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To: Members of the Executive Board

From: The Secretary

Subject: **Summings Up in the Context of Use of Fund Resources**

This paper provides background information to the paper "Transparency and Fund Policies—Further Steps," (SM/99/45, 2/19/99), which is scheduled for discussion on a date to be announced shortly. This paper analyzes the issues involved in summings up in the context of use of Fund resources.

Mr. Munzberg (ext. 36675) or Ms. Bhatia (ext. 37736) is available to answer questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

Summings Up in the Context of Use of Fund Resources

Prepared by the Secretary's Department

**(In consultation with the Legal and Policy Development and
Review Departments)**

Approved by Reinhard Munzberg

February 23, 1999

I. INTRODUCTION

In July 1998, the Executive Board discussed the possibility of expanding the use of PINs in the context of approval, or in concluding a review, of a Fund-supported program.¹ Directors considered that, before exploring the issue of extending PINs to use of Fund resources (UFR) cases, further analysis of the issues involved, and in particular of summings up in a program context, was needed.² This note examines the issues involved in concluding Board discussions of UFRs with a summing up in addition to a decision.

II. Substantive Aspects

The summing up process originated in the context of Article IV consultations. The Board favored a mechanism that would allow the Board's considerations to be captured in a less formal manner than a decision, and which provided sufficient scope for identifying the views expressed by Directors. This is in contrast to a UFR situation, where a decision needs to be adopted. If the Chairman were to deliver a summing up in a UFR situation, the summing up would be in addition to a decision. While, traditionally, there has been no summing up in addition to the decision for a Board discussion on a UFR case, there have been some instances in which the Chairman summed up or made concluding remarks.

¹See "Transparency in Members' Policies and Fund Surveillance" (SM/98/171, 7/2/98).

²Summing Up by the Acting Chairman (SUR/98/91, 7/27/98).

In cases of summings up in a program context, the following issues arise:

- While avoiding overlap and repetition with the decision, the summing up could serve as a channel for conveying the Board's overall policy message and guidance to the member. That message must be consistent with the decision. For instance, the summing up could contain views on issues that are not captured in the decision; it could also elaborate on the decision, i.e., elucidate the Fund's views regarding appropriate policies and their rationale; it could express concern about past slippages; and it could be forward looking, i.e., convey the Fund's expectations regarding a member's future actions and emphasize key aspects of the program.
- As the conditions for access to Fund resources are determined exclusively by the terms of the arrangement, the summing up could not specify conditions or limitations on access to Fund resources under the arrangement, other than those already contained in the arrangement itself. Such conditions (for instance, performance criteria or prior actions specified by the Board as conditions for completing a review or granting a waiver) must be identified in the arrangement. However, the summing up could make recommendations and identify elements of the member's program that would be given particular attention in a subsequent review.
- While in most cases decisions are adopted on the basis of a broad consensus, some cases may be controversial. If there were a summing up for a UFR discussion, Directors who have opposed a decision, or have abstained, may wish to have their reservations reflected in some way in the summing up. Directors may also express divergent views on different aspects of the program, without questioning the decision itself. *The summing up should reflect these views on significant aspects in a balanced manner.* However, the summing up must carefully avoid casting doubt about whether the decision has been adopted (by the required majority). It should be noted that there is in any event a full record of the meeting in the minutes of the meeting.
- Compared to an Article IV consultation summing up, the disclosure of such reservations or divergent views with respect to UFR cases raises a particular problem when a PIN based on the summing up is issued. The decision to provide Fund resources to a member reflects a judgment on the part of the Fund regarding the merits of a member's program. Reflecting reservations or divergent views reveals the absence of full consensus at least on some aspects of the program, and could potentially weaken the objective of building confidence in the member's program. These issues need to be considered in deciding whether to issue a PIN for UFR cases.³

³This is discussed in "Transparency and Fund Policies—Further Steps" (SM/99/45, 2/19/99).

III. Procedural Aspects

As with Article IV consultation summings up, summings up for UFRs would be delivered immediately at the conclusion of the meeting. If Directors disagree with the conclusions on specific points, they would have to state so in order for their views to be reflected. Reservations of a substantive nature by the Executive Director for the country concerned should also be raised at the Board, immediately after the Chairman finishes reading the summing up, in order to give other Directors an opportunity to react.

Since the introduction of Article IV consultations, the practice has been for the Executive Director for the member concerned to review the summing up after the Board meeting and before the summing up is finalized for circulation. A similar procedure could be followed for UFR cases. The Executive Director for the member concerned could suggest changes, mainly of a factual nature, and these would be reviewed against the record of the meeting. Substantive changes, including changes that would alter the policy message of the Board, suggested by the Executive Director may be brought to the attention of the Executive Board, although instances of this in the case of Article IV consultations have been rare. Once the summing up has been reviewed by the staff and the Executive Director, it would be issued to the Board and communicated by the Secretary to the member concerned following the next Board meeting after its issuance.

