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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 00/87

12:10 p.m., August 29, 2000

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**Executive Board Attendance**

H. Köhler, Chairman

**Executive Directors**

S.M. Al-Turki

B. Esdar

A.M. Jul

R. Faini

K.-T. Hetrakul

V. Kelkar

W. Kiekens

O.-P. Lehmussaari

K. Lissakers

J.-C. Milleron

A.V. Mozhin

S. Pickford

M. Portugal

A.S. Shaalan

G.F. Taylor

Wei Benhua

J. de Beaufort Wijnholds

Y. Yoshimura

**Alternate Executive Directors**

A.S. Alosaimi

D. Ondo Mañe

J.A. Chelsky, Temporary

H. Oyarzábal

W. Szczuka

A.G. Zoccali

A.G. Karunasena

J. Prader

Å. Törnqvist

G. Bauche

S. Rouai, Temporary

C. Rustomjee

R. Junguito

A.F. Al-Faris

Jin Qi

Y.G. Yakusha

S.J. Anjaria, Secretary

C. Andersen, Assistant

P. Cirillo, Assistant

S. Djumena, Assistant

**Also Present**

Asia and Pacific Department: J.H. Gobat. External Relations Department: T. C. Dawson, Director; G. Hacche, Deputy Director; M.W. Bell, D.R. Hawley. Legal Department: W.E. Holder, Deputy General Counsel; R.C. Baban, S.C. Ho. Monetary and Exchange Affairs Department: M.Y.J. Khamis. Policy Development and Review Department: J.T. Boorman, Director; N.R.F. Blancher, A.J. Chisholm, T.W. Dorsey, J. Hicklin, A.T. MacArthur, Y.A. Metzgen, M. Rossi, Y.V. Sobolev. Research Department: M. Mussa, Economic Counsellor and Director. Secretary's Department: S. Bhatia, P. Gotur, B.A. Sarr, T. Turner-Huggins. Technology and General Services Department: B.C. Stuart, Director; G.F. Brookings, R.S. Franklin, E. Kahn. Western Hemisphere Department: A. Espejo, O.E. Melhado Orellano. Office of the Managing Director: A.A.E. Bertuch-Samuels, Special Advisor; C. Salmon, Personal Assistant; C.L. Vehorn, V.E. Wertman. Advisors to Executive Directors: J.M. Abbott, J.C. Estrella, S.S. Farid, A.R. Ismael, N. Jadhav, J.L. Pascual, Y. Patel, K. Sakr, C.-P. Schollmeier, M. Yanase, F. Zurbrügg. Assistants to Executive Directors: J.G. Borpujari, R. Burgess, I.- K. Cho, T. Elkjaer, T. Hadded, S. Hinata, A. Jacoby, C. Josz, A. Kapteijn, E. Kornitch, Liu Z., J.A.K. Munthali, K. Ongley, L. Redifer, Siti Mariam Mohd. Yusof, A. Sutt, M. Walsh.

**1. REPORT BY FIRST DEPUTY MANAGING DIRECTOR**

At the Executive Director's luncheon on August 29, 2000, the First Deputy Managing Director reported on his travel to Jackson Hole, Wyoming to participate in a symposium sponsored by the Federal Reserve Bank of Kansas City on "Global Economic Integration: Opportunities and Challenges."

**2. INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE—  
DRAFT PROVISIONAL AGENDA**

The Executive Directors considered the draft provisional agenda for the second meeting of the International Monetary and Financial Committee (EBD/00/71, 8/25/00).

The final version of the Provisional Agenda was circulated as IMFC/Doc/2/002.

The Managing Director (MD) said that the agenda's focus on the World Economic Outlook (WEO) should underline that the Fund would now pay more attention to capital market developments. In addition, he would outline his understanding of the future role of the Fund in a comprehensive presentation to Governors. He asked for Directors' views on the possibility of holding a joint meeting of the International Monetary and Financial Committee (IMFC) and the Development Committee.

The Secretary stated that he had informally communicated to Mr. Brown's office the possibility of beginning the IMFC at 9:00 am, and had asked whether it could be considered to start the G-10 meeting at 7:30 am.

Mr. Lehmuusaari wondered whether, in the event of a joint meeting taking place, the HIPC Initiative could be addressed, as there was no reason to twice discuss the progress report on the implementation and the financing status. In general, as there was a lot of discussion about the cooperation between the two institutions, he felt positive about a joint meeting. In addition, he was of the view that it could be more appropriate to have the MD's presentation as the first item in the morning, and then to continue with the WEO.

Mr. Wijnholds was not in favor of a joint session of the IMFC and Development Committee. However, if that meeting would take place, he agreed with Mr. Lehmuusaari that there was no need for the HIPC Initiative to be discussed at the IMFC. Also, the Dutch office would prefer the IMFC to begin at 9:30 am.

The Managing Director agreed that a joint meeting could save time at the IMFC.

Mr. Portugal noted that ideally the agenda should cover only the WEO and two to three additional items. That was important to make the meeting efficient and interactive. While there was some improvement to the agenda, because of fewer items, it was still heavy. He welcomed the MD's statement on the future role of the Fund, which was essential. However, he would streamline the agenda to bring to the IMFC only issues that had been

discussed at the Board, and where the different alternatives were clear. Those were the areas where guidance or endorsement from the Ministers was needed. He suggested that the issue of "Enhancing Surveillance and Financial Sector Work: Transparency, Standards and Codes, and the Financial Sector Program", was suitable for streamlining.

On the question of Private Sector Involvement (PSI), he wondered whether at the current stage Ministerial guidance would be helpful. The topic was controversial and the staff paper speculative, and did not include proposals. He was also skeptical about the usefulness of a joint meeting. Usually, those meetings were not an efficient vehicle for taking decisions. While at the last joint meeting the same decisions needed to be taken on both Committees, this time only a progress report was to be presented. Therefore, a less compelling case existed for holding a joint meeting, especially as the issue of financing had still not been resolved.

Mr. Mozhin agreed with Mr. Portugal, that the agenda seemed heavy. He hoped that the Chairman of the IMFC would propose a structure for the discussions, and suggested a lead speaker system. He also agreed with Mr. Portugal on the issue of the proposed joint meeting. While there was symbolic value in holding a joint session, he wondered whether it made sense to discuss the status of financing at that meeting, because the financing problems the Fund was facing were different from those in the Bank. He also suggested that the item "Countries in Transition — Progress and Prospects after a Decade" should be addressed as a subitem under the WEO.

Mr. Kelkar broadly agreed with Mr. Portugal on the issue of the joint meeting. He was of the view that time would be lost to carry out productive work at the IMFC. On the WEO he suggested to call the first sub-item "Prospects and Vulnerabilities, and Policies for Sustaining Global Growth", because it was important to discuss potential vulnerabilities to the world economic system. Additionally, he suggested to separate the item on "Enhancing Surveillance" and "Promoting Financial Sector Issues", as they had different implications.

Mr. Shaalan agreed with Mr. Lehmussaari that the MD should make an opening statement prior to the WEO, detailing his vision for the way forward. He also agreed with Mr. Kelkar's suggestion on the "Prospects and Vulnerabilities for Sustaining Global Growth". Additionally, he preferred "Countries in Transition" to be addressed as part of the WEO, and was of the opinion that a joint meeting was not useful. In general, he was of the view that while, as every year, the agenda was to be simplified, it was again overloaded with subitems. Particularly, PSI would not be agreed by September, and it was therefore premature to receive guidance from the IMFC at that stage.

Mr. Yoshimura said that even though the agenda was heavy, he proposed to add the "Quota" issue under the item "Strengthening the International Financial System". Many emerging market countries were underrepresented at the Fund, and in addition the representation of developing countries had declined since the Fund's establishment. Therefore, the IMFC should address that issue. He agreed with previous speakers, that PSI was a complicated topic and wondered whether it was timely to discuss that matter on this occasion. Even though the discussion on quotas was at an early stage and PSI had been

discussed at length, the issue was which of those two items would be more productive. The marginal productivity of PSI was not high prior to the Annual Meetings. On the other hand, the "Quota" issue had just started for discussion, and the representation of developing and emerging market countries had not been discussed at the IMFC for some time. Therefore, starting the discussion would have a good return on productivity.

To streamline the agenda he proposed that Ministers could discuss the "Review of Fund Facilities" over lunch. He was in favor of holding a joint session of the IMFC and Development Committee, but suggested that it focus on the implementation issue, while financing should be considered separately.

The Managing Director remarked that possibly the "Quota" issue was more premature than PSI. While quotas were a matter of high importance, it was a question of what was appropriate and feasible to discuss at the IMFC. However, Ministers were free to comment on topics of political importance.

Mr. Wijnholds agreed that while the basis for discussing the quota formula was thin, Ministers could always mention that topic.

Mr. Pickford agreed with the MD that the discussion on quotas was less advanced and therefore, more premature to discuss than PSI. On the latter, his Minister hoped that the Fund would progress sufficiently to have a substantive discussion at the IMFC.

He agreed with the need for a shorter agenda, for the proceedings to be expedited as efficiently as possible. In that regard, he emphasized the written statement as an important measure of presenting Ministers' views, as opposed to intervening on every item. The idea of a lead speaker system was also helpful. In addition, he suggested to discuss the "Review of Fund Facilities" or PSI at lunch. Also, in the past it had been most productive for the WEO discussion to be held first and then to move on to policy issues.

His Minister was in favor of holding a joint meeting, as that would send a strong political message that the Finance Ministers and Development Ministers were coordinating the two institutions and were committed to bringing the project to fruition as soon as possible. That issue would dominate the external view of the meetings, and therefore a well prepared joint meeting would be a valuable and important step forward. However, he did not recommend a deletion of the HIPC discussion at the IMFC. A joint session should focus on the implementation progress, which would streamline the discussion at the IMFC. Similarly, some issues on the Bank side would need to be raised in the Development Committee rather than in the joint session, because they were Bank specific.

Finally, he could agree with the G-10 meeting starting at 7:30 am.

Mr. Faini stated that a joint endorsement by the Ministers of Finance and by other Ministers on the implementation process would be welcome and would carry a strong message. In that regard, it should not be forgotten, that the Development Committee was already a joint committee, meaning that matters of interest to the Bank and the Fund could be

dealt with there. However, at the current political juncture, he would agree to go ahead with a joint meeting provided it focused on implementation, rather than financing, as that would be controversial and unproductive.

On the "Quota" issue and the Cooper report, while he was concerned that emerging markets were not adequately represented, it would be unfortunate that the document forming the basis for discussion proposed a downsizing of emerging market countries representation. That was not a valuable basis for Ministerial discussion.

The status of some issues, such as the Fund's Evaluation Office (EVO) and Offshore Financial Centers (OFC) would need to be clarified. Those topics should be part of the discussion. Furthermore, to streamline the agenda, he suggested that one possibility would be to plan ahead on an annual basis. The Ministerial meetings would be planned individually but annually, meaning that if an item was not part of the current agenda, it could be put on the agenda of the next meeting. That would allow adequate preparation by staff, and would avoid similar agendas at each meeting.

Mr. Portugal said that he was not convinced about the merits of a joint meeting, as it would be impossible not to discuss financing, which was the major issue. It was not feasible to hold a joint meeting to respond to the public and not discuss financing. He agreed with Mr. Faini that to streamline the agenda, annual planning was a valuable suggestion.

The Chairman said that the political importance of the Annual Meetings providing convincing results to NGOs and to civil society should not be underestimated. It was Mr. Gordon Brown's intention to advocate a joint meeting to demonstrate that the Bretton Woods institutions pulled in the same direction with regard to poverty reduction.

Mr. Ondo Mañe agreed with the proposed agenda. He indicated that he was in favor of keeping the HIPC Initiative on the agenda of the IMFC, as it would send the wrong message to the public if that item was absent. In addition, if a joint meeting was held, the focus should be on implementation and enhanced coordination.

Mr. Oyarzabal was in favor of keeping the agenda as presented. The WEO would provide a general picture of the world economy, and would open the door to substantive discussions. He supported the suggestion of incorporating "Countries in Transition" in the WEO, rather than keeping that as a separate item. With respect to the joint meeting, the strongest message that could be sent was that the financing needs would be fulfilled in the near future. As that did not seem possible, expectations would not be met. Also, he was not convinced that anything new could be said on implementation, as the progress reports from the Bank were already in the public domain.

Mr. Taylor said that the IMFC should hear from the new MD about the direction the Fund should be taking in a prominent and early statement to the IMFC. He favored holding a joint meeting, particularly as that would demonstrate that the two institutions were pulling together on the issue of poverty reduction. However, that meant that if HIPC were to be discussed at the IMFC, it should be streamlined. On Mr. Yoshimura's suggestion about a

reference to quotas in the agenda, he was of the view that as the matter had been on the work program for some time, the Fund should provide for Ministers who may want to speak about quotas.

On streamlining, he suggested that the FSAP could be discussed at the IMFC following the review at the Board. Similarly, on PSI, the Board would be in a better position on how to handle that issue after the Board discussion. He agreed that "Countries in Transition" should be incorporated into the WEO, which he suggested to be discussed over lunch, as that would also give prominence to the MD's statement.

Ms. Jul agreed with other Directors to start the meeting with the MD's presentation and then to proceed with the "Review of Fund Facilities". She agreed with Mr. Taylor that there was no need for an FSAP at this point, and on PSI—which could be a topic for lunch, to wait until after the Board discussion to determine the possibility of including that on the agenda. On quotas, the work program had not sufficiently advanced, and therefore she would be concerned to discuss the issue based on a paper which had suggested lessening developing countries representation. Also, the WEO could be discussed in the afternoon.

Mrs. Hetrakul agreed with Ms. Jul on all issues. She was also of the opinion that it was not the right time yet to discuss the "Quota Review" issue. That should, however, be mentioned for future consideration, possibly in the MD's presentation. In going along with Mr. Faini's suggestion of planning on an annual basis, she noted that that topic should be discussed at the next meeting.

Mr. Rouai supported Mr. Lehmuusaari's proposal to start the meeting with the MD's opening remarks on the role of the Fund, and then to continue with the "Review of Fund Facilities" and "Transparency". He welcomed that developments in capital markets had been included on the agenda, and sympathized with the suggestion of adding "Countries in Transition" to the WEO. He preferred to discuss the HIPC Initiative at the IMFC, as he was skeptical about the usefulness of convening a joint meeting just to review progress in the implementation of that Initiative. His chair was concerned about the tendency to duplicate meetings to discuss the same agenda item. Finally, he had no difficulty with the early starting time of the meeting.

Mr. Esdar stated that on PSI, it was important to hear Ministers' views, as they placed particular concern on that issue, but that quotas should be dealt with in a comprehensive manner at the IMFC at a later stage. The HIPC Initiative should be on the agenda of both Committees, but could also be discussed in a joint session with the Fund. If Finance Ministers wanted to discuss financing aspects they could, but there should not be a presumption that a need for that discussion existed. Finally, it would be a polite gesture to the host country for "Countries in Transition" to remain a separate item.

Ms. Lissakers urged the inclusion of a reference to "Protecting against Abuses of the International Financial System" under the item "Safeguarding Financial Stability". A venue where Ministers could reflect on that issue and provide a signal to the institution would be helpful, and was a priority for her authorities. She supported Mr. Yoshimura's request to add

quotas to the agenda, even though the discussions were not advanced yet, as that would also be a signal by Ministers and would be consistent with past practice. Quotas were an issue of direct concern to the membership and to the Fund.

On the "Review of Fund Facilities", she hoped that the Board would be in a position to deliver a finished product, but she would leave open the question of whether that was discussed in the general session or at lunch, depending on progress made. If the work was not finished by September 11, she suggested that the Deputies Meeting could close remaining gaps. She did not oppose having PSI on the agenda, even though Ministers would not have much to add. Under other business she proposed to add EVO, as it would be useful for public presentation to incorporate that item in the agenda specifically, as well as the status of the Fund's misreporting policy.

She could go along with holding a joint meeting, provided that that was well prepared and substantive. She hoped to have positive news on the financing issue from her authorities, but could not guarantee that that would be the case.

Finally, she agreed that "Countries in Transition" should be taken up as a gesture to the host country, and also to mark the ten-year anniversary of a major undertaking for the Fund. That would fit under the WEO without subordinating the theme.

Mr. Yoshimura supported Ms. Lissakers proposal to include the issue of the abuse of the international financial system on the agenda, particularly as the G-7 Heads of State had focused on that issue at the Okinawa Summit.

Mr. Pickford said that the HIPC Initiative was among the issues that could be raised over lunch at the Development Committee. However, that would depend upon the progress that the Bank Board would make in its upcoming discussion. If there was sufficient progress, then the issue would be discussed in the Development Committee.

The Secretary explained that the Development Committee's restricted session included a discussion on the possibility of a new lending instrument in the Bank—the Poverty Reduction Sector Credit. Ministers could comment in their written statements in that context. In addition the joint progress report on the implementation of PRSP and HIPC was on the Development Committee's agenda.

Mr. Milleron broadly agreed with the proposed agenda. However, he was in favor of addressing "Countries in Transition" under the WEO. He was also in favor of holding a joint meeting, as it was important to show that poverty reduction was being considered by both institutions. In addition, he supported adding a discussion of the "Abuse of the Global Financial System" to the agenda, either as Ms. Lissakers had suggested, or as part of the discussion in the joint meeting. However, he did not support Mr. Yoshimura's proposal on quotas, as that was premature.

Ms. Lissakers agreed with Mr. Esdar's suggestion to incorporate "Abuse in the Financial System" with the agenda item on "Standards and Codes". As regarded the "Quota"

issue, she warned that from her point of view, it was best to avoid "quota headlines" while the US Congress was still in session. She suggested instead to give an indication that the Board was discussing the issue of representation, as that was the emerging market countries' main concern.

Mr. Rustomjee agreed with the agenda as proposed, but noted that some room should be left for the MD to present his vision on the future role of the Fund. He supported the idea of a joint meeting on HIPC/PRSP, and to additionally discuss that topic at the IMFC. The joint meeting should focus on implementation of PRSP rather than the HIPC Initiative. In that regard the discussion should concentrate on the lack of implementation capacity and technical assistance, as well as on obstacles to implementation, commensurate with the work being carried out by countries on the PRSP, and in terms of their commitment to program documentation. However, it was unlikely that a discussion on financing could be avoided, as that was integral to the overall outcome of the discussion on poverty reduction. But, he would go along with the consensus decision on that issue. Lastly, he supported the inclusion of EVO on the agenda, possibly as a report to the IMFC.

Mr. Wei agreed with Ms. Jul that the MD should present his views on the role of the Fund first, followed by a "Review of Fund Facilities. He also supported Mr. Taylor in that FSAP should not be included under the "Standards and Codes" item. He backed holding a joint meeting, as that would address the needs of the international community, possibly in the form of a joint lunch to save time. However, because he shared Mr. Rustomjee's concerns, he supported discussing the HIPC Initiative and PRSP process at the IMFC as well. On quotas, he supported Mr. Yoshimura. While he was unsure how to include that item on the agenda, he suggested that it could be mentioned in the MDs presentation. That would be welcomed by developing and emerging market countries. Lastly, "Countries in Transition" could be included under the WEO.

Mr. Alosaimi was in general agreement with the proposed agenda, but was of the view that discussion of quotas was premature. He added that while the last joint meeting had been useful, questions remained about the appropriate timing.

Mr. Chelsky agreed with Mr. Lehmussaari that the meeting should start with the MD's presentation on the way forward. Symbolically, that would send a valuable signal. On streamlining the agenda, he noted that, as all Fund members knew the various initiatives, it would help to avoid listing all points in detail, except for major issues. It would be useful to clean up the agenda by giving a clear indication which items, while being submitted were not expected to be discussed. Also, as lunch was a more informal session, the choice of topic should acknowledge that.

He agreed with Ms. Lissakers' proposal to include the item "Abuse of the International Financial system". However, given that the FSF had taken a heavy handed approach to some elements of that issue, and the political sensitivities, he was concerned about the use of negative language in the agenda. In addition, PSI needed to be on the agenda, regardless of whether or not the Board had come to a final decision on particular aspects.

He agreed that a joint meeting had important symbolic value, but wondered whether that potential would be used to give the meeting credibility. Therefore, the meeting should be forward rather than backward-looking, and as suggested by Mr. Rustomjee, focus more on the PRSP aspect. HIPC issues could be dealt with in the context of the progress report.

On the start time for the G-10 meeting, he agreed with 7:30 am.

Ms. Lissakers reiterated that money laundering was an abuse of the financial system, as the FSF and G-7 Finance Ministers and Heads of State had made clear. While there were other financial stability issues too, she had specifically asked to put the abuse of the financial system on the agenda.

Mr. Kiekens noted that two principles had always underpinned a well functioning Committee meeting. Sound preparation by the Board, and the principle that the Committee only considered issues which had been discussed by the Board. Therefore, while the MD's presentation on the way forward was an important topic, that had not been discussed at the Board. He wondered what written documentation would be available for the IMFC in advance. As that subject would be presented twice, at the Board of Governors and at the IMFC meeting, he suggested that the most appropriate time and setting for the MD to deliver that speech would be at lunch. In addition, he preferred, to deal with "Countries in Transition" as part of the WEO, but favored the traditional sequencing of having that as the first item.

Mr. Szczuka was of the view that, in general, a discussion on transition countries should take place, whether under the heading of the WEO or not was not that important. However, ten years after the start of the transition process stock taking was essential. The Fund was devoting up to 10 percent of its manpower resources to transition issues, but there had not been resounding success in using those resources. A reflection on the reasons for that would be useful, and the IMFC was an appropriate forum for discussing the failures of the Fund in advancing transition.

On the issue of prominence given to the Managing Director's presentation, he would leave it up to the MD on whether that should take place at the beginning of the meeting or in a more intimate fashion, as suggested by Mr. Kiekens. He sympathized with the idea of having the presentation during lunch, because it would allow for a more interactive discussion of the MDs proposals.

On quotas, he agreed with Mr. Kiekens that issues which had not been discussed at the Board should not be discussed by the IMFC, even though the topic was important. He was not in favor of having a joint meeting, and in addition, "Misreporting and Data Provision" should be stressed under "Fund Surveillance" and should be made more prominent. Also, EVO should be part of the agenda.

Lastly, he said that the Swiss authorities needed more persuasion to agree with the suggestion of the G-10 meeting starting at 7:30 am.

Mr. Yoshimura wondered whether in the framework of annual planning, a footnote stating that the discussion on quotas had started with a seminar discussion, could be added to the agenda, as that reference would help with future consideration.

Mr. Esdar was of the view that the quota topic was the most controversial issue, and that therefore placing it on the agenda, risked that the Annual Meetings would be dominated by that discussion.

Mr. Shaalan said that a principle had been established that no topic would be discussed at the Deputies meeting or the IMFC unless it had gone to the Board first, and that quotas did not fit that requirement.

In that regard Mr. Kiekens pointed out that the topic of "Abuse of the international financial system" had not been discussed at the Board either. He wondered how the Board, especially members from non-G-7 countries, could report to Ministers on what the Fund and the Board expected them to endorse or give guidance on. He suggested that the work program take up that issue, and to discuss the subject during the Spring Meetings.

Ms. Lissakers said that it was not unprecedented for Ministers to take up an item where the Board had not as yet come to a final conclusion, but rather where the IMFC, as the Fund's advisory body made a request to the Board and the Fund to pursue an issue. While the issue was problematic, a way of addressing it and placing it on the agenda needed to be found, to encourage Ministers to give preliminary views to clarify the Fund's activities in that area. That was not inconsistent with past practice and use of the IMFC agenda.

Mr. Taylor agreed with Mr. Chelsky and Mr. Kiekens, and Mr. Wijnholds said that bringing items to the IMFC agenda when the Board had not yet discussed them would undermine the position of the Board. Ms. Jul added that Ministers could, however, as with quotas, comment on that topic. Also, it could be taken up in the April meetings after more work had been carried out on the subject. Mr. Wei agreed with the views of Messrs. Kiekens, Taylor and Wijnholds.

Mr. Faini corrected the assertion that a discussion of "Abuses of the Global Financial system" had not taken place. He reminded the Board of the discussion on Offshore Financial Centers where some conclusions had been reached. Therefore, the Board had carried out some work in that area, and there was no reason to exclude it from the agenda.

The Managing Director said that an option would be for ministers to consider discussing at the luncheon items which had meaning beyond one Annual Meeting. That could include the "Abuse of the Financial System" and quotas.

Mr. Yoshimura stated that as both the "Abuse of the Financial System" and quotas had the same status, he could go along with the MDs proposal. However, both topics should be reflected in the agenda in the form of a footnote.

The Managing Director replied that the annual agenda could be the common denominator to give Ministers the possibility to raise issues of importance, particularly at the luncheon. However, he urged not to give quotas prominence on the agenda, as that could lead to a controversial public debate, which was not in the Fund's and Board's common interest.

Ms. Lissakers did not agree with Mr. Yoshimura. While financial abuse was a controversial issue, it had not only been raised by a number of major countries, but was an initiative under active discussion by many members of the Fund and by major financial centers. While it could be a topic for the luncheon discussion, it needed to be identified on the agenda, as it was a visible international issue.

Ms. Jul, while agreeing with Ms. Lissakers, said that the role of the Fund on that issue had to be defined, and that therefore, it was premature to place it on the agenda. While she supported the MD's proposal to raise the topic at the luncheon, April 2001 would still be better than at the current stage. She added that for Ministers to express their views, they needed background information. However, in this case Ministers from the G-7 countries would already have gained information through the Financial Stability Forum, which would not be the case for most of the other Ministers. Therefore, placing it on the agenda, even as a footnote, would create the expectation that it would be mentioned in the Communiqué.

Ms. Lissakers wondered whether the function of the IMFC was to agree to completed work, or whether it was to provide general encouragement, guidance and advice to the Fund for the work to be carried out going forward.

Mr. Chelsky agreed with Ms. Lissakers that the IMFC's role was the latter. However, his concern was that if the issue was characterized in negative language, the discussion would not be productive. Solutions to that issue required cooperation by all parties involved.

Mr. Kiekens reiterated his view that bringing to the IMFC sensitive issues without careful preparation was a recipe for frustration for those Ministers and countries who felt that they had been confronted with an agenda that had been prepared for a small section of the membership, and without having the benefit of independent and objective staff reports. Ownership of the whole membership required a fair debate, which in turn required careful preparation.

The Managing Director said that while he agreed that careful preparation was helpful, the Board should also be practical. Ministers could not be prevented to comment on matters that they felt were important at the Annual Meetings.

Mr. Lehmuusaari said that it was difficult for him to accept placing that issue on the agenda, and he therefore shared Mr. Kiekens' views.

Mr. Faini proposed to use Mr. Esdar's idea of re-naming the issue "Stability and Transparency in the Financial Sector", and in addition to mention the work the Fund had carried out on OFCs in the report on Financial Architecture. Longer term issues could then be discussed during the luncheon.

The Managing Director agreed with that compromise solution. He added that on the HIPC Initiative, a majority was in favor of a joint meeting, but that it was also agreed that the HIPC Initiative/PRSP process should remain on the agenda, but focus on PRSP implementation. He supported the latter, which also meant that the Fund needed to concentrate more on technical assistance to support countries lacking capacity. In addition, PRGF would be included in the report to Ministers.

He recommended leaving the WEO as the first item, as that was a fine tradition and formed the background to the reform discussion. Also, there was agreement to place "Countries in Transition" under the WEO, and that the first subitem should be "Prospects and Vulnerabilities, and Policies for Sustaining Global Growth".

As enough time should be provided to discuss the future role of the Fund based on his presentation, he preferred not to make that at the luncheon, but rather as the first item under topic 3 "Strengthening the International Financial System and the Future Role of the Fund—Taking Stock, and the Way Forward". The next point would be the "Review of Fund Facilities". In addition PSI would be part of the agenda. While that item would be controversial, it was worthwhile for Ministers to take stock of the discussion. He agreed, that EVO should be mentioned in the agenda, because of the attention given to the reform of the Fund. In addition the "Abuse of the Global Financial System" would be taken up. The meeting would convene at 9:00 am, meaning that the G-10 meeting would begin at 7:30 am.

### **3. PILOT PROJECT FOR VOLUNTARY RELEASE OF ARTICLE IV STAFF REPORTS AND OTHER ISSUES IN FUND TRANSPARENCY—REVIEW—CONCLUSION**

The Executive Directors continued from Executive Board Meeting 00/86 (8/28/00) their consideration of a staff paper on the review of the pilot project for the voluntary release of Article IV reports and other issues in Fund transparency (SM/00/190, 8/10/00; Sup. 1, 8/11/00).

The Chairman made the following summing up:

Executive Directors welcomed the opportunity to review the experience with the pilot project for the voluntary release of Article IV and combined Article IV/use of Fund resources (UFR) staff reports, as well as the Fund's other transparency-related initiatives. They noted that there has been good progress in implementing these initiatives, representing considerable effort by both national authorities and the Fund.

#### **Staff Reports for Article IV Consultations**

Most Directors considered that, on the whole, the experience under the pilot project has tended to mitigate concerns initially raised, particularly with regard to adequate participation in the pilot, and to the impact of publication on the Fund's confidential relationship with its members. The review

indicated that the candor of consultation discussions and reports to the Board had generally not been significantly affected. Several Directors considered that the prospect of publication had, in fact, served to improve the quality and analysis of consultation discussions and staff reports.

Notwithstanding this positive assessment, several Directors thought that the risk of loss in candor might materialize over time, in particular in the next round of consultations. These Directors also noted that widespread participation of members in the pilot project might have reflected the current favorable global economic conditions. In addition, the extent and nature of requests for modifications to staff reports suggested that concerns that a trend toward negotiated documents might emerge over time were not wholly misplaced and should be guarded against. Nevertheless, Directors generally considered that the benefits of transparency substantially outweigh the costs, and the Board agreed to adopt the policy of voluntary publication of Article IV and combined Article IV/UFR staff reports. Article IV staff reports and staff supplements would be published on the Fund's web site with the Public Information Notice and the Executive Director's Buff or Statement by the authorities, and cross referenced to published background documents.

Directors noted the progressively more frequent coverage of financial sector and macroeconomic vulnerability assessments in staff reports, and considered the issue of whether these assessments should form part of the main body of the staff report or be provided to the Board in the form of confidential annexes to the staff report, or through other confidential channels that are not published. On balance, the Board agreed that such assessments should remain an integral part of staff reports and that the authorities should, if needed, exercise their right to request deletions on the grounds of high market sensitivity prior to publication. This is clearly one area that will remain subject to continued review by the Board.

#### Staff Reports for Use of Fund Resources

Directors also considered the publication of UFR staff reports in light of the lessons from the pilot project and experience of publishing Letters of Intent/Memoranda of Economic and Financial Policies (LOIs/MEFPs). Most Directors agreed that the publication of UFR staff reports could bolster the credibility of—and public confidence in—programs as well as enhance the Fund's catalytic role in channeling private capital flows to countries with market access and boost ownership of programs.

Several Directors noted that publication of staff reports in a program context may have more significant economic and political consequences than in the case of Article IV reports. These Directors cautioned that markets could overreact to the publication of information in these reports, including differences of views between staff and the authorities on the staff's

assessment of risk. Nevertheless, most Directors considered that the publication of UFR staff reports would increase transparency and accountability, and the Board accordingly agreed to introduce a policy of voluntary publication of UFR staff reports. Parallel with the modalities for publication of information relating to Article IV consultation discussions, the Board also agreed that UFR staff reports and any supplements would be cross-referenced on the Fund's web site with the published LOI/MEFP, Chairman's Statement, and Executive Director's Buff or Statement by the authorities.

#### Policy for Publication of Country Papers

Noting the overall benefits of transparency, Directors agreed to move to a general policy of voluntary publication of staff reports as well as other country papers. Although a few Directors had reservations, the Board also agreed that the Fund, in principle, should encourage publication of such documents. The Fund's approach, Directors considered, should be able to accommodate the specific circumstances of each country, including those relating to different institutional and political context. For some members, publication would be a longer term objective. The Board agreed to adopt a set of principles for the publication of country papers that would also aim at: (i) ensuring that frankness in policy discussions and reporting to the Board is maintained; (ii) striking the appropriate balance between transparency and confidentiality in dealing with sensitive issues that arise in the Fund's dialogue with its members; and (iii) continually improving the quality of staff reports.

Noting the point made by several Directors that, in the past, the deletions policy had sometimes lacked clarity and consistency in its implementation, Directors agreed that country papers should be subject to a uniform deletions policy. Most Directors underlined that deletions should be minimal and limited to highly market-sensitive information, mainly views on exchange rate and interest rate matters, in accordance with the policy currently in place for deletions from Article IV Public Information Notices (PINs). In cases of serious disagreement between staff and the authorities on a proposed modification to a document, the matter could be brought to the Executive Board for consideration. In any case, Directors agreed that experience with the application of the policy needed to be monitored closely to ensure its evenhanded and transparent implementation.

Within the framework of the Fund's policy on voluntary publication, the Board decided to continue with the agreed policy, which is based on the presumption that LOIs/MEFPs would be released, as would be other documents stating a government's policy intentions, including Technical Memoranda of Understanding (TMUs) with policy content, Interim Poverty Reduction Strategy Papers (I-PRSP), and Poverty Reduction Strategy Papers (PRSP). Moreover, the Board agreed that these documents would be published

in full, subject to the agreed deletions policy. A member that does not intend to publish these documents would explain its reasons prior to the Fund's approval of its request for an arrangement. In addition, the Board agreed that I-PRSP and PRSPs would be published on the Fund's web site immediately after circulation to the Board, and before the Board discussion. Such advance publication of these documents, without deletions, would be consistent with the open participatory nature of PRSPs and interim PRSPs. It was agreed that staff would not recommend Board endorsement unless they were published.

Directors agreed to continue with the presumption of publication of Highly Indebted Poor Countries (HIPC) Initiative papers, and most Directors also favored that the same practice be applied with respect to joint staff assessment of PRSPs.

Directors agreed to revisit the publication policy on the text of Fund arrangements and TMUs after further consideration of the coverage of these documents.

Directors agreed that Chairman's Statements should continue to be prepared to convey to the public the key points—including aspects of particular importance to the success of the arrangement—made during Board discussions of UFR cases. They also agreed that the Chairman's Statements would include key points arising from Board discussions of papers associated with the HIPC Initiative and decisions on waivers of nonobservance or applicability of performance criteria. Directors expressed the view that the experiment with summing ups of Board discussions for use of Fund resources has been satisfactory, and agreed to continue with this practice.

The Board decided to continue the policy of voluntary publication of PINs following Article IV consultations and Board discussions on regional surveillance papers, concluding statements of Article IV and other missions representing the views of the mission team, and Recent Economic Developments, Selected Issues, Statistical Appendixes, and Reports on Observance of Standards and Codes. Also, documentation for staff-monitored programs, including mission concluding statements, LOIs/MEFPs, and staff papers would be released on the same basis.

#### Policy Documents

Directors discussed ways to help encourage a better informed public debate on Fund policies. In particular, they agreed to facilitate the greater use of PINs following discussions on policy issues, depending on such factors as whether a policy issue had reached completion or the point where informing the public would be useful. Directors also agreed on a more systematic procedure for considering the release of policy papers based on the same factors.

### Next steps

Directors agreed that as the Fund's policy on publication has evolved incrementally in recent years, a clear public statement of the policy as it stands today will be useful to our interlocutors in the official as well as the nonofficial sector. The present discussion has gone a long way toward articulating such general policy, which will be filled out further as Directors consider specific policy issues in the next few months, such as the Financial System Stability Assessment (FSSA) and post-program monitoring. In addition, as next steps, I will ask staff to:

Prepare a statement on the Fund's publication policy, including a revision of material in Box 2, and in particular putting in context the progress that has been made, that can be made available to the public. Directors will have an opportunity to see this statement when the decision to reflect today's discussion are circulated for adoption by the Executive Board;

Work to improve the presentation and clarity of the Fund's activities to an outside audience by (i) using clearer and more straightforward language in documents; (ii) providing information on the nature and purpose of the different classes of Fund documents published; (iii) considering publication of particular documents on the web site in languages other than English. The Board asked staff to come back with proposals on the publication of documents in languages other than English in the period ahead, taking into account resource costs and modalities;

Come back to the Board with a review of the experience with transparency of Fund operations and members' policies after 18 months; and report to the Board on the issues associated with publication of policy documents, and take stock of the experience with the deletions policy for country papers before the spring 2001 meetings.

**DECISION TAKEN SINCE PREVIOUS BOARD MEETING**

The following decision was adopted by the Executive Board without meeting in the period between EBM/00/86 (8/28/00) and EBM/00/87 (8/29/00).

**4. EXECUTIVE BOARD TRAVEL**

Travel by Executive Directors, by Advisors to Executive Directors, and by Assistants to Executive Directors as set forth in EBAM/00/118 (8/25/00) is approved.

APPROVAL: April 5, 2001

SHAIENDRA J. ANJARIA  
Secretary