

**IMMEDIATE  
ATTENTION**

EBD/09/51

June 25, 2009

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Report on Delayed Completion of Article IV Consultations and Request for Extension of Approval of Exchange Measures**

Attached for consideration by the Executive Directors is the report for the second quarter of 2009 on the delays in completing Article IV consultations beyond the cycles specified, including applicable grace periods and a request for an extension of Executive Board approval of exchange measures.

In the absence of an objection by **the close of business on Tuesday, June 30, 2009**, the proposed decision on page 7 will be deemed approved by the Executive Board, and it will be so recorded in the minutes of the next meeting thereafter.

It is not intended to publish this paper on the Fund's external website.

Questions may be referred to Mr. Bakhache, SPR (ext. 37141).

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

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Department Heads



INTERNATIONAL MONETARY FUND

**Report on Delayed Article IV Consultations and Request for Extension of Approval of  
Exchange Measures**

Prepared by the Strategy, Policy, and Review Department  
In consultation with the Legal, Secretary's, and Area Departments

Approved by Reza Moghadam

June 25, 2009

**I. OVERVIEW**

1. At the end of the second quarter of 2009, the delays in Article IV consultations, both in terms of the number of countries and length of delay, remained largely unchanged relative to the first quarter of 2009 (Table 1 and Figure 1). Eleven countries dropped out of the list because their consultations were completed broadly as envisaged in the March report, and eleven new countries were added, keeping the total unchanged at 28 countries.
2. Countries listed in Table 1 fall into four categories: (i) countries that are indefinitely delayed; (ii) countries whose status since the March 2009 report has remained broadly unchanged; (iii) countries that have become delayed and hence are new in the table; and (iv) countries that have or are expected to become further delayed because their consultations were not or are not likely to be completed by the expected date indicated in the March 2009 report. Countries in categories (iii) and (iv) are highlighted in bold.
3. The next sections elaborate on the reasons for the delays (Section II), report on requests for extension of the deadline for the completion of the Article IV consultation after the end of staff discussion (Section III), and request an extension of approval for current account restrictions subject to approval under Article VIII, Sections 2–4 (Section IV).

**Table 1. Delays in Completion of Article IV Consultations in Member Countries 1/**

| Member   | Board Date of Last Consultation | Stipulated Date for Completion of Next Consultation 2/ | Date by which Next Consultation is Expected to be Completed | Main Reason for Delay or Further Delay 3/ | Delay in Completion of Consultation (in months) 4/ |
|--|---------------------------------|--|---|---|--|
| Somalia†   | 11/13/89                        | 11/13/90   | ...   | Political and security situation          | 221  |
| Venezuela  | 9/13/04                         | 9/13/05  | ...   | No agreement on date                      | 43   |
| Fiji*  | 8/23/04                         | 8/23/06  | November 2009   | Implementation of 2007 Decision           | 34   |
| Argentina*   | 7/28/06                         | 7/28/07  | ...   | No agreement on date                      | 20   |
| China, P. R. of*   | 7/31/06                         | 7/31/07  | July 2009   | Implementation of 2007 Decision           | 20   |
| Malaysia*  | 2/26/07                         | 2/26/08  | July 2009   | Implementation of 2007 Decision           | 13   |
| Slovak Republic*   | 6/6/07                          | 6/6/08   | July 2009   | Authorities' request                      | 10   |
| <b>Congo, Dem. Rep. of†*</b>   | 9/05/07                         | 9/05/08  | July 2009   | Program-related issues                    | 7  |
| <b>Guinea-Bissau†*</b>   | 9/17/07                         | 9/17/08  | November 2009   | Political and security situation          | 6  |
| Cyprus   | 1/26/07                         | 1/26/09  | August 2009   | Staffing constraints                      | 5  |
| Botswana   | 12/7/07                         | 12/7/08  | July 2009   | Staffing constraints                      | 4  |
| <b>San Marino, Rep. of*</b>  | 2/23/07                         | 2/23/09  | January 2010  | Authorities' request                      | 4  |
| <b>Antigua and Barbuda</b>   | 2/4/08                          | 2/4/09   | September 2009  | Further discussions                       | 2  |
| <b>Ecuador</b>   | 1/25/08                         | 1/25/09  | December 2009   | Authorities' request                      | 2  |
| <b>France</b>  | 2/15/08                         | 2/15/09  | July 2009   | Authorities' request                      | 2  |
| <b>Nigeria</b>   | 2/13/08                         | 2/13/09  | September 2009  | Authorities' request                      | 2  |
| <b>Norway</b>  | 6/4/07                          | 6/4/09   | January 2010  | Staffing constraints                      | 1  |
| <b>Samoa</b>   | 5/18/07                         | 5/18/09  | November 2009   | Staffing constraints                      | 1  |
| <b>Countries With a Fund Arrangement or a Policy Support Instrument 5/</b> |                                 |  |   |   |  |
| <b>Nicaragua†*</b>   | 1/18/06                         | 1/18/08  | December 2009   | Program-related issues                    | 17   |
| Latvia, Rep. of†*  | 10/4/06                         | 10/4/08  | November 2009   | Program-related issues                    | 9  |
| Côte d'Ivoire†   | 8/3/07                          | 8/3/08   | November 2009   | Program-related issues                    | 8  |
| <b>Turkey†*</b>  | 5/18/07                         | 11/10/08   | December 2009   | Program-related issues                    | 8  |
| <b>Malawi†*</b>  | 3/14/07                         | 3/14/09  | July 2009   | Government change                         | 4  |
| <b>Cameroon†</b>   | 6/18/07                         | 4/23/09  | July 2009   | Program-related issues                    | 2  |
| <b>Dominican Republic</b>  | 1/30/08                         | 4/30/09  | September 2009  | Program-related issues                    | 2  |
| <b>Madagascar†</b>   | 6/25/07                         | 4/30/09  | ...   | Political and security situation          | 2  |
| <b>Guinea†</b>   | 12/21/07                        | 6/30/09  | ...   | Political and security situation          | 1  |
| <b>Mozambique†</b>   | 6/18/07                         | 6/18/09  | July 2009   | Miscellaneous                             | 1  |

Source: Strategy, Policy, and Review Department.

1/ The status and classification of countries are as of June 25, 2009. Bolded entries are countries that have become delayed and hence are new to the table and countries that have or are expected to become further delayed because their consultations were not or are not likely to be completed by the expected date indicated in the March 2009 report (EBD/09/28).

2/ Excluding three-month grace period, where applicable, for member countries without a Fund arrangement or PSI.

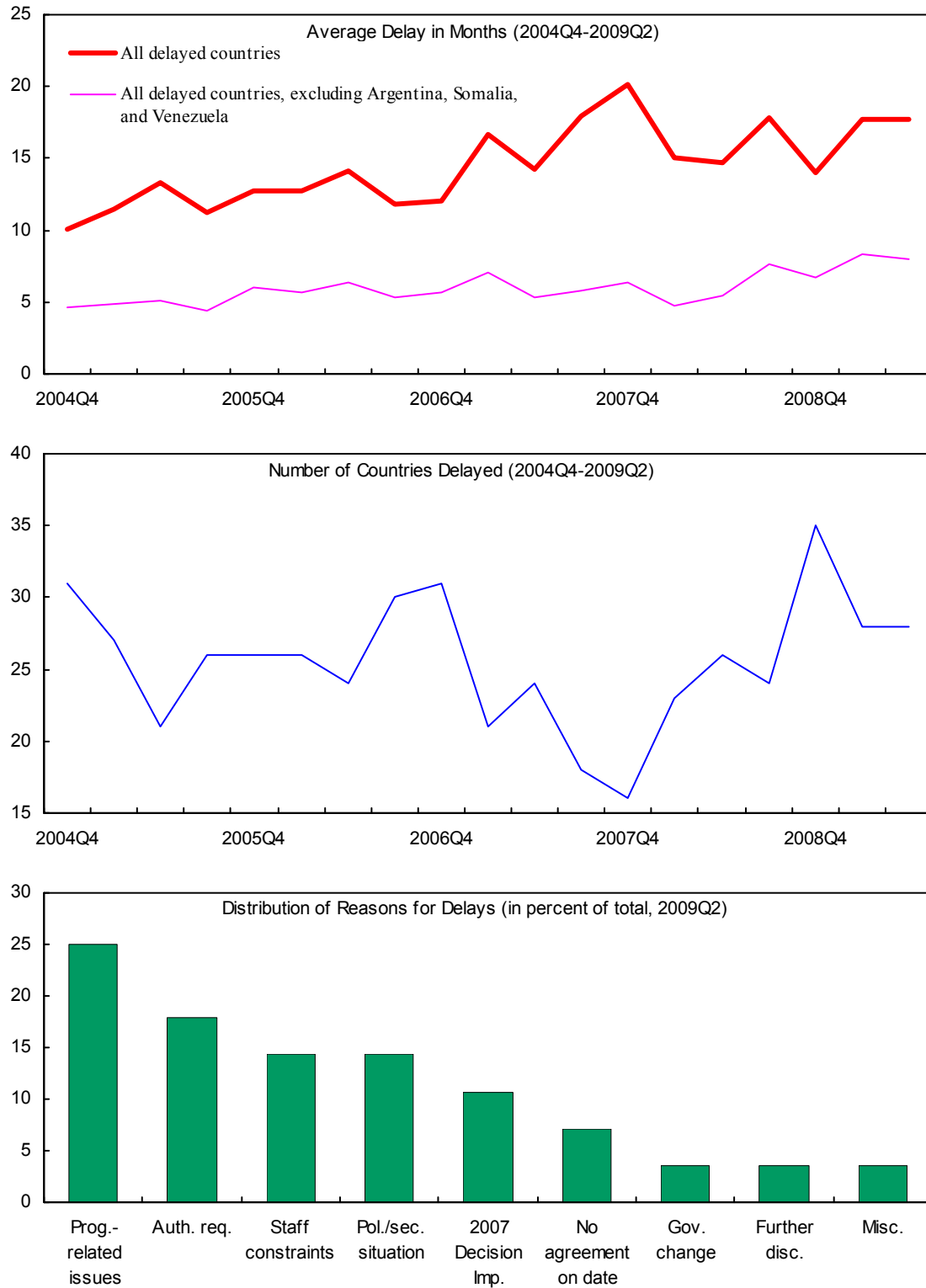
3/ Reasons for delay are explained in Box 1 of this report.

4/ The delay measures the lag between the stipulated date of completion of the next Article IV consultation plus the three-month grace period, where applicable, and end-June 2009. If the stipulated date for completion of the consultation falls in the first half of a given month, the calculation of the delay includes this month.

5/ Includes countries for which an Article IV consultation has not been completed since the expiration of the last Fund arrangement. Paragraph 3 of the July 15, 2002 decision on Article IV consultation cycles for program countries, as amended, applies to these countries.

† The Executive Board has had a subsequent opportunity to discuss developments in this country on the basis of a report on the use of Fund resources, or on overdue financial obligations to the Fund.

\* Countries for which multiple notifications of delay have been issued to the Executive Board, or for which the expected date of completion of the next consultation has changed since the last issue of the quarterly report.

**Figure 1. Selected Article IV Consultation Delay Indicators**

Sources: Area Departments and Strategy, Policy, and Review Department databases.

## II. REASONS FOR DELAYS IN ARTICLE IV CONSULTATIONS

*Apart from Somalia, Argentina, and Venezuela where the Article IV consultations remain indefinitely delayed, the longest delays are for countries where there had been issues related to the implementation of the 2007 Surveillance Decision. Program-related work remains the single most important reason for delaying Article IV consultations (Figure 1).*

4. **No agreement on date.** In a few cases, Article IV consultation missions have not taken place in a long time despite attempts by staff to conduct them. Consultations with *Argentina* and *Venezuela* remain indefinitely delayed with the last consultations concluded in July 2006 and September 2004, respectively. In each case, staff has engaged in discussions with the concerned Executive Director's office on ways to address the delay, but there has been no indication as to when the authorities are likely to agree on a date for a mission.

5. **Implementation of the 2007 Decision.** Completion of the consultations with the *People's Republic of China*, *Malaysia* and *Fiji* had been held up because of internal discussion on the implementation of the 2007 Surveillance Decision. However, the issuance of the revised guidance on the implementation of the Decision will pave the way for the Board consideration of the consultation reports for both China and Malaysia in July.<sup>1</sup> For *Fiji*, the unsettled political and security situation arising from the recent change in government has also contributed to the delays, but staff expects a Board discussion date in November 2009.

6. **Program-related delays.** The intensifying demand for Fund support has led to an increase in delays in Article IV consultations because of program negotiations or efforts to combine Article IV consultation missions with program request/review missions. For *Nicaragua*, persistent delays in completing program reviews have caused additional delays in concluding the Article IV consultation. Staff plans a consultation mission in October (in tandem with the planned FSAP update) and a Board discussion date in December 2009. The continuation of protracted negotiations on a new Fund-supported program with *Turkey* will further delay the conclusion of the consultation until late 2009. *Cameroon's* consultation is slightly delayed because of program negotiations and is expected to be concluded in July 2009. For the *Dominican Republic*, the delay in the Article IV consultation was due to the effort to combine it with program negotiations. The consultation is now expected to be concluded in September 2009. For the *Democratic Republic of Congo*, outstanding program negotiations issues led to a further delay in concluding the consultation. Staff expects a Board discussion on the Article IV consultation in July 2009.

7. **Requests by the authorities.** The authorities of the *Republic of San Marino* requested an additional delay in the consultation mission to December 2009 to accommodate the scheduling of the FSAP mission with which it is intended to be combined. The consultation is expected to be concluded in January 2010. The authorities also requested a

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<sup>1</sup> See SM/09/123, Revision 1 (June 22, 2009).

delay in the consultations for *Ecuador* (reflecting a change in government), *France* (due to scheduling issues related to the timing of previous consultation missions), and *Nigeria* (reflecting a change of finance minister and subsequent scheduling difficulties). It is expected that the consultations with Ecuador, France, and Nigeria be concluded in December, July, and September of 2009, respectively.

8. **Staffing constraints.** *Norway* and *Samoa* were recently added to the list of delayed Article IV consultations due to staffing constraints. The delay in Norway was agreed with the authorities in late 2008 and a mission is scheduled for November with an expected Board discussion date in January 2010. The consultation mission for Samoa is expected to take place in late October with an expected Board discussion in December 2009.

#### **Box 1. Reasons for Delays of Article IV Consultation**

Article IV consultations are delayed for a variety of reasons. For the purpose of monitoring delays, staff has grouped the reasons into the following categories, though it should be recognized that a delay may have more than one reason.

- **Program-related issues:** Delayed (i) in order to combine the consultation with a request for use of Fund resources or Policy Support Instrument, or program review; or (ii) due to ongoing negotiations on UFR or PSI, or continued work on program review.
- **Implementation of 2007 Decision:** Delayed due to ongoing internal discussions on the implementation of the 2007 Decision on Bilateral Surveillance.
- **Further discussions:** Delayed due to further discussions with the authorities on economic developments and policies.
- **Political/security situation:** Delayed due to the unsettled political and/or security situation.
- **Government change:** Delayed due to forthcoming or recent elections, change of government, or changes within government.
- **Staffing constraints.**
- **Authorities' request.**
- **No agreement on date:** The authorities have not communicated a date for the Article IV consultation mission.
- **Miscellaneous:** Includes reasons not accommodated above. For this report, Miscellaneous includes only a delay due to a scheduling issue.

9. **Political/security situation.** The Article IV consultations with *Guinea-Bissau*, *Madagascar*, and *Guinea* were delayed due to political/security reasons. For Guinea-Bissau, the situation has settled and staff is planning a consultation mission in September with an expected Board discussion in November 2009. The Article IV consultations in Madagascar and Guinea are postponed pending a stabilization of the political situation.

10. **Other reasons.** The consultation with *Antigua and Barbuda* has been delayed due to continuing discussions with the authorities. A mission to conclude staff discussions is planned for July with an expected Board discussion date in September 2009. Delays in cabinet appointments following the presidential election in *Malawi* further delayed the completion of staff discussion on the Article IV consultation. The Board discussion is now expected in July 2009. Scheduling constraints, primarily associated with the Spring Meetings, led to a slight delay in the Article IV consultation for *Mozambique*, which is now expected to be concluded in July 2009.

### III. EXTENSION OF THE DEADLINE FOR THE COMPLETION OF ARTICLE IV CONSULTATIONS

11. The maximum period allowed from the end of Article IV consultation discussions between members and the staff to the Executive Board's conclusion of the consultation is 65 days, or three months for PRGF-eligible members. During the first quarter of 2009 there was only one delay beyond the maximum period for which an extension was approved by the Board (Table 2).

**Table 2. Countries for which an Extension of the Period for Board Consideration of the Article IV Consultation was Requested and Approved (April – June 2009)**

| Member            | Date of Termination of Staff Discussions | New approved deadline for completing Article IV consultation | Actual Date of Completion of Article IV Consultation |
|-------------------|--|--|--|
| Brunei Darussalam | 2/4/09                                   | 4/30/09  | 4/29/09  |

Source: Strategy, Policy, and Review Department.

### IV. EXCHANGE RESTRICTIONS UNDER ARTICLE VIII

12. The Republic of Latvia maintains an exchange restriction subject to Fund approval under Article VIII, Section 2(a) arising from a partial deposit freeze on Parex Bank. On December 1, 2008, the Latvian authorities imposed a partial deposit freeze on Parex Bank to prevent an excessive outflow of deposits from the bank that would have undermined its stability and solvency, and threatened the stability of the Latvian financial sector. The Executive Board approved the retention of the restriction until June 30, 2009 when the deposit freeze is scheduled to expire, or the next Article IV consultation with Latvia, whichever is earlier. Parex Bank experienced a further outflow of funding in early 2009. Although the bank's management has taken a number of steps to address this situation, its financial situation has not recovered sufficiently to ensure full compliance with the Latvian regulatory requirements without an imposition of restrictions on the settlement of liabilities. Accordingly, the authorities decided on June 19, 2009 to extend the restriction to end-November 2009 effective as of July 1, 2009.



13. The authorities have requested Fund approval of the extension of the restriction for balance of payments reasons until November 30, 2009. Since the exchange restriction is nondiscriminatory, and the authorities have proposed a timetable for its removal, the staff recommends Executive Board approval for its further retention until that date or the next Article IV consultation with Latvia, whichever is earlier.

### **Proposed Decision**

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. The Republic of Latvia maintains an exchange restriction arising from the imposition by the government of a partial deposit freeze on Parex Bank subject to Fund approval under Article VIII, Section 2(a).
2. In the circumstances of Latvia, the Fund grants approval for the retention of the exchange restriction until November 30, 2009 or the conclusion of the next Article IV consultation with Latvia, whichever is earlier.