

**IMMEDIATE  
ATTENTION**

EBD/09/91

December 22, 2009

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Report on Delayed Article IV Consultations, Request for Extension of Approval of Exchange Measures, and Outstanding 2009 Article XIV Consultations**

Attached for consideration by the Executive Directors is the report for the fourth quarter of 2009 on delayed Article IV consultations, request for extension of approval of exchange measures, and outstanding 2009 Article XIV consultations. The report includes a proposed decision to extend the retention of exchange measures for Sudan under Article VIII, Sections 2(a) and 3. The proposed decision appears on pages 8 and 9. In accordance with the procedure for the implementation of surveillance, as endorsed by Directors at the time of the 1997 Biennial Surveillance Review (SUR/97/38, 4/3/97), this report also contains a section on outstanding 2009 Article XIV consultations. A proposed decision on the Article XIV consultation with the Syrian Arab Republic appears on page 12.

In the absence of an objection by **noon on Wednesday, December 30, 2009**, the proposed decisions will be deemed approved by the Executive Board, and 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 (ext. 37141) and Mr. Cogliardi (ext. 37568) in SPR.

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

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INTERNATIONAL MONETARY FUND

**Report on Delayed Article IV Consultations, Request for Extension of Approval of  
Exchange Measures, and Outstanding 2009 Article XIV Consultations**

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

Approved by Reza Moghadam

December 22, 2009

**I. OVERVIEW**

1. This report monitors the delays in the conclusion of Article IV consultations with member countries (Section II), and the time lag between the conclusion of staff discussions with the authorities and the Executive Board consideration of the Article IV consultation reports (Section III). The key observations on the delays and time lags are as follows:

- The number of delayed Article IV consultations increased slightly in the fourth quarter relative to the third quarter of 2009 (Table 1 and Figure 1). Eight countries dropped out of the list, while nine were added bringing the total to 36. The average delay has also increased slightly as none of the long-delayed consultations were completed and given the relatively small number of newly delayed countries.
- In 2009, the average lag between the end of staff discussions and Board conclusion of Article IV consultations declined significantly (by about 11 days) compared to 2008. The average lag for PRGF-eligible members was 67 days, seven days less than in 2008, and 57 days for the rest of the membership, 12 days less than in 2008.

2. The report also proposes (i) an extension of approval for exchange restrictions and multiple currency practice subject to approval under Article VIII, Sections 2(a) and 3 for Sudan (Section IV), and (ii) a decision to complete the outstanding Article XIV consultation for the Syrian Arab Republic (Section V).

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/	Consultation is Expected	Main Reason for Delay or Further Delay 3/	Delay in Completion of Consultation (in months) 4/
Somalia†	11/13/1989	11/13/1990	...	Political and security situation	227
Venezuela*	9/13/2004	9/13/2005	...	No agreement on date	49
Fiji*	8/23/2004	8/23/2006	January 2010	Political and security situation	40
Argentina*	7/28/2006	7/28/2007	...	No agreement on date	26
<b>Guinea-Bissau†</b>	9/17/2007	9/17/2008	March 2010	Political and security situation	12
San Marino, Rep. of*	2/23/2007	2/23/2009	January 2010	Authorities' request	10
<b>Antigua and Barbuda*</b>	2/4/2008	2/4/2009	March 2010	Authorities' request	8
<b>Ecuador*</b>	1/25/2008	1/25/2009	...	No agreement on date	8
Norway*	6/4/2007	6/4/2009	January 2010	Staffing constraints	7
<b>Samoa*</b>	5/18/2007	5/18/2009	March 2010	Authorities' request	7
<b>Jamaica*</b>	4/21/2008	4/21/2009	January 2010	Program-related issues	5
Oman*	4/21/2008	4/21/2009	January 2010	Authorities' request	5
<b>Azerbaijan, Rep. of *</b>	5/23/2008	5/23/2009	April 2010	Staffing constraints	4
Kingdom of the Netherlands, Netherlands*	5/21/2008	5/21/2009	January 2010	Staffing constraints	4
Nepal*	5/16/2008	5/16/2009	June 2010	Political and security situation	4
Suriname*	6/2/2008	6/2/2009	January 2010	Staffing constraints	4
<b>Iran</b>	7/14/2008	7/14/2009	February 2010	Authorities' request	3
<b>Uzbekistan</b>	7/14/2008	7/14/2009	August 2010	Authorities' request	3
<b>Morocco</b>	7/23/2008	7/23/2009	January 2010	Staffing constraints	2
<b>Dominica</b>	7/30/2008	7/30/2009	March 2010	Government Change	2
<b>St. Lucia</b>	7/30/2008	7/30/2009	March 2010	Misc.	2
<b>Bangladesh</b>	9/19/2008	9/19/2009	January 2010	Authorities' request	1
<b>Countries With a Fund Arrangement or a Policy Support Instrument 5/</b>					
<b>Nicaragua†*</b>	1/18/2006	1/18/2008	April 2010	Program-related issues	23
Latvia, Rep. of†*	10/4/2006	10/4/2008	June 2010	Program-related issues	15
Turkey†*	5/18/2007	11/10/2008	March 2010	Program-related issues	14
<b>Malawi†*</b>	3/14/2007	3/14/2009	February 2010	Program-related issues	10
Madagascar†*	6/25/2007	4/30/2009	...	Political and security situation	8
Guinea†*	12/21/2007	6/30/2009	...	Political and security situation	6
<b>Haiti†*</b>	7/23/2007	7/23/2009	February 2010	Program-related issues	5
<b>Iraq†*</b>	8/1/2007	8/1/2009	January 2010	Program-related issues	5
Serbia†*	1/28/2008	7/16/2009	March 2010	Program-related issues	5
Mauritania, I. R. of*	5/19/2008	8/19/2009	February 2010	Political and security situation	4
<b>São Tomé and Príncipe, Dem. Rep. of†*</b>	6/18/2008	9/18/2009	July 2010	Program-related issues	4
<b>Moldova</b>	3/12/2008	11/4/2009	June 2010	Authorities' request	2
<b>Romania†</b>	6/25/2008	11/6/2009	June 2010	Staffing constraints	2
<b>Afghanistan†</b>	2/13/2008	12/25/2009	June 2010	Political and security situation	1

Source: Strategy, Policy, and Review Department.

1/ The status and classification of countries are as of December 21, 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 September 2009 report (EBD/09/73).

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

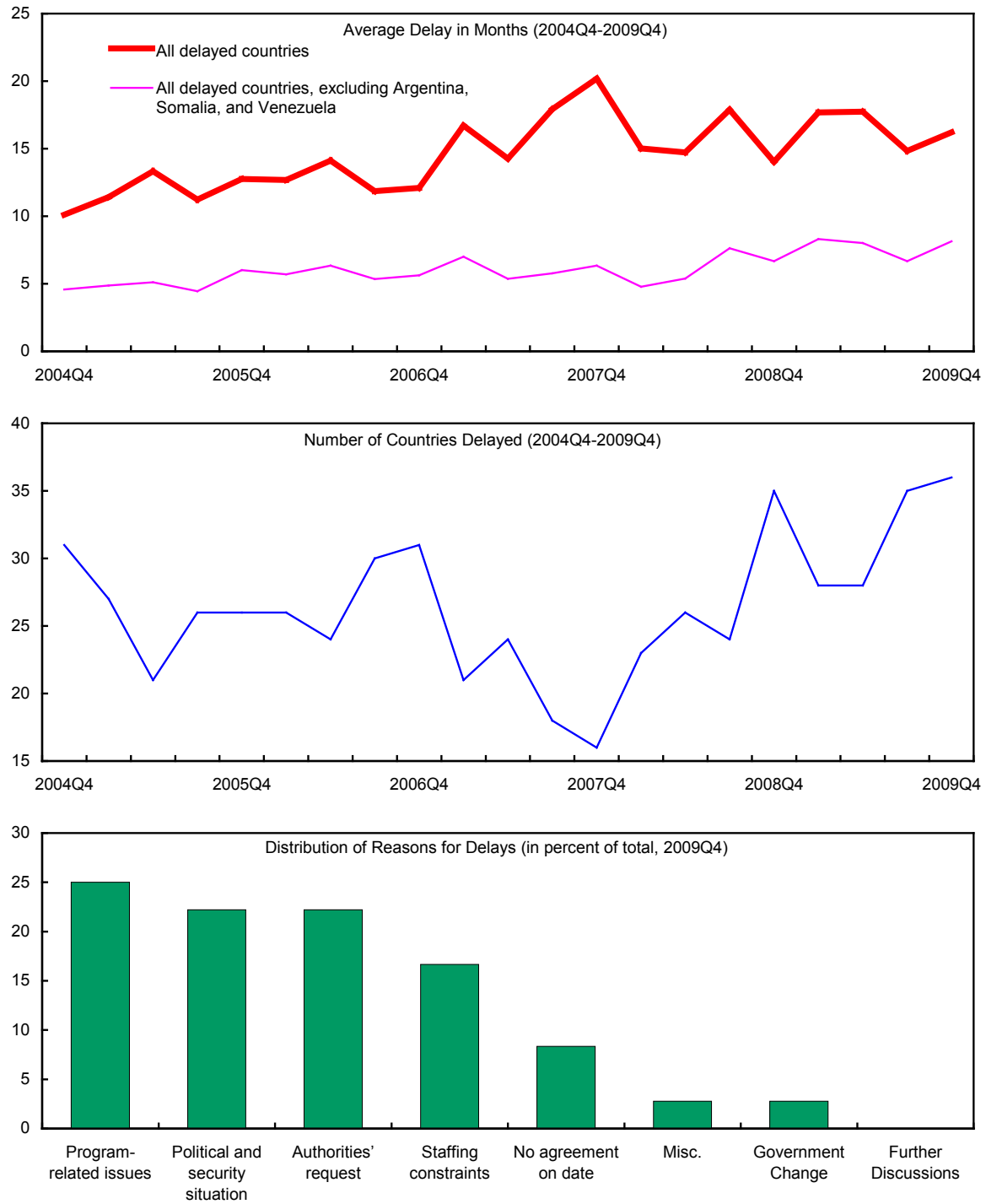
3/ Reasons for delay are explained in Box 1 of this report.

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-December 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.

**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

*Program-related work has been the dominant reason for delaying Article IV consultation throughout the year. For this quarter it is followed by political/security situation and authorities' request, and then staffing constraints. The longest delays are still associated with a few countries (Somalia, Argentina, and Venezuela) where the Article IV consultations remain indefinitely delayed and Fiji (Table 1 and Figure 1).<sup>1</sup> This section discusses newly and further delayed countries (bolded entries in Table 1) as well as countries where there is no agreement on date. Box 1 elaborates on the main reasons for delays.*

3. **No agreement on date.** Despite continued attempts by staff to conduct the Article IV consultation discussions with *Argentina* and *Venezuela*, neither of the countries' authorities has yet agreed on a mission date. Efforts will continue to conduct these consultations. Similarly, the consultation with *Ecuador* has not taken place because the authorities have not agreed on a mission date.

4. **Program-related delays.** Demand for Fund arrangements remains high and is contributing to the high number of delayed consultations due to program discussions or efforts to combine Article IV consultation discussions with program request/review missions. For *Jamaica*, staff is continuing discussions on a possible program and plans to bring the Article IV consultation along with the program request to the Board in January 2010. For *Nicaragua*, ongoing work on program review has further delayed the Article IV consultation, but staff expects a Board meeting in April. For *Malawi*, staff expects a February 2010 Board meeting to consider a combined Article IV consultation and request for program once all program-related work is completed. Ongoing discussions with *Haiti* have further delayed the consultation, but staff expects a Board date in February. Prolonged discussions on a new program with *Iraq* have further delayed the consultation, but a Board meeting for both the Article IV consultation and the program request is planned for January 2010. Work on the first program review in the *Democratic Republic of São Tomé and Príncipe* has further delayed the Article IV consultation, but a mission is planned for March/April with an expected Board meeting in July 2010.

5. **Staffing constraints.** *Morocco* and *Romania* were recently added to the list of delayed Article IV consultations due to staffing constraints. Staff expects a Board meeting for Morocco in January 2010. For Romania, staff is planning a mission for the Article IV consultation and program review in May with a Board meeting in June 2010. Staffing

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<sup>1</sup> Countries listed in Table 1 fall into four categories: (i) countries that are indefinitely delayed; (ii) countries whose status since the September 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 September 2009 report. Countries in categories (iii) and (iv) are highlighted in bold.

constraints are likely to lead to a further delay for *Azerbaijan*, with which the consultation is now expected to be completed in April 2010.

6. **Authorities' Request.** The consultation with *Moldova* was delayed at the request of the authorities after the July 2009 elections to allow them time to formulate their policy program. Staff plans a mission in April and a Board meeting to conclude the consultation in June 2010. Parliamentary elections in December 2009 and preparation for regional meetings led the authorities in *Uzbekistan* to request a delay in the Article IV consultation mission. Staff now plans a mission in July 2010 with a Board meeting in August. The authorities in *Antigua and Barbuda* requested a further delay in the Article IV consultation to develop a new policy package. Staff plans a mission to complete the consultation in January and a Board meeting in March 2010. The completion of the Article IV consultation with *Iran* was delayed at the request of the authorities to allow them time to discuss key policy reforms. The Board meeting is now scheduled for February 2010. The authorities in *Bangladesh* requested a delay in the consultation and that future consultation missions be conducted in the fall. Staff expects the consultation to be concluded in January 2010. The authorities in *Samoa* also requested a delay in the consultation to allow them time to deal with the effect of the tsunami. The consultation is expected to be completed in March 2010.

7. **Political/security situation.** Continued political instability in *Guinea-Bissau* has led to a further delay in the consultation, but staff plans a mission in January and expects a Board meeting in March 2010. Given the political/security situation in *Afghanistan*, staff is limiting its missions to program-related work and thus only plans the Article IV mission in April with a Board meeting in June 2010.

8. **Other reasons.** National elections in *Dominica* led to a delay in the Article IV mission, which is now expected to take place in January with a Board meeting in March 2010. For *Saint Lucia*, with a view to align the Article IV mission with the budget preparation process, staff delayed the Article IV consultation mission to February and expects a Board meeting in March 2010.

### Box 1. Reasons for Delays of Article IV Consultations

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 (UFR) or Policy Support Instrument (PSI), or program review; or (ii) due to ongoing discussions on UFR or PSI, or continued work on program review.
- **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 a delay due to the alignment of the Article IV mission with the budget preparation process.

### III. LAG BETWEEN END OF STAFF DISCUSSION AND BOARD COMPLETION OF ARTICLE IV CONSULTATIONS

9. It is expected that no later than 65 days after the termination of discussions between the member and the staff, the Executive Board will reach conclusions and thereby complete the consultation under Article IV, except in the case of consultations with PRGF-eligible members, where the lag is expected to be no more than three months.<sup>2</sup> During this quarter, this expectation was not met for only two members (Table 2).

- The average lag for PRGF-eligible members was 68 days during this quarter (six days higher than the last quarter), but this is heavily influenced by two cases with

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<sup>2</sup> The Board recently converted the legal deadline to conclude Article IV consultations into an expectation with a view to eliminate the processing of requests for extension of this deadline (SM/09/213, Supplement 3). This section of the report aims to keep the Board informed of the speed with which Article IV reports are presented to the Board.



particularly long delays.<sup>3</sup> In fact, aside from these two cases, on average the lag (61 days) was about 30 days less than the expectation.

- For the rest of the membership, the average lag was 44 days—21 days less than the 65-day expectation—a decrease of six days from the previous quarter.

**Table 2. Lag between End of Staff Discussions with the Authorities and Board Completion of Article IV Consultations  
(October – December 2009)**

	Country Name	Discussion End Date	Board Date <sup>1/</sup>	Lag <sup>2/</sup>	Delay <sup>3/</sup>
<b>PRGF eligible members</b>	Mongolia	11/10/2009	12/22/2009	42	-
	Zambia	10/28/2009	12/14/2009	47	-
	Bhutan	10/27/2009	12/15/2009	49	-
	Kenya	10/31/2009	12/22/2009	52	-
	Cambodia	9/23/2009	11/18/2009	56	-
	Grenada	9/25/2009	11/25/2009	61	-
	Cote d'Ivoire	9/17/2009	11/18/2009	62	-
	C.A.R.	10/1/2009	12/4/2009	64	-
	Eritrea	9/29/2009	12/7/2009	69	-
	Burkina Faso	10/2/2009	12/14/2009	73	-
	Solomon Islands	7/30/2009	10/16/2009	78	-
	Nigeria	7/29/2009	10/16/2009	79	-
	Maldives	8/19/2009	12/4/2009	107	15
	Congo, Dem. Rep. of the	8/18/2009	12/11/2009	115	23
<b>Average</b>				<b>68</b>	
<b>Other members</b>	Hong Kong	10/22/2009	11/23/2009	32	-
	Guatemala	11/13/2009	12/16/2009	33	-
	Macedonia, FYR	10/27/2009	12/11/2009	45	-
	Belarus	9/2/2009	10/21/2009	49	-
	Dominican Republic	9/18/2009	11/9/2009	52	-
	Uruguay	9/17/2009	11/9/2009	53	-
<b>Average</b>				<b>44</b>	

Source: Strategy, Policy, and Review Department.

1/ Actual date of Executive Board consideration (including on lapse of time) of the consultation during October-December, 2009.

2/ Measures the period (in days) between the end of discussions with the authorities and the date of the completion of the consultation with the Executive Board.

3/ Measures the time elapsed beyond the expected applicable period for completion of the consultation and the actual Executive Board date. If the deadline of the three-month/65 day expectation falls during the Board recess, the Friday of the week immediately following such a period would be regarded as the applicable deadline.

<sup>3</sup> The lags for Democratic Republic of Congo and Maldives were 115 and 107 days respectively. For both countries the Article IV consultations were combined with requests for new arrangements which mostly contributed to the long lags. In addition, Board scheduling issues related to the Annual Meetings contributed to the relatively long delay for Nigeria

#### **IV. EXCHANGE RESTRICTIONS AND MULTIPLE CURRENCY PRACTICES UNDER ARTICLE VIII**

10. *Sudan* maintains two restrictions which are subject to approval under Article VIII Sections 2(a) and 3:

- On February 17, 2009, the Central Bank of Sudan issued a circular requiring 100 percent cash margin for letters of credit on most imports. Certain medical, agricultural, and industrial items are exempted from this requirement. The measure, which was introduced to curb the demand for imports and, by extension, for foreign exchange, gives rise to both an exchange restriction and a multiple currency practice subject to Fund approval under Article VIII, Sections 2(a) and 3 of the Fund's Articles of Agreement; and
- On March 17, 2009, the Central Bank of Sudan issued another circular limiting the amount of foreign currency that could be purchased for travel outside of Sudan to €3,000 (or the equivalent in other currencies) per person per visit. This absolute ceiling on the amount of foreign exchange that could be purchased for travel abroad constitutes an exchange restriction subject to Fund approval under Article VIII, Section 2(a).

11. These measures were implemented for balance of payments reasons and are nondiscriminatory in nature. The authorities had committed to removing them by end-2009, but were not able to due to continued balance of payments pressures. They request approval of the retention of these measures for a period of six months, to allow them time to remove them. The staff considers that the grounds for the approval of these restrictions and multiple currency practices continue to be in place and recommends their approval.

#### **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 Fund takes this decision relating to Sudan's exchange measures subject to Article VIII.

2. Sudan maintains (i) an exchange restriction and a multiple currency practice arising from the imposition by the government of a cash margin requirement for most imports and (ii) an exchange restriction arising from the imposition of an absolute ceiling on foreign exchange for travel, subject to Fund approval under Article VIII, Sections 2(a) and 3. In the circumstances of Sudan, the Fund grants approval for the retention of these exchange measures until June 30, 2010.

## V. ARTICLE XIV CONSULTATIONS

12. According to Article XIV, Section 3, member countries maintaining restrictions under the transitional arrangements of Article XIV are required to consult annually with the Fund regarding their retention. Normally, these consultations are held in the context of consultations under Article IV.

**Table 3. Member Countries with Transitional Arrangements Under Article XIV**

<b>Country</b>	<b>Completed 2009 Consultation</b>	<b>Maintains Restrictions on Payments and Transfers under Article XIV</b>
Afghanistan, Islamic Republic of	Completed	no
Albania	no	no
Angola	Completed	yes
Bhutan	Completed	yes
Bosnia and Herzegovina	no	no
Burundi	Completed	no
Eritrea	Completed	no
Ethiopia	no	no
Iraq	no	no
Lao People's Democratic Republic	Completed	no
Liberia	no	no
Maldives	Completed	no
Mozambique, Republic of	Completed	no
Myanmar	no	no
Nigeria	Completed	yes
Sao Tome and Principe	no	no
Somalia	no	...
Syrian Arab Republic	no	yes
Turkmenistan	Completed	no

Source: Strategy, Policy, and Review Department.

13. As of December 2009, ten of the 19 Article XIV members have not yet concluded the required annual Article XIV consultations this year (Table 3).

- **Albania** still avails itself of the transitional arrangements under Article XIV but maintains no restrictions under Articles XIV and VIII.
- **Bosnia & Herzegovina** is an Article XIV member but no longer maintains restrictions under the transitional provisions of Article XIV. However, it maintains restrictions on the transferability of balances and interest accrued on frozen foreign-currency deposits, subject to Fund jurisdiction under Article VIII.
- **Ethiopia** continues to avail itself of the transitional arrangements under Article XIV, but it no longer maintains restrictions under Article XIV. However, it maintains four restrictions on the payments and transfers for current international transactions, which relate to: (a) the tax certification requirement for repatriation of dividend and other investment income; (b) restrictions on repayment of legal external loans and supplies and foreign partner credits; (c) rules for issuance of import permits by commercial banks; and (d) the requirement to provide a clearance certificate from NBE to obtain import permits. These restrictions are inconsistent with Article VIII, Section 2(a), of the IMF's Articles of Agreement and remain unapproved.
- **Iraq** continues to avail itself of the transitional arrangements under Article XIV, Section 2, but it does not maintain any exchange restrictions or multiple currency practices under Article XIV. However, Iraq maintains four measures (plus one exchange restriction maintained for national and international security reasons) that give rise to exchange restrictions subject to Fund approval. Three relate to a requirement to pay all obligations and debts to the government before relevant payments are transferred abroad, and one to an inoperative bilateral payments agreement with Jordan.
- **Liberia** continues to avail itself of transitional arrangements under Article XIV, however, based on available information, it does not maintain any exchange restrictions or multiple currency practices under Article XIV.
- **Myanmar** continues to avail itself of transitional arrangements under Article XIV, although it has eliminated all Article XIV restrictions. However, it maintains exchange restrictions and multiple currency practices subject to Fund approval under Article VIII. These include (i) limits on the purchase of foreign exchange by residents for foreign travel, (ii) limits on remittances of wage income, (iii) limits on payments and transfers relating to invisible and other current international transactions, and (iv) multiple currency practices resulting from the divergence between the official exchange rate used for transactions of the public sector and the parallel market-determined FEC rate.

- **São Tomé and Príncipe** continues to avail itself of the transitional arrangements under Article XIV, but does not maintain restrictions under Article XIV. However, it maintains two measures subject to Fund approval under Article VIII: (i) a multiple currency practice arising from the existence of multiple exchange markets with multiple effective exchange rates for spot transactions with no mechanism to ensure that the spreads among rates for spot transactions in these markets do not diverge by more than 2 percent at any given time; and (ii) an exchange restriction arising from Article 3(i) and Article 10b of the new investment code regarding limitations on the transferability of net income from investment resulting from the requirement that taxes and other obligations to the government have to be paid/fulfilled as a condition for transfer to the extent it includes the payment of taxes and the fulfillment of obligations unrelated to the net income to be transferred.
- In the case of **Somalia**, the staff did not have the opportunity to review the country's standing with respect to Article XIV due to political and security difficulties, insufficient contact with the authorities, and thus the lack of official information on economic and financial developments. Fund contact with the Transitional Federal Government has been very limited.
- The **Syrian Arab Republic** maintains restrictions on the making of payments and transfers for current international transactions, including administrative allocation of foreign exchange under Article XIV, Section 2. Syria also maintains four exchange measures that are subject to Fund approval under Article VIII, Sections 2(a) and 3: (i) prohibition against purchases by private parties of foreign exchange from the banking system for some current international transactions; (ii) a multiple currency practice resulting from divergences of more than 2 percent between the official exchange rate and officially recognized market exchange rates; (iii) a non-interest-bearing advance import deposit requirement of 75–100 percent for public sector imports; and (iv) an exchange restriction arising from the net debt under inoperative bilateral payments arrangements with the Islamic Republic of Iran, and Sri Lanka. The authorities have, however, made progress toward liberalizing international transactions. This includes allowing international payments without permission or requiring documentation through credit cards with a credit ceiling of \$10,000. They, therefore, consider that there are effectively no restrictions on the making of current international payments. They are considering requesting a Fund mission to look into the technical requirements that would allow them to accept Article VIII obligations. Staff stands ready to conduct a comprehensive review of the exchange system upon the authorities' request.

**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 Fund takes this decision in concluding the 2009 Article XIV consultation with the Syrian Arab Republic.
2. The Syrian Arab Republic continues to maintain restrictions on the making of payments and transfers for current international transactions, including administrative allocation of foreign exchange, under the transitional arrangements under Article XIV section 2, as described in EBD/09/91. In addition, the Syrian Arab Republic maintains three exchange restrictions and one multiple currency practice subject to approval under Article VIII, Sections 2(a) and 3, as described in EBD/09/91. The Fund encourages the Syrian Arab Republic to eliminate the measures maintained under Article XIV as soon as its balance of payments position permits, and urges the Syrian Arab Republic to eliminate the exchange restrictions and multiple currency practice that are subject to approval under Article VIII as soon as possible.