems unlikely that any eligible member will use this scheme in the near future, the continuation of the rights approach may represent a useful factor to encourage some of these countries to strengthen cooperation with the Fund. The other reason to maintain the rights approach for the time being is of a more practical nature. In particular, I agree with the staff that the refund of SCA-2 balances that would follow the termination of the rights approach would be premature at this stage of the negotiations for the financing of the ESAF/HIPC initiative. I have no objection to the proposed period of the extension. However, if the resources in SCA-2 are used, as expected, to support the ESAF/HIPC initiative, the rights approach would be deprived of one of its fundamental elements. I would like the staff to comment on the implications of this for the continuation of the Rights Approach.

Finally I welcome the reduction observed during the last year in the amount outstanding of overdue currency valuation adjustment obligations, and I encourage the staff to strengthen their efforts to achieve a prompt settlement of the remaining balance.

Mr. Andersen made the following statement:

In general, the strengthened cooperative strategy has taken us in the right direction with a relatively balanced focus on prevention, collaboration, and remedial measures. However, as noted by the staff, progress has been limited during the period under review. Not only was 1996 the first year since 1991 that there were no deletions on the list of countries in protracted arrears to the Fund, but one country was added to the list. Moreover, while the three remaining members eligible for the Rights Approach have been given a long time to strengthen their cooperation with the Fund in a way that would provide a basis for them to take advantage of the Approach, none of them had been able to sustain efforts in that regard. Accordingly, there is indeed a case for allowing the Rights Approach to lapse.

However, I agree with the staff and others that the automatic triggering of some refunding of the SCA-2 balances is premature at this stage, pending further progress in funding the ESAF/HIPC Initiative. I therefore support the staff proposal to extend the Rights Approach for up to one further year with the proviso that it would be revisited at an earlier point, as appropriate, in light of the ESAF/HIPC financing considerations. I invite the staff to prepare possible alternatives to be considered at such an occasion.

Ms. Brettschneider made the following statement:

Notwithstanding limited progress since our last review, we agree with previous speakers that the strengthened cooperative strategy has played a positive role since its inception in reducing the stock of outstanding arrears, decreasing the number of protracted arrears cases, and providing strong incentives for new arrears cases to be resolved quickly. The main problem continues to be the high concentration of arrears in the four core countries, where arrears are still very substantial and costly.

The true test of the arrears strategy will be how we deal with the hard core countries. If the Board continues to temporize and accept half measures, the credibility of the arrears strategy will suffer, with potentially serious consequences for the institution. We will consider the case of Sudan tomorrow, a case in which the Board has been more than patient and demonstrated a willingness to go the extra mile. It remains to be seen whether Sudan's performance will meet us at least half way. As Mr. Shields has already noted, however, at some point we need to have the courage to bite the bullet and bring the strategy to its logical conclusion.

Turning to the RAP, this chair raised the question a year ago whether the current RAP arrangement had run its course, given the unlikelihood that those still eligible to utilize the RAP would be able to do so any time soon. We also posed the question of whether resources in SCA-2 might be better deployed in other uses. Our position was to limit any extension of the RAP until the Executive Board had reached conclusions regarding the financing of a continued ESAF, including a possible role for SCA-2. The scope and timing of possible SCA-2 refunds, however, is still uncertain. Consequently, we can go along with the staff's proposal for the time being to extend the rights approach for up to one year to avoid premature SCA-2 refunds.

However, the prospect of SCA-2 refunds does raise the issue of how a future RAP would be financed as well as the need for precautionary balances to provide better protection against possible RAP-related defaults. Staff comments would be appreciated.

Mr. Verjbitski made the following statement:

First, I shall offer some general comments on the methodology underlying the staff's presentation.

The problem of overdue financial obligations to the Fund might be quantified either in absolute terms (i.e. the number of members involved, and the amount of arrears) or in relation to the relevant indicators for the Fund as a whole. While the latter aspect appears to be little noticed, the former usually tends to be somewhat overemphasized in the Board discussions of the arrears issue. However, a historical look at the evolution of the size of the Fund's arrears problem in proportion to total Fund credit outstanding can be revealing in assessing the current status of the arrears problem. In this regard, I particularly appreciate inclusion of Chart 2 on page 48 in the background paper, which shows that in the period since end-1994 overdue repurchases have been stabilized as a percentage of Fund credit outstanding at a level of 3 percent.

When drawing policy conclusions applicable to the issue of the adequacy of the Fund's arrears strategy and the size of its precautionary balances, it is important to separate from the outset data related to the operations in the Fund's General Resources Account from data pertaining to the SDR Department and other nonGRA operations. Clearly, an increase in the size of the arrears' problem in the SDR Department or in the ESAF Trust

Fund, would have different financial and policy implications for the Fund as compared with a growth of arrears in the GRA.

Having these broader methodological observations in mind, I would generally see little practical sense in reviewing the evolution of the arrears problem as a whole. Instead, a clear-cut distinction among the GRA, SDR and other nonGRA operations is preferable in order to deal with the arrears problem effectively. It is also desirable to have consistently the same periods under the annual reviews by the Executive Board instead of allowing ad hoc changes in the number of months under review from year to year. In this regard, it is notable that earlier-than-usual consideration of the issue this year has not allowed the staff to take fully into account end-February 1997 data while preparing the main paper for today's discussion to ensure its full comparability with the arrears' situation at the time of last review.

The supplementary statistical update is quite helpful in providing end-February 1997 data which show that the amount of overdue repurchases in the GRA was reduced by SDR 36.1 million since February 1996. It provides factual evidence that the Fund's overall arrears strategy, at least with regard to the GRA operations, remains appropriate. It also underscores the diminishing need for the Fund to continue to accumulate massive reserves and precautionary balances in the GRA at a relatively fast pace. It is regrettable that this aspect has been somewhat overlooked in the staff's analysis. The progress in reducing the size of the arrears' problem in the GRA, in our view, should assist the Executive Board in reaching a long-overdue consensus next month on a reduction of the net annual income target and SCA-1 contributions' rate for the forthcoming financial year.

It is relevant to mention in this regard that the Fund's reserves in the GRA plus the balances in the SCA-1 presently provide solid protection against all quantifiable credit risks in the GRA, as these precautionary balances exceed by some 150 percent the amount of overdue repurchases. The SCA-1 balances alone cover more than 70 percent of that latter amount. At the same time, it is notable that there have been no new cases of protracted arrears of 3 years or more duration in recent years, while 95 percent of the overall arrears problem is limited to just four Fund members.

Apart from these four difficult cases, the cases of the remaining three members with overdue financial obligations to the Fund are quite unique in a sense that their ability to normalize relations with the Fund is either limited by international sanctions, or related to the authorities' inability to instruct the Fund through proper channels of communication to use a member's reserve tranche position in the Fund for settling charges in the SDR Department. Such cases do not raise serious doubts about the members' capacity to eventually pay their overdue obligations to the Fund, and need not be overly dramatized. In this respect, I have an impression that the staff paper places undue emphasis on Afghanistan's arrears becoming protracted, as this member's reserve tranche position in the Fund is obviously more than adequate to pay its overdue net SDR charges and assessments.

Similarly, I am not overly concerned about overdue currency valuation adjustment obligations. The staff recognize that this problem does not fall under the procedures of the Fund's arrears strategy, and it is generally limited to members whose currencies are not regarded usable by the Fund. Nevertheless, I welcome the progress achieved by the staff in pursuing the settlement of such arrears. This problem places additional demands on the staff of the Treasurer's Department, and I would like to use this occasion to thank the staff on behalf of my authorities for the valuable technical assistance provided to them in this area.

Finally, regarding the continuation of the rights approach, we remain convinced that it has served the Fund well. For some eligible members in arrears, the rights approach may still be the only way toward normalizing their relations with the Fund. Therefore, in our view, the rights approach should not be allowed to lapse now. It is also desirable to postpone further consideration of the fate of the rights approach until the Executive Board is in a better position to consider the issue of the disposition of sizable excess balances in the SCA-2.

I can support the staff's proposal to extend the rights approach for another year or until further review of the interim ESAF/HIPC financing modalities.

Mr. Waterman made the following statement:

Standing back a little, it has to be said that the Fund's efforts to resolve the problem of overdues have not achieved particularly tangible results over the past year. Those overdue obligations to the Fund have increased slightly and continue to be concentrated among a few members that have already been declared ineligible to borrow further from the Fund. The experience suggests that the emphasis needs to be on strengthening the collaborative strategy and that we need to be very firm in dealing with those countries that are in protracted arrears.

In terms of the RAP, on balance, I am prepared to support extending the Rights Approach for up to one year on the grounds that there would be little cost to the Fund and that it may contribute to cooperation from those remaining eligible members, even though it seems unlikely, as others have noted, that they would draw on GRA resources in the foreseeable future. At the same time, we need to sort out the implications for the HIPC initiative, particularly the use of SCA-2 reserves. Staff comments on those implications would be useful.

Mr. Irdian made the following statement:

We agree with the staff's overall assessment that limited progress has been made during the past year under the arrears strategy. It is encouraging, however, that additional steps have been taken to enhance surveillance practices in order to improve the Fund's ability to identify at an early stage new cases of emerging financial difficulties.

Like Mr. Kiekens, we see no alternative but to continue with the present arrears strategy. We agree, therefore, with the staff to extend the rights approach for up to one further year. The rights approach has been an important element in the clearance of arrears and normalization of Fund relations with three members.

We also agree to maintain the current practice of delaying further remedial measures in the cases where civil conflict continue to prevent the Fund from reaching a judgment regarding members' cooperation.

Mrs. Coronel made the following statement:

In reviewing the progress under the strengthened cooperative strategy, it can be noted that 1996 was not a very successful year. Total overdue financial obligations increased slightly during the year, no member was able to clear its protracted arrears, and the overdue obligations of an additional member became protracted. While this limited progress was, in most cases, the result of continued financial, political and security problems within countries in arrears, it suggests that the Fund should enhance its efforts not only to promote payments normalization, but also to help countries find their way toward sustained development.

In this context, like most of the previous speakers, we endorse the staff's recommendation to extend the Rights Approach for up to one further year. This option, which would entail little cost to the Fund, might encourage the remaining eligible members to intensify collaboration with the Fund. An additional reason for which we see no need to allow the Rights Approach to lapse at the end of April is that automatic refunds of SCA-2 balances would be premature at this time, pending further progress in funding the ESAF/HIPC Initiative.

Having said this, I would like to emphasize the need to strengthen further the preventive aspect of the cooperative strategy to minimize the risk of payments problems in the future. The pursuit of sound economic policies by members with outstanding Fund credit should be carefully assessed by the staff. This would allow the Fund to identify in a timely manner the need for corrective actions, and would ensure a member's capacity to repay the Fund.

Mr. Donecker made the following statement:

It is regrettable that, overall, little progress in the reduction of arrears was achieved during the review period. The volume of arrears has even slightly increased, and the maturity structure of the arrears has worsened. On the brighter side, I welcome that the Board was able to reach a unanimous decision on how to proceed further with regard to Sudan's payments arrears and its inadequate cooperation with the Fund so far. In this context, we are concerned, however, that the newly proposed staff-monitored program does not sufficiently address the main weaknesses of Sudan's economic policies. We will come back to this issue during tomorrow's discussion on Sudan. In our view, the basic elements of the strengthened cooperative strategy remain

broadly appropriate, but I agree with Mr. Shields that its remedial aspects have been found wanting, and that this endangers its credibility.

I can reluctantly go along with the proposed extension of the Rights Approach for up to one year, on the following basis: first, that this extension is necessary and primarily motivated to keep open our options with regard to the intended use of SCA-2 resources for the financing of the interim ESAF; and second, that the Board will be free to terminate the Rights Approach at any time during this one-year extension period. I should like to get our legal experts' confirmation on this. I expect that the staff will provide us with the text of a respective draft decision in that regard in due course.

Mr. Fremann made the following statement:

I will be very brief, as I share the views expressed by other members.

We endorse the recommendations of the staff in paragraph 20, page 8: First, we agree on the extension of the Rights Approach for up to one further year, with the proviso that the situation will be kept under close review; and second, that the issue of the future of the Rights Approach and the possible liquidation of SCA-2 balances will be revisited in light of the ongoing discussion on the ESAF/HIPC Initiative.

Mr. Wijnholds made the following statement:

I can go along with the staff proposal to extend the Rights Approach. As one of the elements of the strengthened cooperative strategy, the Rights Approach has proven to be a reasonably useful instrument. Retaining it, at least for the time being, can provide an incentive for stronger cooperation with the remaining arrears cases.

There are also practical arguments for retaining the Rights Approach for now, as its fate is linked to that of the SCA-2, and in turn to the ESAF/HIPC Initiative. The reverse is true as well: it would seem logical that a separate decision on the SCA-2 should also prompt an earlier discussion on the future of the Rights Approach.

It is important to stress, though, that the Rights Approach is only useful when balanced by the other elements of the strengthened cooperative strategy. Here, as some of my colleagues have observed, the results have not been that encouraging. While the Rights Approach provides positive incentives, it needs to be supported by ensuring the effectiveness of other incentives. In this context, I would like to reiterate my proposal to exclude overdue members from the SDR equity allocation and to allow their full participation only after clearing their arrears.

Mr. Rouai made the following statement:

Notwithstanding the lack of sizable progress in the major arrears cases, I am generally satisfied with the implementation of various elements of the

strengthened cooperative strategy dealing with overdue financial obligations to the Fund.

This chair regrets that Afghanistan's arrears became protracted during the review period due to the country's very difficult political situation. I take the opportunity to remind the staff of our proposal to use part of Afghanistan's reserve tranche position to regularize these arrears, and I wonder if the staff has given it any thought.

I support the extension for another year of the right accumulation approach for the same reasons invoked by the staff, including SCA-2 refunds. In addition, the already granted extensions helped supporting the clearance of some protracted arrears cases. We hope that the additional extension would lead to a solution for other difficult cases.

Finally, with regard to the issue of overdue currency valuation, I am concerned by the large accumulated amounts, and I would like the staff to indicate the longest overdue cases for major countries.

Mr. Al-Tuwaijri made the following statement:

It is unfortunate that overdue obligation to the Fund increased slightly over the period covered by this review. At the same time, however, the small reduction in Sudan's overdue obligations, their payments in February 1997, and their agreement to a staff monitored program that we will discuss tomorrow are encouraging.

The limited success of the strengthened cooperative strategy during this period is due in large part to security problems that plague most of the remaining countries with overdue obligations. I hope that as the security situation improves in these countries, the progress we have seen in recent years will resume. Against this background, I support a further one year extension of the Rights Accumulation Approach.

Mr. Phan made the following statement:

The staff report shows that total overdue obligations to the Fund increased slightly from SDR 2,179.2 million at end-1995 to SDR 2,211.5 million on January 31, 1997. The various reasons ascribed by the countries in arrears include continued political and security problems and international sanctions. During the period under review the number of countries in protracted arrears has risen from six to seven. The overall rate of growth of arrears during the period, on the other hand, had decelerated which the overall record with respect to the discharge of ESAF obligations improved in 1996 as compared with 1995. In particular, arrears to the ESAF have been of very short duration and there were no arrears to the ESAF as of end-January 1997. All told, this chair believes that, in spite of the limited progress, the strengthened cooperative strategy continues to prove appropriate and necessary. I therefore call for tighter implementation of this three-component strategy from now on.

As pointed out in the staff report, the rights approach has played an important role in the clearance of arrears and the normalization of Fund relations with several countries. Although there has been no activity under the rights approach in the past year, and in the view of the belief by staff that the probability of use of the rights approach in the near term could be judged as low, this approach remains a helpful and constructive instrument of intensified collaboration. Accordingly, this chair goes along with the staff's suggestion that the rights approach be extended for up to another year. This will give the remaining eligible members more time to avail themselves of this approach in order to adopt a comprehensive economic program.

Turning to the issue of remedial measures, this chair has no problem in supporting the staff's view to continue the application of the remedial procedures and consider no modification to the timetable of remedial measures at this time. It is necessary to stress that the timetable of remedial measures should be intensely applied in the cases of members with protracted arrears but yet do not actively cooperate with the Fund in seeking a resolution to their arrears problem.

Finally, I would like to call for improved and timely provision of economic information and data on the part of member countries having Fund-financed programs and the pursuit of sound economic policies by members with outstanding Fund credit. This would add to the strengthening of the Fund's financial sector surveillance and ensure the effective safeguard of Fund resources.

Mr. Disanayaka made the following statement:

We support the continuation of the Fund's cooperative strategy, as it has served both the Fund and its members well. Nevertheless, it may need a certain amount of strengthening and refinement in the future, particularly with regard to the preventive and remedial measures designed to deal with countries which are showing signs of default or of accumulating protracted arrears. We also support the continuation of the Rights Approach for up to one more year.

Mr. Cippa made the following statement:

It is regrettable that after considerable progress in the past few years regarding the settlement of overdue financial obligations to the Fund, over the last year these obligations increased again although only by 2 percent. Moreover, for the first time since 1991 no member with protracted arrears at the start of the year cleared its arrears in the course of the year, while a new country was added to the list. However, and despite these developments, I am not prepared at this stage to doubt the general validity of the strategy which served us well in the past.

As described in the staff paper, two of the three countries eligible for the rights accumulation program (RAP), Sudan and Zaïre, have entered a critical juncture in their cooperation with the Fund, and it might be premature at this point to draw definite conclusions. Considering this, and also because,

ending RAP now would trigger an automatic but not necessarily desirable refund of SCA-2 reserves, we agree to extend the RAP once more by one year until the 1998 spring meeting of the Interim Committee. This would also give an incentive to Liberia, the third country eligible for the RAP, to reestablish its contacts with the Fund. In order to retain the possibility of using SCA-2 balances in the framework of the ESAF/HIPC initiative, we think that the decision to extend the rights approach should include a proviso to enable an earlier revisiting of the approach.

Mr. Coumbis made the following statement:

We agree with previous speakers that the strengthened cooperative strategy has served the Fund generally well, and that its basic elements remain valid. The fact remains, however, that the total amount of arrears has increased and the performance of some countries in protracted arrears was disappointing. We urge countries in protracted arrears to cooperate closely with the Fund in solving their arrears problem. Like other speakers, however, we consider that some parts of the strategy may need to be re-examined and strengthened. Finally, since the continuation of SCA-2 is an integral part of our strategy regarding the HIPC Initiative, we agree with the staff proposal to extend the Rights Accumulation Approach for one more year.

The Deputy Director of the Policy Development and Review Department stated that the staff would reflect on Mr. Kiekens's proposal to condition SCA-2 refunds to individual creditors on their making at least part of the refund available for the financing of the HIPC/ESAF Initiative. However, there was a substantial doubt as to whether that could be done legally now that the decision to refund had been made.

Like a number of Executive Directors, the staff was also disappointed with the overall experience with the strengthened cooperative strategy during the year, the Deputy Director remarked. Moreover, it was true that the cases of Sudan and Zaïre had been a bit of a roller coaster, with an uptick at the beginning of the year, a downtick at the end of the year, and a partial uptick when the report was being written. However, the staff did not have any good ideas at that time on how to strengthen the strategy further. The two suggestions made by Mr. Shields—public censure and the suspension of contacts with members—had been discussed in the past and, in fact, there had been a proposal on a resolution of censure on Sudan by the Board of Governors, which would have been a public censure. That proposal had been overtaken by discussions of other alternatives, but it might be useful to look at that possibility again in the future. On the withdrawal of all contacts with members in protracted arrears, it should be noted that in the cases of both Sudan and Zaïre, as well as in a number of other cases, the staff had suspended technical assistance, and in reality had sharply curtailed contacts, with the countries in question. The staff did not believe that it was possible, however, to cease Article IV consultations, which were an obligation on the Fund, as well as the member.

Mr. Shields suggested that, while Article IV consultations were an obligation for both the Fund and its members, it might be possible to consider certain possibilities, such as holding the consultation at the Fund rather than in the member country, or amending the Articles of Agreement to make it clear that a country that had proceeded to a significant degree down the road toward suspension from the Fund would have that privilege and duty removed.

The Deputy Director of the Policy Development and Review Department confirmed, in response to a question from Mr. Donecker, that the intention had been to extend the Rights Approach up to one year, but with the proviso that the Board could decide at any point during the year to return to the issue and determine the future of the Rights Approach and the disposition of the SCA-2 balances.

Both technically and legally, the Rights Approach could continue even if there were a decision to shield the SCA-2 from further accumulations of rights, and refund the SCA-2 balances, the Deputy Director stated. The SCA-2 had been established originally with two considerations in mind: one was the potential risks arising from encashments of rights in the General Resources Account, and the other the technique of adding to the GRA liquidity to help with the financing of rights. That was a question that the Board would have to return to when determining whether to liquidate the SCA-2 or at least disassociate it from the Rights Approach.

However, none of the remaining rights-eligible countries, or those countries in the membership that were in the deepest difficulty, the worst debt situation, or the worst outlook for viability, was by any means suited to GRA terms, the Deputy Director observed. The substantial use of the GRA in financing those cases after a clearance of arrears would raise considerable questions about the consistency of the terms with their debt-servicing capacity and their capacity to make future payments to the Fund. That consideration would have to be kept in when the Board returned to the question of the Rights Approach and the SCA-2.

The staff representative from the Treasurer's Department noted that the staff had been examining the issue of Afghanistan's use of its reserve tranche, and it raised a number of legal questions which were still under consideration. A final determination was particularly complicated at that moment, because of the difficulties with communications into the country, and with the process of recognizing the legitimate authorities in Afghanistan.

It has not been the practice in the past to note the names of countries and the particular amounts overdue with respect to currency valuation adjustments report, the staff representative said. However, at that moment, the largest debtor on the currency valuation adjustments was Ukraine.

The timetable of procedures and the specific steps had been agreed after a number of discussions held in 1990 on the strengthening of the arrears strategy, the staff representative observed. The text of the timetable would be edited in a way that would respond to Mr. Shields's concerns, on the understanding that the substance would not be altered.

Mr. Zoccali noted that a useful update of the situation had been provided in EBS/97/39, but he hoped that, in subsequent reviews, there could also be some differentiation between members that had normalized their arrears situation and those that had not. He pointed out that, in Table 11B of the paper under consideration, the title was "Selected Information Related to Reviews of the Position of Ineligible Members as of January 31, 1997," and that still included Peru.

The staff representative from the Treasurer's Department confirmed that that would be changed.

Mr. Kiekens recalled that several Directors had expressed their willingness to extend the rights accumulation program, because they considered that the consequence of a nonextension—that part of the SCA-2 balances would have to be refunded—was undesirable. Such a reasoning was not acceptable, as it signaled a misuse of rights. The Board could only decide to extend the RAP if it were seen by the Board as useful in the arrears strategy, not for other reasons. It would be an infringement of the SCA-2 contributors' rights to extend the rights accumulation program in order to prevent a restitution of the SCA-2 balances. At the same time, it was perfectly justified to decide on an early restitution of SCA-2 balances to make further RAP extensions superfluous—more precisely, by securing ESAF financing. Thus—and that had also been the reasoning behind his proposal—it would be logical, when the Board decided on an early refund of SCA-2, to redesign the rights accumulation program so as to give members in arrears the possibility of accumulating drawing rights, not on the GRA, but on the ESAF trust.

The Acting Chairman made the following summing up:

Directors noted that overdue financial obligations had increased slightly over the past year to SDR 2.2 billion on February 28, 1997 (although overdue repurchases in the General Resources Account had fallen slightly over the same period) and regretted that during that time no member that had been in protracted arrears at the beginning of the period had cleared its arrears, while one country, Afghanistan, had entered protracted arrears. Directors also noted that overdue financial obligations continued to be overwhelmingly concentrated among a few members in protracted arrears that had been declared ineligible to use the Fund's general resources—namely, Liberia, Somalia, Sudan, and Zaïre. Those countries were urged to make intensified efforts to normalize relations with the Fund.

While expressing satisfaction that the number of new cases of overdue obligations to the Fund had been small and relatively short-lived, Directors regretted that overall progress during the past year had been limited. Most Directors agreed that the elements of the strengthened cooperative strategy—prevention, collaboration, and remedial measures—nevertheless remained broadly appropriate and, in light of the remaining unresolved cases of protracted arrears, called for the continued forceful application of all elements of the strategy. However, some Directors considered that remedial aspects of the strategy had been found wanting, while others put emphasis on the preventive aspects. Directors noted, in particular, that, while both Sudan and Zaïre had achieved some improvement in their cooperation with the Fund during the first half of 1996, cooperation had deteriorated during the second half of the year in both cases. Directors expressed the hope that the decision to delay for six months further action on Zaïre under the strengthened timetable of remedial measures would provide time for the country's political situation to stabilize, and thus permit the authorities to resume efforts to improve cooperation with the Fund. Regarding Sudan, Directors noted the authorities' renewed commitment on payments to the Fund, and that the recently formulated economic program provided some hope for progress toward resolution of the country's overdue financial obligations. Directors regretted that in several other protracted cases progress had not been made toward a resolution of the arrears problems.

With respect to the rights approach, the Board agreed to extend the availability of the approach up to the Spring 1998 meeting of the Interim Committee. Directors favored its continuation for the time being, noting that, while the probability that any of the three remaining eligible members would avail themselves of the approach during the coming year could be considered low, its retention would keep in place a visible and tested framework for fostering cooperation by the remaining eligible members at little cost to the Fund. The Board agreed, nevertheless, that the future of the rights approach and the SCA-2 would be considered further before the Spring 1998 meetings, as appropriate in light of ongoing discussions on funding for the ESAF and HIPC initiatives.

With respect to overdue currency valuation adjustments, Directors welcomed the staff's efforts during the past year, which had resulted in a decrease of the amount of these overdue obligations as well as the number of members concerned. They encouraged the staff to continue its active pursuit of the prompt settlement of those adjustments.

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

The following decisions were adopted by the Executive Board without meeting in the period between EBM/97/27 (3/24/97) and EBM/97/28 (3/26/97).

#### **3. EXECUTIVE BOARD COMMITTEES—NOMINATIONS**

The Executive Board approves the nominations by the Managing Director for the vacant positions on the Committee on Administrative Policies, the Committee on Interpretation, the Committee on Liaison with the World Trade Organization, and the Committee on the Budget, as set forth in EBD/97/26, (3/20/97).

Adopted March 24, 1997

#### **4. APPROVAL OF MINUTES**

The minutes of Executive Board meetings 95/68, 95/80, 95/81, 95/85, and 95/86 are approved.

**5. EXECUTIVE BOARD TRAVEL**

Travel by an Assistant to Executive Director as set forth in EBAM/97/40 (3/19/97) is approved.

APPROVAL: February 23, 1999

REINHARD H. MUNZBERG  
Secretary