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February 11, 1987

To: Members of the Executive Board

From: The Secretary

Subject: Annual Review of the Implementation of Surveillance -
Background Material

The attached paper provides factual information as well as background material for the annual review of the implementation of surveillance, which has been scheduled for discussion on Wednesday, March 4, 1987.

Mr. Belanger (ext. 8671) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

Other Distribution:
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INTERNATIONAL MONETARY FUND

Annual Review of the Implementation
of Surveillance--Background Material

Prepared by the Exchange and Trade Relations Department

(In consultation with other departments)

Approved by W. A. Beveridge

February 10, 1987

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I. Introduction

This paper is intended to provide factual information on the implementation of surveillance procedures in 1986, as background for the annual review of the implementation of surveillance over the exchange rate policies of members, which is to be completed not later than April 1, 1987. The paper also provides information on recent exchange rate developments, as background for the discussion of such developments included in the main paper for the review. 1/

Section II reviews the implementation of surveillance procedures through Article IV consultations with individual members in 1986. A total of 125 consultations were concluded in 1986, slightly less than in the preceding year, but well above the number of consultations concluded annually prior to the application of guidelines on consultation frequency.

Section III examines recent exchange rate developments, with particular attention to factors underlying movements in the real effective exchange rates of the developing and smaller industrial member countries. It also describes the analytical coverage of exchange rate policy included in staff reports for Article IV consultations concluded in 1986, and reports on the assessments of exchange rate policies contained in these reports.

Section IV reviews the implementation in 1986 of regular practices for the monitoring of exchange rates and exchange arrangements. In addition to the normal periodic reports, notification to the Executive Board of changes in exchange arrangements or systems and information notices relating to large changes in real effective exchange rates continued to be the principal means by which the Fund monitored the exchange rates and exchange arrangements of member countries.

Section V provides a brief overview of major Board discussions and documents in 1986 related to surveillance.

II. Implementation of Surveillance Procedures in 1986

1. Membership coverage

The number of Article IV consultations concluded and the percentage of membership covered during 1986 declined slightly from the levels reached in 1985. A total of 125 consultations were concluded, involving

1/ Annual Review of the Implementation of Surveillance, SM/87/29, 2/4/87.

81 percent of Fund membership, ^{1/} compared with 131 in 1985, about 120 per year in 1983-84 and 82 in 1982 (Table 1). Consultations were concluded with all of the G-10 countries and with all but three of the non-G-10 industrial countries. Consultations were also concluded with 80 percent of the developing countries in 1986, compared with 84 percent in 1985.

For members concluding consultations, the average period between consultations rose slightly, from 13.6 months in 1985 to 13.9 months in 1986, compared with 15 months in 1984 and more than 19 months in both 1982 and 1983 (Table 2). Only four countries had not had consultations within the past 24 months at the end of each of the last three years, compared with six at the end of 1983 and 19 at the end of 1982. ^{2/}

Consultations were not concluded during the last year for seven countries with Fund arrangements, increasing the proportion of countries with Fund arrangements not concluding consultations during the year from 9 percent in 1985 to 21 percent in 1986. In three of these cases (Bangladesh, Congo and Nepal) consultations are scheduled to be completed early in 1987, within or shortly beyond the end of the three-month grace period allowed under the guidelines on the frequency of consultations. Reasons for delays in other cases in concluding the consultation are noted in Table 6.

2. Specification of the interval between consultations

The guidelines established by the Executive Board at the time of the 1983 Surveillance Review state that Article IV consultations should be conducted annually for members whose economic developments have a substantial impact on other countries, ^{3/} for members with programs involving the use of Fund resources, and for members for which there are substantial doubts about medium-term balance of payments viability. For other countries, the interval between consultations may extend up to two years.

^{1/} Separate consultations were concluded during 1986 for the Netherlands, the Netherlands Antilles, and Aruba. In addition, two consultations were concluded during 1986 for one member (Lao People's Democratic Republic). The number of members covered was thus 122, compared with 127 in 1985 and 118 in 1984.

^{2/} In each of the past three years, three of those countries have been the Islamic Republic of Iran, Iraq, and Democratic Kampuchea (Table 5). In 1984, the fourth country was Cape Verde; in 1985, it was Qatar; and in 1986, it was Peru.

^{3/} Interpretation of this criterion was made more specific at the time of the 1985 annual review of surveillance by noting that it should apply to "at least the 25 largest members" (SUR/85/36, 3/28/85).

As of the end of 1986, a standard 12-month interval between consultations had been specified for 129 countries, 86 percent of the cases for which the interval until the next consultation had been established (Table 3). Standard 12-month intervals had been specified for 90 percent of the industrial countries and for 85 percent of the developing countries. In addition to the 25 members with the largest Fund quotas, a standard 12-month interval had been established for one country considered important at the regional level; 51 countries with a Fund stand-by or extended arrangement, or for which such an arrangement either had recently ended or was being considered; 46 countries whose situation indicated a need for close contact; and 6 countries for which an interval of 12 months was specified at the request of the authorities. Of the 21 cases for which longer intervals had been specified, 18-month intervals had been established in 14 cases while 24-month intervals had been specified in 7 cases (Table 4). ^{1/} In 3 of the latter 7 cases, the longer cycles are to be supplemented by interim annual staff visits.

During 1986, the interval between consultations was changed in ten cases from that which had been specified earlier. Twelve-month intervals were specified for Norway (one of the 25 members with the largest Fund quotas) as well as Antigua and Barbuda, Oman and Singapore for which longer intervals had previously applied. The interval between consultations was lengthened for six countries: Cape Verde (from 18 to 24 months, with annual staff visits); Cyprus and the Netherlands Antilles (from 12 to 18 months); Qatar (from 18 to 24 months); the Bahamas (from 12 to 24 months, with annual staff visits); and St. Christopher and Nevis (from 17 to 18 months). Decisions concerning the interval until the next consultation were taken for the first time in four cases in which a first consultation was concluded in 1986: Aruba (24 months), Poland (12 months), Tonga (18 months), and Kiribati (24 months with annual staff visits).

A new procedure under which Article IV consultations will take place at 24-month intervals with intervening annual staff visits for policy discussions with the authorities was adopted for three countries, the Bahamas, Cape Verde and Kiribati, in 1986. ^{2/} In the case of the Bahamas, the first of this type, a 12-month consultation cycle had previously been maintained at the request of the authorities. The authorities agreed to a 24-month interval between consultations but

^{1/} Includes Aruba and the Netherlands Antilles which are part of the Kingdom of the Netherlands, but for which separate Article IV consultations are specified in addition to the consultation with the Netherlands. A 24-month interval has since been specified for Fiji, raising the number of countries for which longer intervals are specified to 22.

^{2/} The same procedure was subsequently adopted for Fiji. Chairman's Summing Up at the Conclusion of the 1986 Article IV Consultation with Fiji, SUR/87/3 (1/13/87).

requested that regular annual staff visits be maintained. 1/ In the case of Kiribati, which joined the Fund in June 1986, a 24-month interval was adopted after the initial consultation, with interim annual staff visits and circulation of a report to the Board following the interim staff visits. 2/ A similar procedure also was adopted subsequently for Cape Verde, which previously had been on an 18-month consultation interval. 3/

3. Delays in concluding consultations and problem cases

As of the end of 1986, there were four members for which no consultation had been concluded in over 24 months. Three of these are also members for which no consultation interval has been specified (Table 5). Each of the latter is an instance of long-standing difficulties: Democratic Kampuchea, no contacts; Iraq, security problems; and Islamic Republic of Iran, security problems. In the fourth case, Peru, the last consultation was held in December 1984, and a 12-month interval was specified at that time. The timing of the next consultation mission has not yet been agreed with the Peruvian authorities.

Twenty-four of the consultations which, on the basis of the interval specified, were to be concluded during 1986 either have exceeded or are likely to exceed the specified interval by more than the three-month grace period (Table 6). In most of these cases the delays were relatively short. Only in a few cases (Ghana, Jamaica and Malawi) was a delay of more than a few months involved. Delays in concluding consultations have in most cases occurred as a result of rescheduling of consultation missions at the request of the authorities often pending the formulation of internal decisions on certain elements of policy, and, in a few cases, because of continuing discussion of policy issues relating to the use of Fund resources.

1/ Chairman's Summing Up at the Conclusion of the 1986 Article IV Consultation with the Bahamas, SUR/86/47 (5/29/86).

2/ Acting Chairman's Summing Up at the Conclusion of the 1986 Article IV Consultation with Kiribati, SUR/86/123 (11/25/86).

3/ Acting Chairman's Summing Up at the Conclusion of the 1986 Article IV Consultation with Cape Verde, SUR/86/124 (12/4/86).

4. Time elapsed between missions and Executive Board conclusion of consultations

The period from termination of initial consultation discussions to conclusion of the consultation by the Executive Board rose slightly, from an average of 97 days in 1985 to 99 days in 1986 (Table 7). 1/ This was accounted for by a corresponding increase in the average period between the issuance of the staff report and the conclusion of Board discussions, which rose from 31 days in 1985 to 33 days in 1986. The increase in the average reflected unusually long periods between circulation of the staff report and the Board discussion in a few cases. The percentage of Article IV consultations concluded within 30 days following the issuance of the staff report fell to 62 percent in 1986 from 68 percent in 1985 when an unusually large number of staff reports had been considered by the Board at or near the minimum circulation period. 2/

The average period between termination of initial discussions and issuance of the staff report remained unchanged at 66 days in 1986. Although the number of consultations requiring multiple missions rose to 22 in 1986, from 19 in 1985, and associated delays in these cases (on average, 2.5 months) 3/ tended to lengthen the average period until the conclusion of the consultation, this was offset by a similar reduction from 57 days in 1985 to 53 days in 1986 in the average period from the termination of the final discussions to the issuance of staff reports.

1/ The terms "initial" and "final" discussions are used to refer to cases where the conclusion of consultation discussions with the authorities requires multiple missions or further discussions with the authorities at headquarters, generally associated with concurrent discussions of use of Fund resources. In the more usual cases of single missions, "initial" and "final" discussions are the same.

2/ Staff reports for Article IV consultations with all members are normally required to be circulated at least three weeks in advance of the Board discussion. For members using the Fund's resources in the upper credit tranches or those whose consultations would have an important bearing on the Fund's surveillance functions under Article IV, the normal circulation period is four weeks. Shorter circulation periods are permissible with an Executive Board waiver.

3/ These delays added 13 days in 1986 to the average period (for all consultations) between the conclusion of initial discussions and the issuance of staff reports, compared to 9 days in 1985.

5. Application of the three-month rule

Under the Procedures for Surveillance (Decision No. 5392-(77/63), Procedure II), the Executive Board is required to conclude an Article IV consultation no later than three months after the completion of discussions between the member country and the staff. ^{1/} If Executive Board consideration of an Article IV consultation report is expected to be delayed beyond the three-month period, a paper is issued seeking Board approval for an extension of the period for concluding the Article IV consultation.

The number of requests for extension of the three-month period during 1986 rose slightly to 25, from 24 in 1985 (Tables 8 and 9). The reason most frequently cited was scheduling conflicts. Delays for this reason were typically quite short--usually a matter of one to two weeks. Other reasons for delays included the need for additional information from the authorities; the need to provide additional time for official comments on staff reports; staff commitments to other missions or duties; and delays to permit discussion of the Article IV consultation jointly with a member's request for the use of Fund resources or with a review under an existing Fund arrangement.

6. Resources devoted to Article IV consultations

a. Staff travel

The number of consultation missions is estimated to have risen to 146 in 1986 from 135 in 1985 (Table 10). This was due primarily to an increase in the number of cases for which more than one mission was required. There was an increase in missions for each department except the Western Hemisphere Department (for which fewer consultations than usual required multiple missions in 1986), with the largest increases occurring in the European and Middle Eastern Departments. The average size of missions declined from 4.7 professional staff per mission in 1985 to 4.6 in 1986. There was a particularly noteworthy drop in missions involving six or more professional staff; after having accounted for 16 percent of all missions in 1982-85, missions of this size declined to 8 percent of the total in 1986. ^{2/} The total number of staff member trips in connection with Article IV consultations is estimated to have risen slightly, from 640 in 1985 to 666 in 1986 (Table 11).

^{1/} A detailed discussion of procedures followed in this respect is provided in the 1983 Surveillance Review paper (SM/83/43, 3/1/83).

^{2/} In addition, a number of Article IV consultation missions included an IBRD staff member; the number of IBRD staff is not included in these calculations.

b. The Executive Board

While the Executive Board time devoted to country items was roughly unchanged in 1986, it accounted for a significantly reduced share of total time spent in Executive Board discussions (Table 12). The Executive Board devoted 327 hours (55.2 percent of total) to discussions of country items in 1986, compared with 323 hours in 1985. Within this total, the time spent on Article IV consultations or consultations combined with use of Fund resources fell somewhat, while the average amount of Board time devoted to each item was roughly unchanged (at 1.5 hours). Time spent on discussions of overdue obligations rose again during 1986, as did that devoted to miscellaneous country items (due to discussions of enhanced surveillance and other monitoring arrangements and discussions of negotiations for commercial bank financing in a few cases).

7. Length of staff reports and papers
on recent economic developments

The trend toward longer consultation reports, noted in earlier annual reviews, continued in 1986. The average length of staff reports rose from 27.9 pages in 1985 to 30.9 pages in 1986 (Table 13). This increase was due mainly to a rise in the number of very long staff reports which also incorporated requests for the use of Fund resources or reviews of Fund-supported arrangements; reports of this nature averaged slightly over 50 pages, with several exceeding 80 pages.

The average length of papers on recent economic developments (including supplements) fell from 103.6 pages in 1985 to 98.6 pages in 1986, reversing the trend evident in previous years. The percentage of very short RED papers (60 pages or less) rose slightly, while there was a substantial decrease in the percentage of long RED papers (over 100 pages), from 53.7 percent in 1985 to 45.5 percent in 1986.

Table 1. Article IV Consultations--
Membership Coverage, 1982-86 1/

	1982	1983	1984	1985	1986
Consultations completed	<u>82</u>	<u>120</u>	<u>119</u> <u>2/</u>	<u>131</u> <u>2/</u>	<u>125</u> <u>2/</u>
Industrial countries	13	16	19	18	17
Group of 10	(8)	(8)	(10)	(10)	(10)
Other	(5)	(8)	(9)	(8)	(7)
Developing countries	69	104	100	113	108
Of which:					
Program countries <u>3/</u>	30	42	29	29	27
Membership coverage (percent)	<u>57</u>	<u>80</u>	<u>80</u>	<u>85</u>	<u>81</u>
Industrial countries	65	80	95	90	85
Group of 10	(80)	(80)	(100)	(100)	(100)
Other	(50)	(80)	(90)	(80)	(70)
Developing countries	55	80	77	84	80
Of which:					
Program countries <u>3/</u>	57	90	88	91	79
Memorandum items:					
Staff reports issued	98	118	114	135	119
Consultation missions <u>4/</u>	106	130	123	135	146

Source: Exchange and Trade Relations Department.

1/ Excludes supplemental consultations under enhanced surveillance. A complete listing of countries concluding Article IV consultations in 1986 is provided in Table 25.

2/ Two Article IV consultations were discussed by the Board within a single calendar year for one country in 1984 and for three countries in 1985, and separate consultations were concluded with the Netherlands and the Netherlands Antilles in 1985. The number of members covered was thus 118 in 1984 and 127 in 1985. In 1986, one member had two consultations discussed by the Board, and separate consultation missions were held with the Netherlands, the Netherlands Antilles, and Aruba. The number of members covered was thus 122 in 1986.

3/ Countries with stand-by or extended arrangements in effect at end of year; includes two countries with arrangements only under the Structural Adjustment Facility in 1986.

4/ Includes multiple missions for individual consultations.

Table 2. Frequency of Article IV Consultations, 1982-86

	1982	1983	1984	1985	1986
1. Countries concluding consultations during year					
Average interval since last consultation (months)	<u>19.7</u>	<u>19.3</u>	<u>15.0</u>	<u>13.6</u>	<u>13.9</u>
Industrial countries	17.7	17.0	13.8	13.8	12.9
Group of 10	(14.4)	(14.8)	(12.7)	(12.9)	(12.6)
Other	(23.0)	(19.2)	(14.9)	(14.9)	(13.4)
Developing countries	20.1	19.4	15.2	13.6	14.0
Of which: program <u>1/</u>	22.1	20.0	14.4	14.5	13.1
2. Countries not concluding consultations during year <u>2/</u>					
Number of countries	62	29	28	21	29
Of which: program <u>1/</u>	(23)	(5)	(4)	(3)	(7)
Number without consultations for more than 24 months	19	6	4	4	4

Source: Exchange and Trade Relations Department.

1/ Countries with stand-by or extended arrangements in effect at end of year.

2/ Excludes new members which had not yet held their first consultation.

Table 3. Countries for Which Next Consultation
is Set on a 12-Month Interval

(As of February 9, 1987)

Country	Date by Which Next Consul- tation to be Concluded <u>1/</u>	Country	Date by Which Next Consul- tation to be Concluded <u>1/</u>
African Department			
Algeria	10/10/87	Madagascar	01/08/87 <u>3/</u>
Benin	04/23/87	Malawi	01/05/88
Botswana	05/06/87	Mali	04/04/87
Burkina Faso	07/14/87	Mauritania	09/22/87
Burundi	08/08/87	Mauritius	11/03/87
Cameroon	12/15/87	Morocco	08/29/87
Central African Republic	09/23/86 <u>2/</u>	Mozambique	11/17/87
Chad	06/23/87	Niger	06/20/87
Comoros	06/02/87	Nigeria	07/11/87
Congo	02/09/88	Rwanda	01/15/87 <u>4/</u>
Cote d'Ivoire	06/23/87	Sao Tome and Principe	10/10/87
Djibouti	08/27/87	Senegal	03/25/87
Equatorial Guinea	06/25/87	Seychelles	07/07/87
Ethiopia	07/30/87	Sierra Leone	11/14/87
Gabon	06/18/87	Somalia	09/22/87
Gambia, The	09/17/87	Swaziland	09/09/87
Ghana	09/13/86 <u>2/</u>	Tanzania	03/20/87
Guinea	02/03/87 <u>3/</u>	Togo	06/09/87
Guinea-Bissau	12/01/87	Tunisia	11/04/87
Kenya	01/16/88	Uganda	07/09/87
Lesotho	12/22/87	Zaire	04/28/87
Liberia	09/15/87	Zambia	10/30/86 <u>2/</u>
		Zimbabwe	09/17/87
Asian Department			
Bangladesh	02/06/88	Maldives	03/19/87 <u>4/</u>
Burma	06/02/87	Nepal	12/23/86 <u>3/</u>
China, Peoples Republic of	11/12/87	Papua New Guinea	10/10/87
India	04/28/87	Philippines	10/24/87
Indonesia	02/14/87	Singapore	07/07/87
Japan	03/10/87 <u>4/</u>	Solomon Islands	09/19/87
Korea	09/19/87	Sri Lanka	07/07/87
Lao, P.D.R.	12/05/87	Thailand	06/09/87
Malaysia	08/27/87	Vietnam	07/11/87
		Western Samoa	03/03/87
European Department			
Australia	03/07/87 <u>4/</u>	Netherlands	02/06/88
Austria	04/25/87	New Zealand	06/27/87
Belgium	07/16/87	Norway	07/07/87
Denmark	04/18/87	Poland	10/15/87
France	09/05/87	Portugal	01/28/88
Germany	08/01/87	Romania	10/10/87
Greece	08/29/87	South Africa	09/12/87
Hungary	01/13/87 <u>3/</u>	Spain	01/28/88
Iceland	01/30/88	Sweden	08/08/87
Ireland	07/25/87	Turkey	01/30/88
Israel	05/21/87	United Kingdom	02/24/87 <u>4/</u>
Italy	07/02/87	Yugoslavia	03/12/87 <u>4/ 5/</u>

Table 3 (Concluded). Countries for Which Next Consultation
is Set on a 12-Month Interval

(As of February 9, 1987)

Country	Date by Which Next Consul- tation to be Concluded <u>1/</u>	Country	Date by Which Next Consul- tation to be Concluded <u>1/</u>
Middle Eastern Department			
Afghanistan	01/24/87 <u>4/</u>	Saudi Arabia	06/30/87
Egypt	10/06/87	Sudan	02/04/88
Jordan	10/17/87 <u>6/</u>	Syrian Arab Republic	02/24/87
Lebanon	04/25/87	Yemen Arab Republic	11/20/86 <u>3/</u>
Oman	06/18/87	Yemen, P.D.R.	10/31/87
Pakistan	03/31/87		
Western Hemisphere Department			
Antigua and Barbuda	11/17/87	Guyana	12/19/87
Argentina	03/10/87	Haiti	12/17/87
Barbados	01/21/88	Honduras	01/27/87 <u>3/</u>
Belize	08/27/87	Jamaica	10/17/86 <u>2/</u>
Bolivia	12/15/87	Mexico	09/08/87
Brazil	12/10/87	Nicaragua	05/16/87
Canada	02/02/88	Panama	10/08/87
Chile	07/21/87	Paraguay	10/08/87
Colombia	12/05/87	Peru	12/21/85 <u>7/</u>
Costa Rica	10/30/87	Suriname	05/16/87
Dominica	10/17/87	Trinidad & Tobago	07/28/87
Dominican Republic	11/27/86 <u>2/</u>	United States	08/06/87
Ecuador	09/20/86 <u>2/</u>	Uruguay	05/28/87
El Salvador	12/22/87	Venezuela	07/25/87 <u>5/</u>
Guatemala	07/18/87		

Source: Exchange and Trade Relations Department.

1/ On basis of specified 12-month interval. Conclusion of consultation within the grace period of three months after the date specified would be considered in compliance with the guideline.

2/ See Table 6.

3/ Conclusion date is expected to be within grace period permitted by guidelines.

4/ Executive Board meetings to conclude Article IV consultations are tentatively scheduled for these countries: Afghanistan (3/6/87); Australia (3/20/87); Japan (3/6/87); Maldives (3/9/87); the United Kingdom (2/23/87); and Yemen Arab Republic (3/2/87). The consultation with Rwanda is expected to be concluded in May 1987, somewhat beyond the end of the grace period permitted by guidelines.

5/ In addition, under enhanced surveillance procedures, mid-year consultations take place with Venezuela and Yugoslavia. The most recent mid-year consultation with Yugoslavia was concluded on 8/8/86; the next mid-year consultation with Venezuela is scheduled to be concluded on 3/2/87.

6/ Taking into account the views of the Jordanian authorities and those expressed by Executive Directors during the discussions on the 1986 Article IV consultation report, it was decided that the next consultation discussions with Jordan be held not later than October 1987. This could delay the conclusion of the 1987 Article IV consultation beyond the grace period of three months.

7/ The timing of the next consultation mission has not been agreed with the Peruvian authorities.

Table 4 . Countries for Which Next Consultation
Is Set on a Longer Interval

(As of February 9, 1987)

Country	Date by which Next Consultation to be Concluded <u>1/</u>	Interval (Months) <u>2/</u>
African Department		
Cape Verde	(12/04/88)	24 <u>3/</u>
Asian Department		
Bhutan	(02/28/87)	18
Fiji	(01/09/89)	24 <u>3/</u>
Kiribati	(11/21/88)	24 <u>3/</u>
Tonga	(11/16/87)	18
Vanuatu	(05/04/87)	18
European Department		
Aruba	(11/21/88)	24
Cyprus	(10/16/87)	18
Finland	(01/17/87) <u>4/</u>	18
Luxembourg	(06/17/87)	24
Malta	(02/27/88)	18
Netherlands Antilles	(11/09/87)	18
Middle Eastern Department		
Bahrain	(07/21/88)	18
Kuwait	(12/13/87)	18
Libya	(06/03/87)	24
Qatar	(02/05/88)	24
United Arab Emirates	(01/22/87) <u>4/</u>	18
Western Hemisphere Department		
Bahamas, The	(05/23/88)	24 <u>3/</u>
Grenada	(06/18/87)	18
St. Christopher and Nevis	(11/16/87)	18
St. Lucia	04/30/87	(18)
St. Vincent	(08/05/87)	18

Source: Exchange and Trade Relations Department.

1/ Date specified in summing up or if in parentheses, date derived from specification in summing up in terms of number of months.

2/ Parentheses indicate that number of months is derived from date specified in summing up.

3/ The Executive Board has recommended that staff visits occur at 12-month intervals for these countries with consultations on a 24-month cycle.

4/ Executive Board meetings to conclude Article IV consultations are tentatively scheduled for these countries: Finland (2/20/87); and United Arab Emirates (3/4/87).

Table 5. Countries for Which Interval Has Not
Been Specified for Next Consultation

(As of February 9, 1987)

Country	Date of Last Consultation	Comments
Asian Department		
Kampuchea, Democratic	10/31/73	No contacts.
Middle Eastern Department		
Iran, Islamic Republic of	10/06/78	Security problems. <u>1/</u>
Iraq	02/29/80	Security problems. <u>1/</u>

Source: Exchange and Trade Relations Department.

1/ "Security problems" refers to cases where the member, in a situation of armed conflict, has declined to receive a consultation mission, or where the security of the mission cannot be assured.

Table 6. Countries Exceeding Specified
Consultation Intervals During 1986 1/

	End of Grace Period	Date Concluded or Scheduled to be Concluded	Explanation
African Department			
Cameroon	11/26/86	12/15/86	Delay in fielding mission due to staffing constraints.
Central African Republic	12/23/86	Feb. 1987	Delay due to combination of Article IV consultation mission with program review and discussion of policy framework paper.
Congo	02/04/87	02/09/87	Delay due to continuing discussions for the review under the stand-by arrangement.
Comoros	05/25/86	06/02/86	Delay at the request of the authorities because of a cabinet reshuffle prompting need for more time to prepare the 1986 budget and to get ready for the Fund, World Bank and CCCE (Caisse Centrale de Cooperation Economique) missions.
Gabon	06/15/86	06/18/86	Delay at the request of the authorities.
Ghana	12/13/86	May 1987	Delay due to combination of Article IV consultation mission with program review and discussion of use of Fund resources under a new stand-by arrangement.
Malawi	08/22/86	01/05/87	Delay due to protracted discussions on use of Fund resources.
Mozambique	10/03/86	11/17/86	Delay in timing of mission at the request of the authorities.
Uganda	05/08/86	07/09/86	Delay because of unsettled internal political situation.
Zambia	01/30/87	April 1987	Delay due to continuing discussions for the review under the stand-by arrangement.
European Department			
Belgium	05/31/86 <u>2/</u>	07/16/86	Delay in policy formulation.
Greece	08/17/86	08/29/86	Delay in timing of mission at the request of the authorities.
Portugal	12/09/86	01/28/87	Delay in fielding mission due to timing of budget.
South Africa	09/07/86	09/12/86	Heavy Board schedule.
Spain	12/23/86	01/28/87	Delay in timing of mission at the request of the authorities.
Middle Eastern Department			
Bahrain	12/09/86	01/21/87	Delay in timing of mission at the request of the authorities.
Jordan	09/26/86	10/17/86	Heavy Board schedule and the 1986 Annual Meetings break.
Yemen, P.D.R.	09/10/86	10/31/86	Mission delayed because of security considerations.

Table 6 (Concluded). Countries Exceeding Specified
Consultation Intervals During 1986 1/

	End of Grace Period	Date Concluded or Scheduled to be Concluded	Explanation
Western Hemisphere Department			
Brazil	11/28/86	12/10/86	Delay at the request of the authorities.
Colombia	10/26/86	12/05/86	Delay at the request of the authorities owing to a change in government in August 1986.
Dominica	10/15/86	10/17/86	Heavy Board schedule.
Dominican Rep.	02/27/87	Mar. 1987	Delay in timing of mission at the request of the authorities.
Ecuador	12/20/86	Mar. 1987	Delay due to continuing discussions for the review under the stand-by arrangement.
Jamaica	10/17/86	03/02/87	Delay due to continuing discussions of policy issues.

Source: Exchange and Trade Relations Department.

1/ Countries for which the timing specified for the next consultation (excluding grace period) fell during calendar year 1986. Excludes Peru, for which a consultation was to have been concluded by 12/21/85. The timing of the next consultation mission has not been agreed with the Peruvian authorities.

2/ Exceptionally, the Board agreed that the 1986 consultation would be concluded in May 1986, one month beyond the end of the three-month grace period.

Table 7. Article IV Consultations--Period from Termination of Initial Discussions to Board Conclusion, 1982-86 1/

	1982	1983	1984	1985	1986
Termination of initial discussion to issuance of staff report <u>2/</u>					
Average in calendar days	59	67	71	66	66
Percentage distribution					
40 days or less	10	7	13	12	9
41-50 days	30	20	21	16	18
51-60 days	21	26	25	23	20
61-70 days	19	20	19	24	24
71-80 days	10	7	2	8	12
81 days or more	10	20	21	17	17
Issuance of staff report to Board conclusion					
Average in calendar days	39	37	33	31	33
Percentage of distribution					
20 days or less <u>3/</u>	7	10	8	7	8
21-30 days	41	51	46	61	55
31-40 days	19	18	30	20	18
41-50 days	19	8	8	7	7
51-60 days	3	3	6	2	5
61 days or more	11	10	2	4	8
Total: termination of initial discussion to Board conclusion					
Average in calendar days	99	104	104	97	99
Percentage distribution					
70 days or less	10	9	13	15	12
71-80 days	17	16	15	12	13
81-90 days	20	23	26	25	22
91-100 days	19	17	14	26	20
101-110 days	14	10	9	4	8
111-120 days	6	3	3	4	4
121 days or more	14	22	20	13	20
Memorandum item:					
Termination of final discussion to issuance of staff report					
Average in calendar days	...	59	52	57	53

Source: Exchange and Trade Relations Department.

1/ Recorded in year in which consultation concluded.

2/ The terms "initial" and "final" discussions are used to refer to cases where the conclusion of consultation discussions with the authorities requires multiple missions or further discussions with the authorities at headquarters, generally associated with concurrent discussions of use of Fund resources. In the more usual cases of single missions, "initial" and "final" discussions are the same.

3/ The Executive Board agreed to waive the circulation period in these cases.

Table 8. Reasons for Requests for Extension of the Three-Month Period for the Conclusion of Article IV Consultations, 1982-86

(Number of cases) 1/

	1982	1983	1984	1985 <u>2/</u>	1986 <u>3/</u>
Scheduling conflicts <u>4/</u>	19	7	7	4	10
Desire to discuss jointly use of Fund resources and Article IV Consultations	8	16	10	8	1
Delays to allow official comments on staff papers before Board discussion	7	3	5	4	4
Additional information or discussion required, e.g., policy or institutional changes	3	6	4	4	7
Staff committed to other missions or other duties	1	2	1	4	3
Request of the authorities <u>5/</u>	3	--	--	--	--
Total	<u>41</u>	<u>34</u>	<u>27</u>	<u>24</u>	<u>25</u>

Sources: Exchange and Trade Relations Department; and Secretary's Department.

1/ Individual countries may have had more than one request for extension in a given year.

2/ Excludes the request for extension associated with the supplemental consultation with Venezuela on 5/30/85 under enhanced surveillance procedures.

3/ Table 9 lists the 1986 requests for extensions.

4/ Mostly on account of heavy Executive Board schedules, often around the time of the Interim Committee and Annual Meetings, but also including cases where the Executive Director elected by the member concerned was unable to be present. Prior to 1984, many extension requests took place because the three-month period expired during a period when the Executive Board normally would not meet; however, since June 1983, such delays no longer require a request for extension.

5/ Starting with 1983, extensions at the request of the authorities have been classified in other categories, reflecting the reason underlying the request.

Table 9. Requests for Extension of Three-Month Period
for Conclusion of Article IV Consultations in 1986 1/

Country	Document Number	Date
Benin	EBD/86/92	04/02/86
Botswana	EBD/86/120	04/22/86
Burkina Faso	EBD/86/171	06/18/86
Burundi	EBD/86/211	08/01/86
Canada	EBD/86/18	01/22/86
Cape Verde	EBD/86/287	10/31/86
Chad	EBD/86/151	05/20/86
Djibouti	EBD/86/220	08/07/86
Fiji	EBD/86/323	12/09/86
Gabon	EBD/86/138	05/07/86
Guatemala	EBD/86/178	06/26/86
India	EBD/86/69	03/12/86
Italy	EBD/86/139	05/08/86
Jamaica	EBD/86/292	11/04/86
Kenya	EBD/86/320	12/08/86
Lesotho	EBD/86/316	12/04/86
Malawi	EBD/86/294	11/04/86
Malaysia	EBD/86/219	08/07/86
Maldives	EBD/86/61	03/05/86
Mauritius	EBD/86/281	10/21/86
Mozambique	EBD/86/286	10/30/86
Nigeria	EBD/86/176	06/25/86
Pakistan	EBD/86/68	03/11/86
Sao Tome & Principe	EBD/86/241	09/04/86
Yemen, P.D.R.	EBD/86/280	10/20/86

Sources: Exchange and Trade Relations Department; and
Secretary's Department.

1/ Requests for extension issued in 1986.

Table 10. Size of Article IV Consultation Missions, 1982-86 ^{1/}

	1982	1983	1984	1985	1986
	(Number of missions)				
All missions	<u>106</u>	<u>130</u>	<u>123</u>	<u>135</u>	<u>146</u>
3 or less staff	<u>4</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>8</u>
4 staff	40	54	43	50	60
5 staff	45	50	53	63	67
6 staff	11	18	20	18	10
7 staff	6	4	2	--	--
8 staff	--	--	1	1	1
Average ^{2/}	4.8	4.7	4.8	4.7	4.6
African Department	<u>32</u>	<u>37</u>	<u>37</u>	<u>42</u>	<u>43</u>
3 or less staff	--	<u>1</u>	<u>2</u>	--	<u>5</u>
4 staff	14	14	8	20	20
5 staff	18	15	22	18	17
6 staff	--	7	5	4	1
7 staff	--	--	--	--	--
8 staff	--	--	--	--	--
Average ^{2/}	4.6	4.8	4.8	4.6	4.3
Asian Department	<u>21</u>	<u>21</u>	<u>20</u>	<u>21</u>	<u>24</u>
3 or less staff	<u>1</u>	<u>1</u>	<u>1</u>	--	<u>2</u>
4 staff	11	12	9	10	11
5 staff	3	4	6	6	9
6 staff	3	4	4	5	2
7 staff	3	--	--	--	--
8 staff	--	--	--	--	--
Average ^{2/}	4.8	4.5	4.7	4.8	4.4
European Department	<u>17</u>	<u>28</u>	<u>20</u>	<u>25</u>	<u>30</u>
3 or less staff	--	<u>1</u>	--	<u>3</u>	<u>1</u>
4 staff	5	14	10	9	16
5 staff	6	9	7	12	11
6 staff	4	2	3	1	2
7 staff	2	2	--	--	--
8 staff	--	--	--	--	--
Average ^{2/}	5.2	4.7	4.7	4.4	4.5
Middle Eastern Department	<u>13</u>	<u>13</u>	<u>14</u>	<u>13</u>	<u>19</u>
3 or less staff	--	--	<u>1</u>	--	--
4 staff	7	7	9	7	9
5 staff	3	4	1	6	9
6 staff	3	1	3	--	1
7 staff	--	1	--	--	--
8 staff	--	--	--	--	--
Average ^{2/}	4.7	4.7	4.4	4.5	4.6
Western Hemisphere					
Department ^{3/}	<u>23</u>	<u>31</u>	<u>32</u>	<u>34</u>	<u>30</u>
3 or less staff	<u>3</u>	<u>1</u>	--	--	--
4 staff	3	7	7	4	4
5 staff	15	18	17	21	21
6 staff	1	4	5	8	4
7 staff	1	1	2	--	--
8 staff	--	--	1	1	1
Average ^{2/}	4.7	4.9	5.2	5.2	5.1

Source: Administration Department.

^{1/} Excluding secretaries; EPs included in their assigned departments. Multiple missions in connection with the same consultation are counted as separate missions.

^{2/} Assuming that the smallest mission size is three staff members.

^{3/} Including U.S. consultation.

Table 11. Professional Staff Participation in Article IV Consultation Missions by Area and Functional Departments, 1982-86 1/

(Number of trips)

	1982	1983	1984	1985	1986
African Department					
AFR staff	97	119	119	142	136
Other staff	<u>49</u>	<u>57</u>	<u>58</u>	<u>52</u>	<u>50</u>
Subtotal	146	176	177	194	186
Asian Department					
ASD staff	67	70	64	70	76
Other staff	<u>34</u>	<u>25</u>	<u>28</u>	<u>30</u>	<u>30</u>
Subtotal	101	95	92	100	106
European Department					
EUR Department staff	74	116	85	99	122
Other staff	<u>14</u>	<u>14</u>	<u>8</u>	<u>11</u>	<u>12</u>
Subtotal	88	130	93	110	134
Middle Eastern Department					
MED staff	50	50	53	49	72
Other staff	<u>11</u>	<u>11</u>	<u>8</u>	<u>9</u>	<u>15</u>
Subtotal	61	61	61	58	87
Western Hemisphere Department <u>2/</u>					
WHD staff	85	117	126	134	125
Other staff	<u>22</u>	<u>35</u>	<u>39</u>	<u>44</u>	<u>28</u>
Subtotal	107	152	165	178	153
Total area department staff	373	472	447	494	531
Total non area department staff	130	142	141	146	135
of which participation by:					
ETR	(60)	(59)	(50)	(62)	(72)
FAD	(41)	(46)	(47)	(50)	(39)
RES	(8)	(7)	(9)	(6)	(6)
STAT	(8)	(13)	(13)	(11)	(8)
Other	(13)	(17)	(22)	(17)	(10)

Source: Administration Department.

1/ Excluding secretaries; EPs included in their assigned department.

2/ Includes U.S. consultation.

Table 12. Country Items in Executive Board Meetings, 1982-86

	1982	1983	1984	1985	1986
Total number of Board meetings <u>1/</u>	211	203	202	205	235
Total number of country items	142	181	192	203	217
Consultations alone	62	75	93	103	96
Consultations combined with use of Fund resources <u>2/</u>	20	45	26	28	29
Use of Fund resources alone	52	50	46	36	37
Overdue obligations	n.a.	n.a.	15	29	36
Miscellaneous <u>3/</u>	8	11	12	7	19
Total Board hours	511	501	480	518	592
Total Board hours on country items <u>4/</u>	261 (51.1)	273 (54.5)	298 (62.1)	323 (62.4)	327 (55.2)
Of which:					
Consultations alone	108 (21.1)	95 (19.0)	139 (28.9)	170 (32.8)	148 (25.0)
Consultations combined with use of Fund resources	53 (10.4)	104 (20.8)	57 (11.9)	63 (12.2)	70 (11.8)
Use of Fund resources alone	94 (18.4)	70 (14.0)	82 (17.1)	63 (12.2)	60 (10.1)
Overdue obligations	n.a.	n.a.	15 (3.1)	26 (5.0)	32 (5.4)
Miscellaneous	6 (1.2)	4 (0.8)	5 (1.1)	1 (0.2)	17 (2.9)

Source: Secretary's Department.

1/ Comprising Board meetings, seminars, informal sessions, and meetings of the Committee of the Whole.

2/ Use of Fund resources covers approvals of stand-by and extended arrangements, reviews of such arrangements, CFF and other purchases, and modifications and waivers of performance criteria.

3/ Includes items such as schedule changes, notifications of changes in exchange arrangements, etc., which are not included in the other four subcategories.

4/ Figures in parentheses indicate percentage of total Board hours on all items.

Table 13. Length of Reports in Connection with
Article IV Consultations, 1982-86

	1982	1983	1984	1985	1986
Staff reports					
Average length (pages)	...	28.1	26.2	27.9	30.9
Of which: main text only ^{1/}	(16.4)	(18.8)	(20.6)	(21.2)	(22.7)
Percentage distribution					
14 pages or less	...	6.8	3.4	1.7	0.8
15-19 pages	...	26.5	26.3	18.2	9.2
20-24 pages	...)	27.1	28.9	26.9
25-29 pages	...	66.7)	11.0	21.5	29.4
30 pages or more	...)	32.2	29.8	33.6
Reports on Recent Economic Developments					
Average length (pages)	88.7	95.1	98.7	103.6	98.6
Percentage distribution					
50 pages or less	6.3	5.9	1.7	3.3	1.6
51-60 pages	8.7	3.4	1.7	—	3.3
61-70 pages	8.7	5.9	11.0	7.4	4.9
71-80 pages	11.3	15.1	8.5	7.4	17.9
81-90 pages	15.0	13.4	14.4	11.6	11.4
91-100 pages	20.0	16.0	17.8	16.5	13.8
101 pages or more	30.0	40.3	44.9	53.7	45.5

Source: Exchange and Trade Relations Department.

^{1/} Excludes decision and all appendices.

III. Exchange Rate Developments and Policy Analysis

Much attention has been devoted in recent years to swings in exchange rates among the major currencies, which have been both large and prolonged. Movements between the U.S. dollar and other major currencies have been particularly pronounced during the period since 1980, with a large and sustained appreciation of the dollar between the third quarter of 1980 and the first quarter of 1985, followed since then by a large depreciation of the dollar against other major currencies.

The currencies of the smaller industrial and developing countries have also recorded substantial fluctuations during the same period. As was noted in the most recent World Economic Outlook papers, the currencies of developing countries have tended to depreciate during the more recent period reversing in many cases the trend of appreciation in real effective terms apparent during the four-year period through early 1985. This pattern of movement in the real effective exchange rates for the currencies of developing countries has reflected both the similar movement of the U.S. dollar, which is a key reference currency for the currencies of many of these countries, and also the use in many cases of more active exchange rate policies aimed at achieving a real effective depreciation. These developments are reviewed in this section, with particular attention to the factors underlying the movements in the real effective exchange rates of the currencies of developing and smaller industrial member countries ^{1/} during the period from the third quarter of 1980 through the first quarter of 1985 (the period of strong appreciation of the U.S. dollar) and since early 1985. This discussion is followed by the usual review of the assessments of exchange rate policies contained in staff reports for Article IV consultations concluded in 1986.

^{1/} Movements in bilateral and effective exchange rates for the currencies of the G-7 countries have been discussed in detail in World Economic Outlook papers and in the Annual Report and are discussed here only in relation to their influence on real effective exchange rates for other currencies. All aggregate and regional averages reported in this section exclude G-7 countries. The reference to smaller industrial countries is to all industrial countries excluding the G-7.

1. Developments in exchange rates 1/

Developments in real effective exchange rates for the currencies of smaller industrial and developing countries since 1980 are summarized in Table 14. During the period from the third quarter of 1980 through the first quarter of 1985, developments in real exchange rates for these currencies were, to a large extent, dominated by movements in exchange rates among the major currencies, with those currencies pegged to the U.S. dollar or SDR appreciating in real effective terms 2/ and currencies pegged to the French franc depreciating in real effective terms. Taking into account also the often substantial depreciation of the currencies of countries following more flexible exchange rate arrangements 3/ (many of which adopted such arrangements during this period), real effective exchange rates for the currencies of smaller industrial and developing countries remained, on average, relatively stable during this period. About half of these currencies appreciated in real effective terms while the other half depreciated. There were nevertheless significant differences across geographical areas and, within each region, across countries.

In contrast, between the first quarter of 1985 and the third quarter of 1986 (the latest quarter for which complete data are available), real effective exchange rates for the currencies of most of these countries tended to depreciate, often by substantial amounts; the real depreciation exceeded 10 percent for more than half of the currencies monitored. Currencies that depreciated in real effective terms outnumbered appreciating ones in all geographical areas and, except for currencies pegged to the French franc and the currencies of member countries of the European Monetary System (EMS), also across the range of exchange arrangements maintained by members.

1/ This discussion of developments in real effective exchange rates is based on an analysis of movements during 1980-86 in the indices of such rates for 118 member countries, as calculated for the purposes of the Information Notice System. Owing to the lack of suitable price data, estimates of movements in real effective exchange rates are monitored only on a judgmental basis for the currencies of other member countries. Currencies are classified according to the exchange arrangement followed as of the end of the period under review (i.e., the third quarter of 1986).

2/ Reflecting the typically larger weight of the U.S. dollar in the SDR basket than the weight of the United States as a trade partner/competitor for many countries which peg their currencies to the SDR, real effective exchange rates for the currencies of these countries have tended to appreciate/depreciate along with the U.S. dollar relative to their trade partners (although by smaller amounts than if they had been pegged to the U.S. dollar).

3/ Those classified as "adjusting their exchange rates according to a set of indicators," "other managed floating" or "independently floating."

a. Smaller industrial countries

Exchange rates for the currencies of a number of the smaller industrial countries are determined within the cooperative arrangements of the European Monetary System (EMS) or follow one of the EMS currencies quite closely (the currencies of 5 of the 13 countries in this group are maintained within the EMS arrangements; in addition, the Austrian schilling has followed the deutsche mark closely). Nominal and real effective exchange rates for the currencies of the smaller industrial countries have thus been influenced strongly, on average, by fluctuations in the exchange rates for major currencies.

Real depreciations were typical of the experience of countries in this group during the four-year period through early 1985, as 10 of 13 currencies depreciated both vis-à-vis the U.S. dollar and in real effective terms. The real depreciations were particularly large for countries in this group which maintain their currencies within the EMS arrangements; for Sweden, which introduced discrete devaluations in both 1981 and 1982, and for New Zealand, reflecting the sharp depreciation of the New Zealand dollar following the adoption of a floating exchange rate system in 1984. Only the Norwegian krone appreciated by more than 5 percent in real effective terms during this period as the depreciation of the krone in nominal effective terms fell substantially short of the faster rate of increase of costs in Norway than in its trading partners.

In contrast, the real effective exchange rates of the currencies of most of the smaller industrial countries have appreciated since early 1985. The appreciation through the third quarter of 1986 had generally been relatively modest for these countries (in no case in excess of 10 percent) and had not fully offset the real depreciation during the earlier period. Real effective depreciations have been experienced by the currencies of only 5 of the smaller industrial countries since early 1985, and in only one instance (the Australian dollar, which has depreciated by 28 percent partly in response to speculative capital flows) has the depreciation been substantial. For the other cases of real depreciation, the change in the real effective exchange rate was less than 5 percent.

b. Developing countries 1/

(1) African countries 2/

The currencies of African countries depreciated in real effective terms, on average, by about 10 percent during each of the two sub-periods examined (Table 15). Significant differences are apparent, however, in the experience of appreciation/depreciation for currencies classified according to the exchange rate arrangements maintained by these countries. An important feature of developments in the real effective exchange rates for the currencies of African countries during this period has been the adoption of more flexible exchange rate arrangements by many of these countries, often coupled with a substantial depreciation in real effective terms at the time new exchange rate arrangements were adopted.

The behavior of the real effective exchange rates for the currencies of African countries during the period from the third quarter of 1980 through the first quarter of 1985 falls into three broad categories. First, those currencies pegged to the U.S. dollar or the SDR appreciated in real effective terms, on occasion by substantial amounts. The limited size of the appreciation in real effective terms, on average, for the currencies of countries maintaining such exchange arrangements reflected the fact that a few of these countries, while maintaining a system of pegging to the U.S. dollar or the SDR, introduced substantial depreciations of their currencies relative to the U.S. dollar or SDR during this period. In particular, the Ghanaian cedi

1/ The discussion below distinguishes countries in respect of both their geographical area and exchange rate arrangement. The number of countries in some of these groupings is, on occasion, small. When a divergent movement for only one or a few currencies distorts significantly the average for the group, an attempt has been made to indicate the average change exclusive of such divergent movement(s). The regional classification of countries for purposes of this discussion is that used in the World Economic Outlook.

2/ Averages reported in this section (and in Tables 14 and 15) for the African countries as a group exclude Nigeria, Sierra Leone, and Tanzania, all of which experienced large and atypical movements in their real effective exchange rates during one or both of the sub-periods under review. The currencies of these countries appreciated by 92 percent, 105 percent, and 89 percent, respectively, between the third quarter of 1980 and the first quarter of 1985, mainly due to the relatively high rate of domestic inflation and, in the case of Nigeria, also a nominal effective appreciation of the currency. Real effective depreciations of 57 percent, 64 percent, and 58 percent, respectively, were recorded by these countries between the first quarter of 1985 and the third quarter of 1986, mainly due to the active use of exchange rate policy during this period. In the case of Nigeria, there was also a small improvement in the relative price position.

was depreciated by nearly 95 percent vis-à-vis the U.S. dollar during this period while the Kenyan shilling was depreciated vis-à-vis the SDR on several occasions (for a total of nearly 40 percent). Excluding the Ghanaian cedi and the Kenyan shilling, currencies pegged to the U.S. dollar and the SDR appreciated in real effective terms by 54 percent and 45 percent, respectively, during the four-year period through early 1985.

Second, currencies pegged to a composite basket of their trade partners' currencies remained, on average, stable in real effective terms. Several of these countries implemented major devaluations during this period relative to the composite currency baskets to which their currencies were pegged (e.g., Botswana, Zimbabwe) or depreciated their currencies along with a shift to a basket peg from a less flexible arrangement (e.g., Madagascar, Malawi, Mauritius). A few countries in this group, however, recorded a significant real effective appreciation of their currencies (including the Tanzanian shilling which appreciated by 89 percent in real effective terms), typically reflecting a higher rate of inflation in these countries than in their trading partners.

Third, currencies pegged to a currency other than the U.S. dollar or following more flexible arrangements depreciated in real effective terms, often in the case of the latter by substantial amounts. For those currencies pegged to another currency, this reflected the parallel depreciation in real effective terms of the French franc and South African rand. Except for the Nigerian naira and the Sierra Leonean leone (both of which appreciated strongly through the end of 1984, reflecting in the case of the naira a nominal effective appreciation and, for both countries, a high rate of domestic inflation), all African currencies following at present more flexible exchange rate arrangements depreciated in real effective terms, the depreciations ranging up to 60 percent in real effective terms in the case of the zaïre and 90 percent in the case of the Ugandan shilling. In several of these cases, the more flexible exchange rate arrangements were adopted during this period to help correct a substantial overvaluation of their currency as part of an adjustment program supported by use of Fund resources.

This pattern of movements in real effective exchange rates has changed substantially since early 1985. While currencies following at present more flexible exchange rate arrangements have continued, on average, to depreciate in real effective terms, the earlier pattern of appreciation/depreciation for countries pegged, respectively, to the U.S. dollar or SDR and to the French franc was reversed, reflecting the parallel reversal of movement in the exchange rate between the U.S. dollar and the French franc.

For countries pegged to the French franc, the appreciation in real effective terms during the period from the first quarter of 1985 through the third quarter of 1986 has reversed, on average, (and, in some cases, exceeded) the real effective depreciation recorded during the four

preceding years. Except for currencies pegged to the French franc and also the Lesotho loti and Uganda shilling (both of which appreciated by small amounts in real effective terms), all African currencies depreciated in real effective terms during the period from the first quarter of 1985 through the third quarter of 1986. Depreciations in real effective terms were close to or exceeded 40 percent in several cases in which the impact of weakening numeraire currencies was reinforced by a change in the level of the peg or in which sizeable depreciations accompanied a shift to a more flexible exchange rate arrangement.

Reflecting, in particular, the widespread incidence of depreciations in real effective terms since early 1985 and, in several cases, the relatively large size of the depreciation, the currencies of most African countries were more depreciated in late 1986 than in 1980. The cumulative depreciation amounted, on average, to 20 percent in real effective terms. For currencies pegged to the French franc, however, there has been a strong trend of appreciation during the more recent period which has been sufficient, in some cases, to reverse fully the earlier depreciation during the period through early 1985.

(2) Asian countries

Few Asian countries experienced significant cumulative changes in the real effective exchange rates for their currencies during the period from the third quarter of 1980 through the first quarter of 1985. While two thirds of the currencies of Asian countries appreciated in real effective terms during this period, the size of the appreciation was typically relatively small, exceeding 10 percent in only six cases. The relatively low incidence of significant real effective appreciations during this period for the currencies of Asian countries reflected two main factors. First, several Asian countries (e.g., Indonesia, Nepal, Philippines, Solomon Islands and Western Samoa) introduced during this period changes in their exchange arrangements aimed at increasing flexibility in the management of their exchange rates. In some of these cases, the adoption of new more flexible exchange rate arrangements had already been reflected by early 1985 in the reversal, at least in part, of an earlier real effective appreciation of their currencies. Second, several currencies pegged to a composite basket of the currencies of their trading partners depreciated, often by substantial amounts, vis-à-vis the strengthening U.S. dollar.

Since early 1985, there has been a widespread pattern of significant real effective depreciations among the currencies of Asian countries; the real effective depreciation from the first quarter of 1985 through the third quarter of 1986 has exceeded 10 percent for more than three fourths of these currencies. Only one developing Asian country experienced some appreciation of its currency in real effective terms during this period, and that appreciation was relatively small. This widespread pattern of real effective depreciation reflected in many cases a depreciation of these currencies along with the U.S. dollar, despite their being formally pegged in many cases to a composite basket

of the currencies of their trading partners or following exchange arrangements involving a managed float of their exchange rates. While some of the currencies of Asian countries appreciated vis-à-vis the U.S. dollar, the appreciation was typically small. The circumstances which underlay exchange rate developments and policies for these countries and also countries in other geographical areas during the period since early 1985, and staff and Executive Directors' assessments on the occasion of Article IV consultations, are discussed briefly in the main paper.

(3) European countries ^{1/}

Only a few of the exchange rates for the currencies of developing European countries have recorded significant changes in real effective terms, on a cumulative basis, since 1980. In the majority of cases, changes in real effective exchange rates (appreciation or depreciation) during the four-year period through early 1985 have since been reversed. Although individual changes in real effective exchange rates for these currencies often approached or exceeded 10 percent in either or both subperiods, only in a few cases were net cumulative changes over the entire period in excess of 10 percent: the Cyprus pound and Turkish lira which depreciated in real effective terms by 12 percent and 31 percent respectively; the Polish zloty which appreciated by 13 percent; and the Romanian leu which appreciated by 63 percent in real effective terms during the four-year period through early 1985 but has since depreciated by 17 percent.

(4) Middle Eastern countries

The central feature of developments in real effective exchange rates for the currencies of Middle Eastern countries during the period under review has been the (probably) universal pattern of appreciation during the period from the third quarter of 1980 through the first

^{1/} Averages for the currencies of European countries reported in Tables 14 and 15 exclude Poland and Romania, both of which experienced large and atypical movements in their real effective exchange rates during one or both of the sub-periods under review. The currencies of these countries appreciated by 55 percent and 63 percent, respectively, between the third quarter of 1980 and the first quarter of 1985. In the case of Poland, the appreciation was attributable to the high rate of domestic inflation, which more than offset the effect of a large depreciation in nominal terms, while in the case of Romania, the appreciation reflected the maintenance of a relatively close link with the strengthening U.S. dollar. Since early 1985, these currencies have depreciated in real effective terms by 27 percent and 17 percent, respectively, owing to the nominal effective depreciation of the currency in the case of Poland and reflecting both a nominal effective depreciation and an improvement in the relative price position in the case of Romania.

quarter of 1985 followed by the (probably) universal pattern of depreciation since then. ^{1/} In about half of the cases for which movements in real effective exchange rates are monitored more precisely under the information notice system, real effective exchange rates remained more appreciated in late 1986 than in 1980.

Of those currencies pegged to another currency (i.e., the U.S. dollar) or to a composite basket of other currencies, including the SDR, only the Saudi Arabian riyal appreciated by less than 10 percent in real effective terms from the third quarter of 1980 through the first quarter of 1985 as declining prices in Saudi Arabia throughout most of this period offset most of the appreciation of the riyal in nominal effective terms. Except for the Israeli new sheqel and Sudanese pound, for which real effective appreciations reflected primarily high domestic rates of inflation not fully offset by nominal depreciations, nominal effective appreciations accounted for at least half (often most) of the appreciation in real effective terms of the currencies of Middle Eastern countries during this period.

In contrast, the currencies of all Middle Eastern countries monitored more precisely under the Information Notice System have depreciated in real effective terms during the period from the first quarter of 1985 through the third quarter of 1986. In most cases, the depreciation has exceeded 10 percent in real effective terms and has reflected primarily an equivalent or larger depreciation in nominal effective terms. Israel and the Sudan, which continued to experience high rates of inflation relative to their trading partners, continued to depreciate their currencies relative to the U.S. dollar. In other cases, the depreciation in real effective terms has reflected primarily the concurrent depreciation of the U.S. dollar, supplemented in three cases (Egypt, ^{2/} Pakistan, and Saudi Arabia) by continued depreciations of their currencies vis-à-vis the U.S. dollar.

^{1/} The lack of appropriate price data prevents the exact monitoring of real effective exchange rates for the currencies of many Middle Eastern countries. Most of these, however, are pegged formally or in practice to the U.S. dollar. Excluding the Lebanese pound which depreciated by substantial amounts in both sub-periods, these currencies appreciated in nominal effective terms, on average, by 64 percent during the period from the third quarter of 1980 through the first quarter of 1985 and have since depreciated in nominal effective terms, on average, by 28 percent. Available information on inflation in these countries suggests that real effective exchange rates for their currencies moved in the same direction as nominal effective exchange rates, first appreciating through early 1985 but depreciating since then, although typically with a smaller amplitude of movement than for nominal effective exchange rates.

^{2/} The free market exchange rate only. The exchange rate monitored for Egypt is a weighted composite which takes into account the multiple exchange rate system.

(5) Western Hemisphere countries 1/

With the exception of the Guyana dollar, which is pegged to a currency composite, the currencies of the Western Hemisphere countries either follow more flexible exchange arrangements or are pegged to the U.S. dollar. The behavior of the real effective exchange rates has differed sharply for these two groups of currencies during the period under review.

Currencies pegged to the U.S. dollar generally appreciated in real effective terms by large amounts between the third quarter of 1980 and the first quarter of 1985; on average, the appreciation was 24 percent. The appreciation stemmed in most cases directly from the maintenance of an unchanged link with the strengthening U.S. dollar. 2/ The currencies of three countries pegging to the U.S. dollar (Paraguay, Peru, and Venezuela) depreciated in real effective terms during this period; major devaluations (leading to cumulative depreciations against the dollar ranging from 41 percent to 96 percent) were undertaken by all three of these countries.

All but two of the currencies of Western Hemisphere countries pegging to the U.S. dollar have depreciated in real effective terms since the first quarter of 1985. In both of the cases in which real appreciations were recorded (Nicaragua and Peru), large devaluations with respect to the depreciating U.S. dollar were not sufficient to offset high domestic rates of inflation. In most cases, the real depreciation was attributable mainly to the continued maintenance of an unchanged peg to the U.S. dollar; all but one of the countries maintaining an unchanged link with the dollar during the previous period continued to do so during the more recent period also. The depreciation in real effective terms was also partly due to a depreciation of their

1/ Averages reported in this section (and in Tables 14 and 15) for the Western Hemisphere countries as a group exclude Bolivia, Guyana, and Nicaragua, all of which experienced large and atypical movements in their real effective exchange rates during one or both of the sub-periods under review. The currencies of these countries appreciated by 172 percent, 57 percent, and 132 percent, respectively, between the third quarter of 1980 and the first quarter of 1985, owing mainly to high domestic rates of inflation not offset by a sufficient depreciation of their exchange rates. Since early 1985, reflecting the impact of a major adjustment program, the Bolivian peso has depreciated by 70 percent in real terms, more than offsetting the earlier real appreciation; the Guyana dollar has recorded a modest real depreciation (5 percent); and the Nicaraguan cordoba has continued to appreciate sharply (361 percent) as a result of a continuing high rate of domestic inflation.

2/ Thirteen Western Hemisphere countries maintained an unchanged peg to the U.S. dollar between the third quarter of 1980 and the first quarter of 1985.

currencies relative to the U.S. dollar in three cases (Guatemala, Trinidad and Tobago--which had previously maintained an unchanged peg to the dollar--and Venezuela). For most of the Western Hemisphere countries pegging their currencies to the U.S. dollar, the depreciation in real effective terms since early 1985 has not been sufficient to reverse the earlier real appreciation, so that on a net basis their currencies remained more appreciated in real effective terms in late 1986 than in 1980.

Most of the currencies of Western Hemisphere countries following more flexible exchange arrangements depreciated in real effective terms during both of the subperiods under review. The cumulative real depreciation between the third quarter of 1980 and the third quarter of 1986 was in some cases quite large (e.g., Argentina, 57 percent; Chile, 44 percent; Costa Rica and Ecuador, 34 percent; Mexico, 43 percent), as a number of countries in this group introduced substantial depreciations of their currencies, often accompanied by changes in their exchange rate arrangements, as part of adjustment programs to address a major deterioration in their external payments position.

2. Discussion of exchange rate policy in Article IV consultation reports

In keeping with the Fund's responsibility to exercise surveillance over members' exchange rate policies, the appropriateness of the exchange rate policies and arrangements pursued by members continued to be a primary focus of Article IV consultation reports in 1986. As has been the practice for the past several years, explicit assessments of exchange rate policies were included in most staff reports for Article IV consultations concluded in 1986. The few exceptions (16 cases) were mostly reports for members of currency unions, for which the exchange rate is not a readily available policy instrument.

Overall, assessments of exchange rate policy in staff reports were somewhat more favorable in 1986 than in preceding years. The exchange rate policies of members had been commended in only about a quarter of the staff reports for Article IV consultations concluded in 1985, and the proportion of favorable assessments had been even smaller in 1984. In 1986, assessments of exchange rate policy were favorable in 39 (31 percent) of the staff reports for Article IV consultations concluded (Table 16). However, exchange rate policies, taking into account developments and the stance of policies in other areas, still were questioned in 63 cases (50 percent of the total). More than half of the reports in which exchange rate policies were questioned were strongly critical of the policies being pursued, in the sense that they included an explicit recommendation for a major change in the exchange rate or system of the country.

It had been noted in both the 1984 and the 1985 annual surveillance reviews that one reason for the generally critical views expressed on exchange rate policy had been the number of currencies that were either

pegged to the U.S. dollar or in practice showed limited flexibility against it despite the dollar's general strength. In 1986, the widespread pattern of depreciations in real effective terms for the currencies of smaller industrial and developing countries, which reflected both the weakening of the U.S. dollar and the pursuit by several members of more active exchange rate policies, underlay the more frequently favorable assessments. While still critical in many cases, assessments were often less so in these cases than in preceding years. Critical assessments typically reflected the staff's view that, in many cases, the recent depreciation in real effective terms had merely reversed (often only in part) an earlier strong real appreciation of the currency and that an even larger real depreciation was needed to lay the basis for a strong sustained performance of the member's balance of payments.

The current and prospective strength of the overall balance of payments and its components were the key factors underlying the analysis of exchange rate policy for most countries: the relationship between exchange rate policy and one or several elements of the balance of payments was analyzed explicitly in 87 percent of all reports (Table 17). In addition, developments in indices of real effective exchange rates were examined in 84 percent of all cases, while developments in exchange rates relative to overall wage and/or cost developments were discussed explicitly in 40 percent of all cases. In about one third of the reports, the analysis of such broader indicators of competitiveness was supplemented by a discussion of the profitability of particular tradable goods or sectors; this was more often the case for countries (usually developing countries) with a high concentration of activity or dependence on one or a few sectors. Analysis of the appropriateness of the exchange rate also frequently included a review of the relationship between the level of the exchange rate and the restrictiveness of the exchange and trade system or developments in legal or unofficial parallel exchange markets.

In addition to general assessments of the level of the exchange rate, staff reports frequently commented on the appropriateness of the exchange arrangements maintained by the member. Prompt steps toward the unification of exchange systems involving multiple exchange rates were recommended in cases where such systems were in effect. A liberalization of the exchange and trade system, in combination with a currency depreciation to avoid unfavorable short-term balance of payments effects, was also a frequent recommendation. Finally, several reports suggested that a move to a more flexible exchange arrangement might be considered, including pegging to a currency basket or a shift from an existing basket to one that allowed a more flexible response to changes in the external situation of the country.

Table 14. Real Effective Exchange Rate Changes by Region, Stage of Development, and Exchange Rate System ^{1/}

(In percent)

	Region					Stage of Development		
	Africa <u>2/</u>	Asia	Europe <u>3/</u>	Middle East	Western Hemisphere <u>4/</u>	Smaller Industrial	Developing	All Countries
I. <u>1980 (Third Quarter)-1985 (First Quarter)</u>								
Pegged to single currency								
U.S. dollar	10.5			37.3	23.5		23.4	23.4
French franc	-14.8						-14.8	-14.8
Other	-3.5	7.7					2.0	2.0
Pegged to currency composite								
SDR	35.6	8.6		48.2			31.2	31.2
Other	0.7	2.1	0.8	20.4		-1.3	3.6	2.6
Cooperative arrangements <u>5/</u>			-16.8			-16.8		-16.8
More flexible arrangements	-41.8	0.3	-6.4	5.8	-16.5	-4.4	-18.0	-16.5
All	<u>-11.1</u>	<u>2.5</u>	<u>-6.7</u>	<u>33.8</u>	<u>5.9</u>	<u>-8.5</u>	<u>0.3</u>	<u>-0.7</u>
II. <u>1985 (First Quarter)-1986 (Third Quarter)</u>								
Pegged to single currency								
U.S. dollar	-32.7			-24.9	-11.8		-16.6	-16.6
French franc	11.9						11.9	11.9
Other	-7.8	-15.2					-11.6	-11.6
Pegged to currency composite								
SDR	-16.5	-8.7		-10.2			-13.0	-13.0
Other	-9.9	-19.2	-4.5	-21.0		-1.2	-14.7	-12.7
Cooperative arrangements <u>5/</u>			2.4			2.4		2.4
More flexible arrangements	-22.5	-19.4	-5.0	-16.4	-18.9	-6.7	-18.7	-17.4
All	<u>-9.9</u>	<u>-18.3</u>	<u>-2.8</u>	<u>-18.2</u>	<u>-14.7</u>	<u>1.6</u>	<u>-13.8</u>	<u>-12.3</u>
Memorandum items:								
I. <u>1980 (Third Quarter)-1985 (First Quarter)</u>								
Proportion appreciating	29.4	66.7	27.8	100.0	60.7	23.1	53.6	50.0
Of which: more than 10 percent	(20.6)	(28.6)	(11.1)	(66.7)	(46.4)	(7.8)	(34.0)	(30.9)
Proportion depreciating	70.6	33.3	72.2	—	39.3	76.9	46.4	50.0
Of which: more than 10 percent	(41.2)	(14.3)	(38.9)	(--)	(25.0)	(46.2)	(26.8)	(29.1)
II. <u>1985 (First Quarter)-1986 (Third Quarter)</u>								
Proportion appreciating	32.4	9.5	44.4	--	14.3	61.5	17.5	22.7
Of which: more than 10 percent	(17.6)	(--)	(--)	(--)	(3.6)	(--)	(7.2)	(6.4)
Proportion depreciating	67.6	90.5	55.6	100.0	85.7	38.5	82.5	77.3
Of which: more than 10 percent	(44.1)	(76.2)	(11.1)	(77.8)	(57.1)	(7.7)	(56.7)	(50.9)

Source: Information Notice System.

^{1/} Excludes G-7 countries. Data are unweighted geometric averages for currencies in indicated categories.

^{2/} Excludes Nigeria, Sierra Leone, and Tanzania, all of which experienced large and atypical movements in their real effective exchange rates during one or both of the periods under review.

^{3/} Excludes Poland and Romania, both of which experienced large and atypical movements in their real effective exchange rates during one or both of the periods under review.

^{4/} Excludes Bolivia, Guyana, and Nicaragua, all of which experienced large and atypical movements in their real effective exchange rates during one or both of the periods under review.

^{5/} Member countries of the European Monetary System (excluding the G-7 countries).

Table 15. Real Effective Exchange Rate Changes for Developing Countries
by Region and Exchange Rate System 1/

(In percent)

	Africa <u>2/</u>	Asia	Europe <u>3/</u>	Middle East	Western <u>4/</u> Hemisphere	All Developing Countries
<u>I. 1980 (Third Quarter)-1985 (First Quarter)</u>						
Pegged to single currency						
U.S. dollar	10.5			37.3	23.5	23.4
French franc	-14.8					-14.8
Other	-3.5	7.7				2.0
Pegged to currency composite						
SDR	35.6	8.6		48.2		31.2
Other	0.7	2.1	3.8	20.4		3.6
More flexible arrangements	-41.8	1.9	-7.4	5.8	-16.5	-18.0
All	<u>-11.1</u>	<u>3.3</u>	<u>-2.8</u>	<u>33.8</u>	<u>5.9</u>	<u>0.3</u>
<u>II. 1985 (First Quarter)-1986 (Third Quarter)</u>						
Pegged to single currency						
U.S. dollar	-32.7			-24.9	-11.8	-16.6
French franc	11.9					11.9
Other	-7.8	-15.2				-11.6
Pegged to currency composite						
SDR	-16.5	-8.7		-10.2		-13.0
Other	-9.9	-19.2	-8.7	-21.0		-14.7
More flexible arrangements	-22.5	-21.1	-7.9	-16.4	-18.9	-18.7
All	<u>-9.9</u>	<u>-18.4</u>	<u>-8.2</u>	<u>-18.2</u>	<u>-14.7</u>	<u>-13.8</u>
Memorandum items:						
<u>I. 1980 (Third Quarter)-1985 (First Quarter)</u>						
Proportion appreciating	29.4	68.4	42.9	100.0	60.7	53.6
Of which: more than 10 percent	(20.6)	(31.6)	(14.3)	(66.7)	(46.4)	(34.0)
Proportion depreciating	70.6	31.6	57.1	--	39.3	46.4
Of which: more than 10 percent	(41.2)	(10.5)	(28.6)	(--)	(25.0)	(26.8)
<u>II. 1985 (First Quarter)-1986 (Third Quarter)</u>						
Proportion appreciating	32.4	5.3	14.3	--	14.3	17.5
Of which: more than 10 percent	(17.6)	(--)	(--)	(--)	(3.6)	(7.2)
Proportion depreciating	67.6	94.7	85.7	100.0	85.7	82.5
Of which: more than 10 percent	(44.1)	(78.9)	(28.6)	(77.8)	(57.1)	(56.7)

Source: Information Notice System.

1/ Data are unweighted geometric averages for currencies in indicated categories

2/ Excludes Nigeria, Sierra Leone, and Tanzania, all of which experienced large and atypical movements in their real effective exchange rates during one or both of the periods under review.

3/ Excludes Poland and Romania, both of which experienced large and atypical movements in their real effective exchange rates during one or both of the periods under review.

4/ Excludes Bolivia, Guyana, and Nicaragua, all of which experienced large and atypical movements in their real effective exchange rates during one or both of the periods under review.

Table 16. Views on Exchange Rate Policies in Staff Reports
for Article IV Consultations Concluded in 1986

	Favor- able	Neutral	Mildly Critical	Strongly Critical	No Assess- ment	Total
All consultations	39	7	25	38	16	125
Of which: program countries	(14)	(1)	(5)	(--)	(7)	(27)
Distribution by country classification and exchange arrangement						
Industrial	11	1	5	--	--	17
Pegged <u>1/</u>	(8)	(--)	(2)	(--)	(--)	(10)
More flexible	(3)	(1)	(3)	(--)	(--)	(7)
Developing	28	6	20	38	16	108
Pegged <u>1/</u>	(16)	(3)	(10)	(34)	(16)	(79)
More flexible	(12)	(3)	(10)	(4)	(--)	(29)

Source: Exchange and Trade Relations Department.

1/ Includes category of "flexibility limited."

Table 17. Exchange Rate Policy Discussion in
Reports for Article IV Consultations in 1986

(In percent of total reports) 1/

	Industrial Countries	Developing Countries	All Countries
Coverage of analysis			
Balance of payments	94	86	87
Effective exchange rate index	100	90	91
Of which: nominal index only	(--)	(8)	(7)
General wage or cost developments	82	33	40
Profitability of major commodity or sector	29	34	34
Parallel exchange market developments	--	34	30
Restrictiveness of exchange and trade system	24	51	47
Other	59	20	26

Source: Exchange and Trade Relations Department.

1/ Based on reports for all consultations concluded in 1986.

IV. Monitoring of Exchange Rates and Exchange Arrangements

A basic element of surveillance is the monitoring of developments in exchange rates and exchange arrangements. This section describes the implementation of practices with respect to such monitoring in 1986.

1. Periodic reviews

Several standard periodic reports were issued in 1986 which provided information on members' exchange arrangements and on changes in these arrangements. The most comprehensive such report was the Annual Report on Exchange Arrangements and Exchange Restrictions. In addition, quarterly reports were prepared for the Executive Board summarizing developments in members' exchange arrangements, listing the latest classification of exchange arrangements and indicating changes in the exchange rates of members. Summary tables on exchange arrangements and on daily developments in exchange rates for the major currencies were also provided monthly in International Financial Statistics. Data on exchange rates for other countries were provided on individual country pages.

Other regular reports included monthly charts on exchange rates and related developments; (daily, weekly, and monthly) reports on developments in foreign exchange and financial markets; and quarterly reports on real effective exchange rates.

2. Information notice system

The information notice system was initiated in mid-1983 to monitor the real effective exchange rates of member countries. Real effective exchange rate indices are currently calculated for 128 currencies. ^{1/} For an additional 25 countries, price data either are not available or are not considered to be sufficiently reliable or timely to be used for calculations of real effective exchange rates. For these countries, real effective exchange rates are monitored at present on the basis of developments in nominal effective exchange rates and judgmental assessments of inflation relative to trading partners.

a. Information notices in 1986

Information notices are issued to the Executive Board when changes in a member's real effective exchange rate index exceed 10 percent since the last occasion on which the Board had an opportunity to consider the

^{1/} Effective exchange rates are not calculated for Democratic Kampuchea owing to a lack of sufficient information. Effective exchange rates are calculated for the currencies of two nonmembers (Hong Kong and Switzerland). Separate calculations are made for the currencies of the Netherlands and the Netherlands Antilles.

member's exchange rate policy. There were 53 information notices in 1986, compared with 30 in 1985 and 19 in 1984 (Tables 18 and 19). Although developing countries have accounted for most information notices, an increasing number of notices have been issued for industrial countries. There were six information notices for industrial countries in 1986, compared with five in 1985 and none in the preceding years.

The share of information notices reporting on depreciations in real effective terms was much larger in 1986 than in the previous year. Real effective depreciations led to the issuance of 41 of the 53 information notices in 1986, compared with only 10 of the 30 notices in 1985, including information notices for the currencies of two G-7 countries, Canada and the United States. In the case of smaller industrial and developing countries, the depreciations reflected factors discussed in the preceding section and which underlay the widespread pattern of real effective depreciation for the currencies of these countries since early 1985. In six cases, for currencies pegged either formally or in practice to the U.S. dollar, the depreciation reflected primarily the parallel depreciation of the U.S. dollar. The weakening U.S. dollar also contributed to the depreciation of the subject currencies in ten other cases in which the currency is pegged to a composite of other currencies (including the SDR); the relative stability or limited appreciation of these currencies vis-à-vis the U.S. dollar was not sufficient to offset the latter's depreciation relative to the currencies of the subject countries' trade partners. The depreciation of a reference currency (to which the subject currency is pegged or which has a large weight in the basket to which it is pegged) also was important in two other cases: the Malawi kwacha and the Western Samoan tala which were influenced, respectively, by the depreciations of the South African rand and the New Zealand dollar.

In other cases, the depreciations have reflected either market pressures on floating exchange rates or policy actions by the authorities to depreciate their currencies, typically both in real effective terms and also vis-à-vis the U.S. dollar. Downward pressures on a market-determined exchange rate were primarily responsible for the depreciation in real effective terms in 11 cases, several of which reflected the influence of capital outflows in response to unsettled political circumstances or uncertainty about the Government's ability to maintain an appropriately restrictive stance of policies. Action by the authorities to depreciate the exchange rate for their currency, either along with or also relative to the U.S. dollar, was a significant element of the depreciation in real effective terms in 10 cases, reflecting the implementation of policies to adjust to prevailing or emerging external payments imbalances.

Twelve information notices were issued for countries whose currencies had appreciated in real effective terms, including an information notice for the Japanese yen. In nine of the other cases, the appreciation was attributable mainly to domestic rates of inflation

higher than in trading partners which were not offset, at least sufficiently, by a depreciation of the exchange rate. One information notice was issued for a country (Gabon) whose currency is pegged to the French franc, and reflected mainly the appreciation of the nominal effective exchange rate owing to the strengthening of the franc relative to the currencies of some other important trading partners. Finally, an information notice was issued reporting on a temporary appreciation of the Zambian kwacha in response to intervention by the authorities to strengthen the auction-determined exchange rate for the kwacha.

b. Technical improvements to the
information notice system

As part of the continuing efforts to improve the operation and coverage of the information notice system, the issuance of information notices was initiated in 1986 for countries for which the lack of suitable monthly or quarterly price data had until then prevented the monitoring of real effective exchange rates. For those countries without appropriate price data and until such data become available, movements in real effective exchange rates relative to the 10 percent appreciation/depreciation thresholds are now monitored on the basis of developments in nominal effective exchange rate indices and judgmental assessments of inflation relative to trading partners.^{1/} In addition to the two information notices issued at the time of initiation of monitoring for these countries, changes in the exchange rates for these currencies in excess of 10 percent have since been notified to the Board in three cases: Mozambique, as part of the staff report for the Article IV consultation; Lao People's Democratic Republic and Viet Nam. In all of the five cases, the information notices stated explicitly that the estimates of the change in the real effective exchange rate included in the paper involved a considerable element of uncertainty owing to the lack of complete information on price developments. The estimated change in the real effective exchange rate index giving rise to the information notice was estimated to have been 15 percent or more for each of the five countries. Judgments concerning inflation typically reflected, in particular, the earlier experience in each country and price projections prepared on the occasion of the most recent consultation, adjusted as needed in light of available information on more recent developments.

^{1/} For a more complete discussion of the extension of monitoring to countries without appropriate price data, see "Information Notice System--Extension of Monitoring to Countries Without Monthly or Quarterly Price Data and Information Notices for Djibouti and the United Arab Emirates" (EBS/86/197, 8/22/86).

A second major innovation has been the introduction in September 1986, for some industrial countries and for developing countries, of an extensively revised and expanded weighting scheme. ^{1/} The new weighting scheme takes into account both bilateral trade and third-country competition for trade in manufactures as well as primary products (excluding energy). The weights are based on trade flows for the three-year period 1980-82. The new weights are thus much more comprehensive in coverage than those used previously, which were based mainly on bilateral non-oil trade flows in 1980. In general, the real effective exchange rate indices based on the revised weighting scheme did not differ significantly from those based on the weights used previously. However, for some countries, some wider differences were apparent between the estimates of nominal effective exchange rates based on the two weighting schemes, primarily because of differences in the weights attached to certain trading partners/competitors with high rates of inflation and commensurate rates of exchange rate depreciation. Revisions of the weights attached to these latter countries, which maintained relatively stable real exchange rates despite high rates of inflation, affected the estimates of effective exchange rates for their trading partners substantially more in nominal than in real terms.

c. Data used in the calculation of
effective exchange rate indices

A detailed description of the data used in the calculation of effective exchange rate indices for the purposes of the Information Notice System is provided in Table 20.

The first column indicates which of the two weighting schemes is used for each country. The weighting schemes are indicated by "I" and "II". Weighting scheme I is used for the 17 industrial countries for which real effective exchange rates are monitored on the basis of movements in exchange rates and normalized unit labor costs. The weights for each country reflect the relative importance of each of the other 16 industrial countries as trade partners and competitors in third markets. Weighting scheme II, which was described in the preceding section, applies to all other countries. Cases in which tourist or other service receipts are also taken into account are indicated by addition of the annotation (t) next to the symbol for the weighting scheme.

The price/cost index used in the calculations is described in the next three columns. For 16 industrial country members, plus Switzerland, the index of cost (indicated by "NULC") is the index of normalized unit labor costs which is the basis of the relative cost comparisons for manufacturing in International Financial Statistics (line 65 umc 110).

^{1/} For a complete description of the new weighting scheme, see the most recent quarterly report on "Indicators of Real Effective Exchange Rates" (EBS/86/278, 12/18/86).

For other countries, the standard price series is the consumer price index which appears as line 64 in the country pages of International Financial Statistics. With the exception of Bolivia, for which no stable seasonal pattern of prices is apparent, the price data are seasonally adjusted for purposes of the calculations. In a few cases, where the standard price series is not available or has been judged to be less appropriate than another available price index, the alternative index is used. For instance, in the case of Brazil, the general price index, a composite of wholesale, building materials, and consumer prices, is utilized. For the Central African Republic, Costa Rica, and India, use is made of the wholesale price index, which is considered more representative of domestic cost/price developments.

Qualifications to the price indices (e.g., limited coverage or out-of-date weighting scheme) which need to be taken into account in interpreting developments are indicated in Appendix 3 of International Financial Statistics; Supplement on Price Statistics. An updated version of this supplement is in preparation and is expected to be published in the next few weeks. The frequency of the price data series is indicated in Table 20 as follows: "M" indicates that the series is monthly, and "Q" that it is quarterly. The lag (in number of periods) in availability of data is indicated for the most recent update of the calculations, which extended the series through November 1986. Where up-to-date official data are not available, the consumer price series is extended by staff estimates or by extrapolation of the seasonally adjusted rate of inflation, based on the latest six-month period for which data are available.

The last column describes the nominal exchange rate used in the calculations. The standard nominal exchange rate is the Data Fund Series "ah." Letters denote the use of alternative nominal exchange rates as follows: (a) a composite (weighted average) rate is currently used to take into account the existence of a multiple exchange rate system; (b) a composite rate is used for certain past periods when multiple exchange rates were in effect.

3. Monitoring of exchange rate and restrictive system policies in member countries

As in 1985, the widespread need for adjustment of exchange rate policies in 1986 was reflected in the fact that there were 41 notifications to the Executive Board of changes in exchange arrangements (of which 34 related to discrete changes in exchange rates), in accordance with Article IV, Section 2(a), and 24 notifications of changes in restrictive exchange systems in accordance with Article VIII, Section 5(xi). The corresponding figures for 1985 were 48 and 27, respectively.

a. Notification of changes in exchange arrangements

As noted in SM/82/44 "Exchange Arrangements Maintained by Members" and the subsequent annual surveillance reviews, about one fifth of the changes in exchange arrangements notified to the Fund by members and reported to the Executive Board in separate papers have generally resulted in a change in the classification of the arrangements according to the degree of their flexibility. The remainder have normally dealt with changes in the exchange rate vis-à-vis the peg or intervention currency, or other changes in arrangements not leading to reclassification. In 1986, the pattern of notifications of changes in exchange arrangements was similar. Of the total of 41 changes notified in 1986 (Table 21), 6 resulted in a change in the classification of the member's exchange arrangement, including 2 instances of discrete changes in exchange rates in combination with the change in classification. Thirty-two notifications represented discrete changes in members' exchange rates which did not entail a change in the classification of the arrangement. In addition there were two notifications describing changes in the currency baskets used in determining exchange rates and one notification of the exchange arrangement for a new member.

Four of the six changes in the classification of members' exchange arrangements in 1986 represented a continuation of the trend noted in recent years toward greater flexibility in members' exchange arrangements. Three developing countries adopted independently floating exchange rates and, concurrently, liberalized their exchange and trade systems. In addition, one member changed its peg from the U.S. dollar to the SDR. The two changes toward reduced flexibility resulted from a move to a U.S. dollar peg from the SDR in one instance, and to the U.S. dollar from independently floating arrangements in the other. ^{1/}

As of the end of 1986, 30 percent of Fund members were maintaining more flexible arrangements, compared with 27 percent at end-1981, when the present classification (which includes the category "Limited Flexibility in Terms of a Single Currency" that had been grouped with more flexible arrangements) was adopted. Over the same period, the number of members with "Independently Floating" arrangements increased from 7 percent to 13 percent of the total membership.

Of the 34 discrete changes in exchange rates notified to the Executive Board in 1986, all but 14 involved nominal depreciations; the remaining cases involved the adjustment of bilateral central rates by

^{1/} Bringing the total number of developing country members with exchange rates classified as "independently floating" to 13 as of the end of 1986. A staff paper, "Recent Experience of Developing Countries with Floating Exchange Rate Systems" (SM/86/114) was issued in May 1986, reviewing the experience since 1982 with exchange rate flexibility in certain developing countries, and, in particular, the technical aspects of the auction and interbank markets.

Belgium and Luxembourg, Denmark, France, the Federal Republic of Germany, Ireland, Italy and the Netherlands in two separate realignments of the European Monetary System.

b. Notification of changes in exchange systems

Closely related to developments in members' exchange rates are changes in their system of exchange control and multiple exchange rates as these latter measures in members' exchange system practices frequently substitute for adjustment of the exchange rate. Communications from members dealing with significant actions affecting exchange controls (not otherwise reported within a brief interval in consultations or use of Fund resources reports) are notified separately to the Board. In 1986, 24 such papers were issued informing the Executive Board of changes in members' exchange and payments systems, of which 2 were included in notifications described above of changes in exchange arrangements (Table 22).

c. Format and content of notifications

In the documentation transmitting the changes in exchange arrangements and exchange systems to the Executive Board, the staff continued to clarify and to give context to the measures. In virtually all of the notification papers in 1986, the staff paper included an appraisal of the measure, in the light of the views of the Fund on the member's policies expressed at the time of the latest Article IV consultation discussion with the member. In the few instances in which no appraisal was explicitly stated, the staff paper pointed out that discussion of the same measure was to be taken up shortly in the broader context of a consultation report in preparation at the time.

Table 18. Information Notices Issued, 1983-86

	1983	1984	1985	1986
Total	<u>6</u>	<u>19</u>	<u>30</u>	<u>53</u> 1/
Distribution by country classification				
Industrial countries	--	--	5	6
G-10	(--)	(--)	(3)	(3)
Non-G-10	(--)	(--)	(2)	(3)
Developing countries	6	19	25	47
Distribution by exchange arrangement				
Pegged				
To a single currency or the SDR	3	11	15	14
To a currency composite	1	2	2	10
Flexibility limited				
Single currency	--	--	--	3
Cooperative arrangements	--	--	--	--
More flexible				
Adjusted according to indicators	1	1	--	2
Managed floating	1	4	2	9
Independently floating	--	1	11	15

Source: Exchange and Trade Relations Department.

1/ Includes information notices issued in the form of a staff statement or as part of staff reports or other documents prepared for the Executive Board. Two information notices were issued for New Zealand, Nicaragua, Nigeria, Pakistan, Peru, and South Africa in 1986. See Table 19.

Table 19. Information Notices Issued in 1986

Country	Document No.	Date Issued
Australia	EBS/86/213	September 11
Bahrain	EBS/86/178	August 6
Bolivia	EBS/86/52	March 4
Canada	SM/86/1, Supplement 1	February 13
Chile	EBS/86/20	January 30
Colombia	EBS/86/5	January 13
Djibouti	EBS/86/197	August 22
El Salvador	EBS/86/232	October 14
Ethiopia	SM/86/174	July 16
Gabon	SM/86/73, Supplement 1	June 16
Gambia, The	EBS/86/158	July 21
India	EBS/86/90	April 23
Indonesia	EBS/86/31	February 7
Japan	SM/86/24, Supplement 1	March 6
Jordan	SM/86/206	August 19
Kuwait	SM/86/105	May 16
Lao PDR	EBS/86/272	December 2
Liberia	EBS/86/60	March 13
Malawi	EBS/86/123	June 10
Malaysia	EBS/86/88	April 22
Mexico	EBS/86/129	June 17
Mozambique	SM/86/259	October 21
New Zealand	EBS/86/84	April 21
New Zealand	EBS/86/279	December 18
Nicaragua	EBS/86/75 <u>1/</u>	March 31
Nicaragua	EBS/86/206	September 3
Nigeria	EBS/86/11	January 17
Nigeria	SM/86/137	June 13
Pakistan	EBS/86/10	January 17
Pakistan	EBS/86/254	November 19
Peru	EBS/86/61	March 13
Peru	EBS/86/228 <u>1/</u>	October 7
Philippines	EBS/86/89	April 22
Saudi Arabia	EBS/86/58	March 11
Seychelles	EBS/86/135	June 25
Sierra Leone	EBS/86/115	May 29
Singapore	EBS/86/78	April 10
Solomon Islands	EBS/86/140	June 26
South Africa	EBS/86/51	March 4
South Africa	SM/86/185, Supplement 1	September 9
Sri Lanka	EBS/86/59	March 11
Sudan	<u>2/</u>	March 12
Swaziland	EBS/86/6	January 15
Tanzania	EBS/86/170 <u>3/</u>	July 31
Thailand	EBS/86/94	April 28
Tunisia	EBS/86/244	November 3
Turkey	EBS/86/125	June 10
Uganda	EBS/86/35	February 19
United Arab Emirates	EBS/86/197	August 22
United States	EBS/86/66	March 19
Viet Nam	EBS/86/273 <u>3/</u>	December 2
Western Samoa	SM/86/25, Supplement 1	February 27
Zambia	EBS/86/259	November 21

Source: Exchange and Trade Relations Department.

1/ Also Notification of Exchange System.

2/ Staff statement at EBM/86/45

3/ Also Notification of Exchange Arrangement.

Table 20. Description of Data Used in the Calculation of Effective Exchange Rates Used in Information Notice System 1/

Weighting Scheme		Price Index 2/ Type Frequency Data Lag 3/ (Periods)			Nominal Exchange Rate
African Department					
Algeria	II	--			
Benin	II	--			
Botswana	II	--	M	--	
Burkina Faso	II		M	4	
Burundi	II		M	3	
Cameroon	II		M	4	
Cape Verde	II	--			
Central African Rep.	II	WPI	M	2	
Chad	II	--			
Comoros	II	--			
Congo	II		M	4	
Cote d'Ivoire	II		M	4	
Djibouti	II	--			
Equatorial Guinea	II	--			
Ethiopia	II		M	5	
Gabon	II		M	3	
Gambia, The	II		M	5	
Ghana	II		M	1	a
Guinea	II	--			
Guinea-Bissau	II	--			
Kenya	II		M	2	
Lesotho	II		Q	2	
Liberia	II		M	3	
Madagascar	II		M	2	
Malawi	II	<u>4/</u>	M	6	
Mali	II		M	4	
Mauritania	II		M	11	
Mauritius	II		M	2	
Morocco	II(t)		M	2	
Mozambique	II(t)	--			
Niger	II		M	2	
Nigeria	II		M	3	
Rwanda	II		M	3	
Sao Tome & Principe	II	--			
Senegal	II		M	1	
Seychelles	II(t)		M	2	
Sierra Leone	II		M	--	
Somalia	II		M	2	a
Swaziland	II		M	4	
Tanzania	II		Q	1	
Togo	II		M	3	
Tunisia	II(t)		M	1	
Uganda	II		M	2	b
Zaire	II		M	2	
Zambia	II		M	2	
Zimbabwe	II	<u>4/</u>	M	4	
Asian Department					
Bangladesh	II		M	1	
Bhutan	II	--			
Burma	II		M	3	
China, Peoples Rep.	II		M <u>5/</u>	2	
Fiji	II(t)		M	1	
India	II	WPI	M	1	
Indonesia	II		M	--	
Japan	I	NULC	M	1	
Kampuchea, Dem.	--	--			--
Kiribati	II		Q	2	
Korea	II		M	--	
Lao P.D.R.	II	--			
Malaysia	II		M	1	

Table 20 (continued). Description of Data Used in the Calculation of Effective Exchange Rates Used in Information Notice System 1/

Weighting Scheme		Price Index 2/			Nominal Exchange Rate
		Type	Frequency	Data Lag 3/ (Periods)	
Asian Department (Cont.)					
Maldives	II	--			b
Nepal	II		M	1	
Papua New Guinea	II		Q	1	
Philippines	II		M	--	
Singapore	II		M	1	
Solomon Islands	II		M	4	
Sri Lanka	II		M	1	
Thailand	II		M	1	
Tonga	II		Q	1	
Vanuatu	II		Q	1	
Vietnam	II	--			
Western Samoa	II		M	1	
European Department					
Australia	II		Q	1	
Austria	I	NULC	M	1	
Belgium	I	NULC	M	--	
Cyprus	II		M	1	
Denmark	I	NULC	M	1	
Finland	I	NULC	M	--	
France	I	NULC	M	--	
Germany	I	NULC	M	--	
Greece	II		M	--	
Hungary	II 6/		M	1	
Iceland	II		M	--	
Ireland	I	NULC	M	2	
Israel	II		M	--	
Italy	I	NULC	M	--	
Luxembourg	II		M	1	
Malta	II		M	1	
Netherlands	I	NULC	M	--	
Netherlands Antilles	II(t)		M	5	
New Zealand	II		Q	1	
Norway	I	NULC	M	--	
Poland	II 6/		Q	2	
Portugal	II		M	1	
Romania	II 6/		M 7/	--	
South Africa	II		M	1	
Spain	I	NULC	M	--	
Sweden	I	NULC	M	--	
Turkey	II		M	--	
United Kingdom	I	NULC	M	--	
Yugoslavia	II		M	--	
Hong Kong	II		M	1	
Switzerland	I	NULC	M	1	
Middle Eastern Department					
Afghanistan	II	--			a
Bahrain	II		M	11	
Egypt	II		M	--	
Iran, Islamic Rep. of	II		M	3	
Iraq	II	--			
Jordan	II		M	3	
Kuwait	II		M	5	
Lebanon	II	--			
Libya	II	--			
Oman	II	--			
Pakistan	II		M	2	
Qatar	II	--			

Table 20 (concluded). Description of Data Used in the Calculation of Effective Exchange Rates Used in Information Notice System 1/

	Weighting Scheme	Price Index 2/			Nominal Exchange Rate
		Type	Frequency	Data Lag 3/ (Periods)	
Middle Eastern Department (Cont.)					
Saudi Arabia	II		M	3	
Sudan	II		M	9	a
Syrian Arab Republic	II	—			
United Arab Emirates	II	--			
Yemen, Arab Republic	II	--			
Yemen, P.D. Republic	II	--			
Western Hemisphere Department					
Antigua and Barbuda	II(t)		M	2	
Argentina	II		M	--	
Bahamas	II(t)		M	1	
Barbados	II(t)		M	2	
Belize	II		Q	—	
Bolivia	II	8/	M	--	
Brazil	II	GPI	M	—	
Canada	I	NULC	M	--	
Chile	II		M	—	
Colombia	II		M	--	
Costa Rica	II	WPI	M	1	
Dominica	II(t)		M	1	
Dominican Republic	II		M	2	b
Ecuador	II		M	--	b
El Salvador	II		M	--	a
Grenada	II(t)		M	--	
Guatemala	II		M	--	a
Guyana	II	9/	M	--	
Haiti	II		M	2	
Honduras	II		M	1	
Jamaica	II		M	1	b
Mexico	II		M	1	
Nicaragua	II		M	--	a
Panama	II		M	4	
Paraguay	II		M	--	a
Peru	II		M	1	
St. Christopher & Nevis	II(t)		M	1	
St. Lucia	II(t)		M	--	
St. Vincent	II(t)		M	—	
Suriname	II		M	5	
Trinidad & Tobago	II		M	--	a
United States	I	NULC	M	--	
Uruguay	II		M	--	
Venezuela	II		M	1	a

Source: Information Notice System.

1/ See the text for an explanation of the symbols used in the table.

2/ Consumer price index, unless otherwise indicated. Qualifications that need to be taken into account in interpreting developments are indicated in Appendix 3 of International Financial Statistics; Supplement on Price Statistics.

3/ Lag in currentness of official price data at time of November 1986 information notice system update for which extrapolation or staff estimates were necessary to extend the series to November 1986 (as of 12/20/86).

4/ Price index is composite of various local indices for differing income groups.

5/ Staff estimates based on available data, which indicate changes from corresponding month of previous year.

6/ Trade in manufactured goods with CMEA countries is excluded.

7/ The official price index only changes in January of each year, so monthly data for the remainder of the year are the same as the January figure.

8/ Price index is not seasonally adjusted as no stable seasonal pattern exists.

9/ Official CPI has been discontinued. Staff estimates are used since 1/83.

Table 21. Notifications of Exchange Arrangements
Issued in 1986

Country	Report Number	Date
Belgium	EBD/86/104	April 9
Belgium	EBD/86/214	August 5
Botswana	EBS/86/45	February 27
Denmark	EBD/86/102	April 9
Denmark	EBD/86/216	August 5
El Salvador <u>1/</u>	EBD/86/67	March 11
France	EBD/86/99	April 8
France	EBD/86/221	August 6
Germany	EBD/86/97	April 8
Germany	EBD/86/218	August 6
Ghana	EBD/86/15	January 21
Guatemala <u>1/</u>	EBD/86/194	July 11
Guinea	EBD/86/86	March 19
Hungary	EBD/86/59	March 4
Hungary	EBD/86/72	March 14
Hungary	EBD/86/257	September 26
Hungary	EBD/86/265	October 6
Indonesia	EBS/86/219	September 15
Ireland	EBD/86/109	April 11
Ireland	EBD/86/213 & Sup. 1	August 5
Israel	EBD/86/225	August 12
Italy	EBD/86/103	April 9
Italy	EBD/86/222	August 7
Kenya	EBD/86/89	March 28
Libyan Arab Republic	EBD/86/74	March 28
Libyan Arab Republic	EBD/86/141	May 9
Malawi	EBS/86/202	August 25
Netherlands	EBD/86/106	April 9
Netherlands	EBD/86/215	August 5
Nigeria	EBS/86/235	October 20
Oman	EBS/86/27	February 4
Poland	EBS/86/152	July 15
Poland	EBD/86/248	September 12
Romania	EBS/86/77	April 4
Romania	EBS/86/153	July 15
Sierra Leone	EBD/86/201	July 22
Tanzania <u>2/</u>	EBS/86/170	July 31
Vanuatu	EBD/86/42	February 14
Vanuatu	EBS/86/241	October 30
Viet Nam <u>2/</u>	EBS/86/273	December 2
Yemen Arab Republic	EBD/86/8	January 15

Source: Exchange and Trade Relations Department.

1/ Also Notification of Exchange System

2/ Also Information Notice.

Table 22. Notification of Exchange System Changes
Issued in 1986

Country	Report Number	Date
Brazil <u>1/</u>	EBD/86/57	March 3
China <u>2/</u>	EBD/86/191	July 8
Dominican Republic	EBS/86/141	July 1
Ecuador	EBS/86/48	February 28
El Salvador <u>3/</u>	EBD/86/67	March 14
France	EBD/86/25	January 25
France	EBD/86/115 & Sups. 1,2	April 18
France	EBD/86/146	May 13
France	EBD/86/314	December 3
Ghana	EBS/86/224 & Sup. 1	October 14
Guatemala <u>3/</u>	EBD/86/194	July 11
Italy <u>4/</u>	EBD/86/21	January 24
Italy	EBD/86/114	April 17
Italy	EBD/86/226	August 12
Netherlands-Aruba <u>5/</u>	EBD/86/24	January 26
Nicaragua <u>6/</u>	EBS/86/75	March 31
Norway	EBD/86/145	May 12
Paraguay	SM/86/219 & Sup. 1	October 7
Peru <u>6/</u>	EBS/86/228	October 7
Trinidad and Tobago	EBS/86/1	January 3
Uganda	EBD/86/218	September 15
United States <u>7/</u>	EBS/86/9	January 16
United States <u>7/</u>	EBS/86/21	January 29
Venezuela	EBD/86/7	January 14

Source: Exchange and Trade Relations Department.

- 1/ Financial measures.
- 2/ Exchange rate.
- 3/ Also Notification of Exchange Arrangements.
- 4/ Also credit measures.
- 5/ Separate status and new monetary unit.
- 6/ Also Information Notice.
- 7/ United States sanctions against Libya under Executive Board Decision No. 144.

V. Coverage of Selected Surveillance Topics
in the General Work of the Fund During 1986

Issues related to surveillance were the subject of a number of staff papers and Board discussions during 1986. Apart from the staff reports and Board discussions concluding Article IV consultations with individual members, the most important of these were the biennial review of the guidelines for surveillance and 1986 annual review of the implementation of surveillance [A:1], ^{1/} the examination of a number of proposals for strengthening Fund surveillance with a view toward improving the functioning of the international monetary system [A:2-A:6], and the semiannual discussions of the World Economic Outlook in March and September [B:1; B:2].

Several proposals for strengthening Fund surveillance had been suggested during 1985 in the reports of the Group of Ten and Group of 24 on the functioning of the international monetary system, which were referred to the Board by the Interim Committee for analysis and discussion [A:2; A:3]. In its review of the system of floating exchange rates, the Board noted that while under present circumstances a return to a fixed exchange rate system would be impractical and undesirable, the floating system had not functioned without problems. The discussion of ways to improve the functioning of the system focused on the desirability of enhancing the consistency and coordination of economic policies, particularly among the major industrial countries, and examined the possible contribution of exchange rate target zones or other economic indicators. Following the Tokyo Economic Summit proposal for the use of economic indicators to strengthen multilateral surveillance among the largest industrial countries [A:4], the Board discussed a staff paper on methods for the construction and use of such indicators [A:5]. A further paper was discussed in January 1987, which reviewed early steps in the implementation of indicators and discussed means to further enhance their use [A:6].

Results of the preceding discussions were reflected in the staff papers and Board discussions of the September World Economic Outlook [B:2]. Also, in addition to the usual documentation, supplementary background papers were prepared for the March WEO discussion on employment behavior in industrial and developing countries, the velocity of money and monetary targeting, the effects of exchange rate changes in industrial countries, and the transmission of influences from industrial to developing countries [B:1].

Several issues relevant to the choice and implementation by members of exchange rate systems or policies were also examined in two papers which reviewed and evaluated the experience of developing countries which have adopted floating exchange rate systems [E:1] and participation in a monetary union [E:2].

^{1/} References in brackets are to items listed in Table 23.

The international debt situation was the focus of several related Board discussions during 1986, which also dealt specifically with prospects for enhancing the international debt strategy along the lines originally proposed by United States Treasury Secretary Baker at the October 1985 Annual Meetings in Seoul. External debt issues were considered in March on the basis of staff papers examining various aspects of the implementation of the debt strategy, with particular emphasis on Fund-World Bank collaboration to support growth-oriented structural adjustment programs and on the role of various private and official sources of external financing [C:1]. At that time, Directors expressed disappointment that greater progress had not been made in lowering debt ratios and in reviving growth, and reiterated their support for the Baker initiative. In that context, they agreed that policies in indebted countries designed to achieve adjustment in a growth-oriented framework remained essential for the success of the debt strategy, as did appropriate economic, financial, and trade policies in creditor countries. Directors stressed the need for increased bilateral and multilateral official financing, particularly for poorer countries whose prospects do not justify additional borrowing on commercial terms, and expressed concern about unsatisfactory levels of recent lending by commercial banks. The importance of the Fund's continued role as a financial catalyst for countries carrying out sound policies was stressed, as was the importance of Fund-Bank collaboration in the design of comprehensive growth-oriented adjustment programs and the coordination of financing in support of those programs.

These issues were taken up again in the September discussion of developments in international capital markets, on the basis of the annual staff paper "International Capital Markets: Developments and Prospects, 1986" as well as supporting papers on recent experience with multilateral official debt rescheduling, multilateral development banks, and export credits [C:3]. Directors expressed concern that claims by commercial banks in heavily indebted countries had declined in 1985-86, and emphasized that banks must take responsibility for their contribution to the debt strategy, noting the substantial contribution that had been made already by the growth of officially supported export credits and official reschedulings, as well as the recent increase in policy-based lending by multilateral development banks. Directors noted that enhanced surveillance by the Fund could facilitate a return to credit markets only when countries were implementing sound policies and when creditors were vigilant in assessing those policies.

The Executive Board also discussed a series of papers on the role of the SDR in the international monetary system and the possibility of an allocation of SDRs [G:1-G:7]. A review of the implications for the role of the SDR of the many changes which have intervened since the early 1970s (including the suspension of convertibility of the U.S. dollar into gold, the advent of greater exchange rate flexibility and the emergence of a multiple currency reserve system, and the expansion and integration of world capital markets) provided background to the discussion. While it was agreed that these developments had

rendered obsolete one of the three major original roles of the SDR--shoring up confidence in the convertibility of the U.S. dollar--views differed on the implications for the other two roles--moderating perceived asymmetries in the reserve currency system and alleviating a shortage of international liquidity. Subsequent discussions focused both on the possibility that additional SDR allocations could increase the stability of a system based increasingly on borrowed reserves and using a diverse and potentially changing mix of reserve currencies, and the possibility that such allocations could increase inflationary pressures and weaken the adjustment process [G:2; G:3; G:7]. No consensus was reached in these discussions that a long-term global need to supplement international liquidity existed. The Board also considered specific proposals for the voluntary transfer of newly-allocated SDRs received by countries with strong reserve positions to countries with weak reserve positions [G:5], and issues relating to the attractiveness of holding SDRs as a reserve asset and the transfer of resources through the SDR system [G:6]. A further paper examining the concept of the long-term global need to supplement international reserves was discussed in early 1987 [G:8].

In April, the Board reviewed issues relating to statistics collected by the Fund [D:2], and during the year it also received reports from the Working Group on the Statistical Discrepancy in the Balance of Payments Accounts [D:1] and the International Compilers' Working Group on External Debt Statistics [D:3].

Table 23. Coverage of Selected Surveillance Topics in 1986

Executive Board Meeting		Document	Document Number	Date Issued
Number	Date			
A. Surveillance--General				
1.	EBM/86/29 2/19/86 EBM/86/30 2/19/86	a. Biennial Review of 1977 Document b. Annual Review of Surveillance and Review of Proposals for Changes in Procedures c. Annual Review--Background Material d. Chairman's Summing Up	SM/86/3 SM/86/4 SM/86/4 Supp. 1 SUR/86/16	1/10/86 1/10/86 1/28/86 2/24/86
2.	EBM/86/13 1/27/86	Functioning of the International Monetary System--Proposals in the G-10 and G-24 Reports--Their Inter-relations and Plans for Examining Them	SM/85/335	12/19/85
3.	EBM/86/25 2/12/86 EBM/86/26 2/12/86	a. Review and Assessment of the System of Floating Exchange Rates b. Target Zones c. Chairman's Concluding Remarks	SM/86/5 SM/86/6 Buff 86/31	1/10/86 1/10/86 2/19/86
4.	-- --	1986 Economic Summit--Tokyo Economic Declaration	EBD/86/136	5/6/86
5.	EBM/86/114 7/14/86 EBM/86/115 7/14/86	a. Indicators Relating to Policy Actions and Economic Performance b. Chairman's Concluding Remarks	EBS/86/127 SUR/86/77	6/12/86 8/1/86
6.	EBM/87/8 1/14/87 EBM/87/9	a. Enhancing the Use of Indicators as a Tool for Surveillance b. Chairman's Summing Up	EBS/86/282	12/18/86
B. World Economic Outlook				
1.	EBM/86/49 3/21/86 EBM/86/50 3/21/86 EBM/86/51 3/24/86	a. The World Economy to 1991--General Survey b. The World Economy to 1991--General Survey--Additional Information c. World Economic Outlook: Prospects in the World Economy d. World Economic Outlook: Policy Interactions in Industrial Countries e. World Economic Outlook: Statistical Appendix f. World Economic Outlook: Supplementary Notes g. World Economic Outlook: Staff Studies and Publication Schedule h. World Economic Outlook: Staff Studies--Differences in Employment Behavior Among Industrial Countries i. World Economic Outlook: Staff Studies--Labor Markets, External Developments, and Unemployment in Developing Countries j. World Economic Outlook: Staff Studies--The Velocity of Money and the Practice of Monetary Targetting k. World Economic Outlook: Staff Studies--The Effects of Exchange Rate Changes in Industrial Countries l. World Economic Outlook: Staff Studies--The Transmission of Influences from Industrial to Developing Countries m. Chairman's Summing Up	EBS/86/42 EBS/86/42 Supp. 1 SM/86/45 SM/86/46 SM/86/47 SM/86/48 SM/86/49 SM/86/49 Supp. 1 SM/86/49 Supp. 2 SM/86/49 Supp. 3 SM/86/49 Supp. 4 SM/86/49 Supp. 5 SUR/86/37	2/28/86 7/29/86 2/28/86 2/28/86 2/28/86 3/3/86 3/5/86 3/5/86 3/5/86 3/5/86 3/5/86 3/6/86 3/6/86 3/7/86 5/1/86
2.	EBM/86/152 9/10/86 EBM/86/153 9/10/86 EBM/86/154 9/12/86 EBM/86/155 9/12/86	a. World Economic Outlook--Developments, Prospects and Policy Issues b. Statistical Appendix c. Chairman's Summing Up	EBS/86/196 SM/86/207 SUR/86/94	8/20/86 8/20/86 9/12/86
C. External Debt and International Capital Markets				
1.	EBM/86/51 3/24/86 EBM/86/52 3/24/86 EBM/86/53 3/25/86	a. The Debt Situation--Prospects and Policy Issues b. Fund-Bank Collaboration--Developments in 1985 c. Implementing the Debt Strategy: Financing Issues d. Implementing the Debt Strategy: Financing Issues--Conversion of External Debt to Equity and Liquidation of Loan Claims at a Discount e. Export Credits--Developments and Prospects f. Export Credits--Supplement on Recent Developments g. Chairman's Summing Up	EBS/86/43 SM/86/40 EBS/86/41 EBS/86/41 SM/86/10 SM/86/10 Supp. 1 Buff 86/60	2/28/86 2/25/86 2/24/86 3/21/86 1/14/86 3/20/86 3/27/86

Table 23 (Continued). Coverage of Selected Surveillance Topics in 1986

Executive Board Meeting		Document	Document Number	Date Issued
Number	Date			
2. --	--	The Debt Situation--Differences Between Financing Requirements for Heavily Indebted Countries Projected by the Fund and the World Bank	EBS/86/43 Supp. 1	4/7/86
3. EBM/86/143	9/3/86	a. International Capital Markets: Developments and Prospects, 1986	SM/86/193	8/5/86
EBM/86/144	9/3/86	b. Recent Experience with Multilateral Official Debt Rescheduling	SM/86/194	8/7/86
		c. International Capital Markets--Recent Developments, 1986	SM/86/201	8/14/86
		d. International Capital Markets--Recent Developments, 1986	SM/86/201 Supp. 1	8/14/86
		e. Multilateral Development Banks--Recent Activities	SM/86/208	8/20/86
		f. Export Credit Developments, 1984-85	SM/86/223	8/26/86
		g. Chairman's Summing Up	SUR/86/90	9/10/86
D. Statistical Issues				
1. --	--	Interim Report of the Working Party on the Statistical Discrepancy in World Balance of Payments Accounts	SM/86/7	1/13/86
2. EBM/86/65	4/18/86	a. Review of Fund Statistics	SM/86/55	3/11/86
		b. Acting Chairman's Concluding Remarks	Buff 86/76	4/28/86
3. --	--	International Compilers' Working Group on External Debt Statistics--A Progress Report	SM/86/276	11/11/86
E. Exchange Rate Policies				
1. --	--	Recent Experience of Developing Countries with Floating Exchange Rate Systems	SM/86/114	5/28/86
2. --	--	Study on "Evaluating Participation in an African Monetary Union: A Statistical Analysis of the CFA Zone"	EBD/86/303	11/20/86
F. Consultation Procedures				
1. --	--	Frequency of Article IV Consultations--Semiannual Report	SM/86/210	8/20/86
G. International Reserves				
1. EBM/86/18	1/31/86	Implications of Changes in the International Monetary System for the Role of the SDR	SM/85/340	12/27/85
EBM/86/19	2/3/86			
2. EBM/86/35	2/26/86	a. The Potential Contribution of the SDR to Economic Stability	SM/86/17	1/29/86
EBM/86/36	2/26/86	b. A Comparative Analysis of the Functioning of the SDR and the ECU	SM/86/20	2/3/86
		c. A Comparative Analysis of the Functioning of the SDR and the ECU--Supplementary Information	SM/86/20 Supp. 1	2/24/86
		d. Chairman's Summing Up	Buff 86/42	3/3/86
3. EBM/86/54	3/25/86	a. Allocation of SDRs--Consideration in Light of Recent Developments	SM/86/44	2/26/86
		b. Chairman's Summing Up	Buff 86/62	3/28/86
4. EBM/86/104	6/27/86	a. Report by the Managing Director to the Board of Governors and to the Executive Board Pursuant to Article XVIII, Section 4(c)	SM/86/146	6/19/86
		b. Report by the Managing Director to the Board of Governors and to the Executive Board Pursuant to Article XVIII, Section 4(c)	SM/86/146 Supp. 1	6/30/86

Table 23 (Concluded).. Coverage of Selected Surveillance Topics in 1986

Executive Board Meeting		Document	Document Number	Date Issued
Number	Date			
5.	EBM/86/125 7/30/86	a. Proposals for Post-Allocation Adjustment in the Distribution of SDRs b. Chairman's Summing Up	SM/86/154 Buff 86/159	6/27/86 8/8/86
6.	EBM/86/128 8/4/86 EBM/86/129 8/4/86	a. Consideration of Alternative Approaches to Influencing the Share of SDRs in Members' International Reserves b. The Development of Voluntary Transfers of SDRs Among Participants and Prescribed Holders c. Chairman's Concluding Remarks	SM/86/169 SM/86/142 Buff 86/160	7/9/86 6/18/86 8/11/86
7.	EBM/86/145 9/4/86	a. Considerations Relating to Allocations of SDRs in the Fifth Basic Period b. Chairman's Summing Up	SM/86/198 Buff 86/179	8/8/86 9/12/86
8.	EBM/87/6 1/12/87	Concept of Long-Term Global Need for Reserve Supplementation in the Current Context	SM/86/302	12/17/86
H.	Periodic Documentation			
1.	-- --	Charts on Exchange Market Developments	(monthly)	
2.	-- --	Foreign Exchange and Financial Markets <u>1/</u>	(monthly)	
3.	-- --	Indicators of Real Effective Exchange Rates	(quarterly)	
4.	-- --	Exchange Rate Arrangements Maintained by Members	(quarterly)	
5.	-- --	International Banking Activity	(quarterly)	
6.	-- --	Annual Report on Exchange Arrangements and Exchange Restrictions	(annual)	
7.	-- --	Annual Report	(annual)	

Source: Exchange and Trade Relations Department.

1/ In addition, the Treasurer's Department issues weekly and daily reports on foreign exchange and financial markets.

Table 24. Executive Board Documents Issued in 1986
Providing Information on Specific Policy Measures and Economic Developments

Country	Document	Document Number	Date Issued
Brazil	Financial Measures	EBD/86/57	3/3/86
France	Economic and Financial Action Program	EBD/86/115	4/18/86
France	Liberalization of Exchange Controls and Monetary Policy for 1987	EBD/86/314	12/3/86
Germany	Monetary Measures	EBD/86/62	3/6/86
Germany	Monetary Measures	EBD/86/184	7/7/86
Germany	Monetary Measures	EBD/86/334	12/22/86
Italy	Foreign Exchange and Credit Measures	EBD/86/21	1/24/86
Italy	Recent Monetary Measures	EBD/86/88	3/27/86
Italy	Recent Monetary Measures	EBD/86/126	4/28/86
Italy	Recent Monetary Measures	EBD/86/158	5/28/86
Japan	Discount Rate	EBD/86/27	1/30/86
Japan	Discount Rate	EBD/86/66	3/10/86
Japan	Discount Rate	EBD/86/118	4/21/86
Japan	Discount Rate	EBD/86/289	11/3/86
Netherlands	Interest Rates	EBD/86/63	3/7/86
South Africa	Interim Arrangement for Repayment of Foreign Debt	EBD/86/95	4/4/86
United States and Japan	Economic Cooperation	EBD/86/288	10/31/86

Source: Exchange and Trade Relations Department.

Table 25. Article IV Consultations Concluded in 1986

Country	EBM Number	EBM Number	Staff Report Number	Staff Report Number	RED Number	RED Date	Summing Up Number	Summing Up Date
Afghanistan	EBM/86/11	01/24/86	SM/85/299	11/06/85	SM/85/305	11/14/85	SUR/86/10	01/30/86
Algeria	EBM/86/168	10/10/86	SM/86/211	08/21/86	SM/86/245	09/24/86	SUR/86/110	10/21/86
Antigua & Barbuda	EBM/86/184	11/17/86	SM/86/264	10/27/86	SM/86/266	10/31/86	SUR/86/121	11/20/86
Argentina	EBM/86/42	03/10/86	EBS/86/39	02/21/86	SM/85/35	02/25/86	SUR/86/26	03/26/86
Aruba	EBM/86/186	11/21/86	SM/86/257	10/20/86	SM/86/263	10/27/86	SUR/86/122	11/25/86
Australia	EBM/85/41	03/07/86	SM/86/26 Sup. 1	02/12/86 03/05/86	SM/86/30	02/21/86	SUR/86/20	03/12/86
Austria	EBM/86/70	04/25/86	SM/86/72	04/04/86	SM/86/74	04/11/86	SUR/86/34	04/29/86
Bahamas, The	EBM/86/89	05/23/86	SM/86/84	04/22/86	SM/86/100	05/09/86	SUR/86/47	05/29/86
Belgium	EBM/86/117	07/16/86	SM/86/140	06/17/86	SM/86/156	07/02/86	SUR/86/73	07/29/86
Belize	EBM/86/139	08/27/86	SM/86/179	07/21/86	SM/86/184	08/01/86	SUR/86/84	08/29/86
Benin	EBM/86/68	04/23/86	SM/86/28 Sup. 1	02/13/86 04/21/86	SM/86/41	02/26/86	SUR/86/32	04/25/86
Bolivia	EBM/86/197	12/15/86	EBS/86/263 Sup. 1	11/26/86 12/12/86	SM/86/290	12/02/86	SUR/86/129	12/18/86
Botswana	EBM/86/77	05/06/86	SM/86/65	03/24/86	SM/86/79	04/21/86	SUR/86/39	05/09/86
Brazil	EBM/86/194	12/10/86	EBS/86/253 Sup. 1	11/17/86 12/04/86	SM/86/287	12/01/86	SUR/86/128	12/11/86
Burkina Faso	EBM/86/114	07/14/86	SM/86/141	06/17/86	SM/86/168	07/09/86	SUR/86/70	07/21/86
Burma	EBM/86/91	06/02/86	SM/86/97	05/07/86	SM/86/104	05/16/86	SUR/86/49	06/04/86
Burundi	EBM/86/134	08/08/86	EBS/86/119	06/03/86	SM/86/177	07/23/86	SUR/86/80	08/12/86
Cameroon	EBM/86/197	12/15/86	SM/86/283	11/24/86	SM/86/288	12/03/86	SUR/86/130	12/19/86
Canada	EBM/86/28	02/14/86	SM/86/1 Sup. 1	01/03/86 02/13/86	SM/86/16	01/31/86	SUR/86/14	02/21/86
Cape Verde	EBM/86/188	11/26/86	SM/86/253	10/10/86	SM/86/262	10/27/86	SUR/86/124	12/04/86
Chad	EBM/86/101	06/23/86	SM/86/117	05/30/86	SM/86/125	06/09/86	SUR/86/56	06/27/86
Chile	EBM/86/120	07/21/86	EBS/86/137	06/27/86	SM/86/165	07/08/86	SUR/86/71	07/23/86
China	EBM/86/181	11/12/86	EBS/86/230	10/10/86	SM/86/260	10/24/86	SUR/86/118	11/14/86
Colombia	EBM/86/192	12/05/86	EBS/86/245	11/04/86	SM/86/279	11/17/86	SUR/86/126	12/09/86
Comoros	EBM/86/91	06/02/86	SM/86/98	05/09/86	SM/86/99	05/12/86	SUR/86/86	06/05/86
Costa Rica	EBM/86/174	10/30/86	SM/86/241	09/15/86	SM/86/250	10/03/86	SUR/86/114	11/03/86
Cote d'Ivoire	EBM/86/101	06/23/86	EBS/86/113	05/28/86	SM/86/128	06/10/86	SUR/86/58	07/01/86
Cyprus	EBM/86/63	04/16/86	SM/86/67	03/26/86	SM/86/69	04/02/86	SUR/86/31	04/18/86
Denmark	EBM/86/64	04/18/86	SM/86/60 Sup. 1	03/18/86 04/08/86	SM/86/66	03/26/86	SUR/86/33	04/24/86
Djibouti	EBM/86/139	08/27/86	SM/86/159	07/01/86	SM/86/191	08/06/86	SUR/86/87	09/04/86
Dominica	EBM/86/171	10/17/86	SM/86/242	09/15/86	SM/86/247	09/29/86	SUR/86/111	10/22/86
Egypt	EBM/86/165	10/06/86	EBS/86/186 Sup. 1	08/12/86 09/26/86	SM/86/215	08/26/86	SUR/86/105	10/15/86
El Salvador	EBM/86/206	12/22/86	SM/86/292	12/03/86	SM/86/297	12/09/86	SUR/86/133	12/24/86
Equatorial Guinea	EBM/86/103	06/25/86	SM/86/116	05/29/86	SM/86/126	06/09/86	SUR/86/57	06/27/86
Ethiopia	EBM/86/124	07/30/86	SM/86/174	07/15/86	SM/86/175	07/18/86	SUR/86/78	08/04/86
France	EBM/86/147	09/05/86	SM/86/196 Sup. 1	08/08/86 09/04/86	SM/86/202	08/18/86	SUR/86/92	09/12/86
Gabon	EBM/86/97	06/18/86	SM/86/73 Sup. 1	04/07/86 06/16/86	SM/86/113	05/27/86	SUR/86/54	06/20/86

Table 25 (Continued). Article IV Consultations Concluded in 1986

Country	EBM Number	EBM Date	Staff Report Number	Staff Report Date	RED Number	RED Date	Summing Up Number	Summing Up Date
Gambia, The	EBM/86/158	09/17/86	EBS/86/189	08/19/86	SM/86/216	08/27/86	SUR/86/100	09/23/86
Germany	EBM/86/127	08/01/86	SM/86/160	07/02/86	SM/86/170	07/16/86	SUR/86/79	08/08/86
Greece	EBM/86/142	08/29/86	SM/86/186	07/31/86	SM/86/203 Sup. 1 Sup. 2	08/15/86 08/18/86 08/27/86	SUR/86/86	09/04/86
Guatemala	EBM/86/119	07/18/86	SM/86/127	06/09/86	SM/86/130	06/16/86	SUR/86/72	07/24/86
Guinea	EBM/86/19	02/03/86	EBS/86/4	01/13/86	SM/86/14	01/24/86	SUR/86/12	02/14/86
Guinea-Bissau	EBM/86/189	12/01/86	SM/86/269	11/04/86	SM/86/275	11/11/86	SUR/86/125	12/04/86
Guyana	EBM/86/204	12/19/86	SM/86/285	11/26/86	SM/86/296	12/08/86	SUR/87/1	01/06/87
Haiti	EBM/86/201	12/17/86	EBS/86/257	11/21/86	SM/86/294	12/04/86	SUR/86/131	12/22/86
Honduras	EBM/86/14	01/27/86	SM/85/341	12/30/85	SM/86/8	01/13/86	SUR/86/9	01/29/86
Hungary	EBM/86/7	01/13/86	SM/85/290 Sup. 1	11/01/85 01/10/86	SM/85/338	12/27/85	SUR/86/6	01/17/86
Iceland	EBM/86/8	01/13/86	SM/85/333 Sup. 1	12/19/85 01/09/86	SM/85/339	12/30/85	SUR/86/5	01/17/86
India	EBM/86/72	04/28/86	SM/86/54 Sup. 1	03/06/86 04/18/86	SM/86/56 Sup. 1	03/14/86 03/14/86	SUR/86/38	05/05/86
Indonesia	EBM/86/28	02/14/86	SM/86/11	01/14/86	SM/86/13 Sup. 1	01/27/86 02/06/86	SUR/86/15	02/21/86
Ireland	EBM/86/122	07/25/86	SM/86/163	07/03/86	SM/86/166	07/09/86	SUR/86/75	07/30/86
Israel	EBM/86/86	05/21/86	SM/86/85 Sup. 1	04/23/86 05/20/86	SM/86/96	05/08/86	SUR/86/46	05/28/86
Italy	EBM/86/108	07/02/86	SM/86/121	06/02/86	SM/86/135 Sup. 1	06/17/86 07/01/86	SUR/86/66	07/11/86
Japan	EBM/86/43	03/10/86	SM/85/24 Sup. 1	02/10/86 03/06/86	SM/86/36 Sup. 1	02/24/86 03/04/86	SUR/86/23	03/18/86
Jordan	EBM/86/171	10/17/86	SM/86/206	08/19/86	SM/86/238	09/15/86	SUR/86/112	10/27/86
Kiribati	EBM/86/186	11/21/86	SM/86/265	10/27/86	SM/86/267	11/04/86	SUR/86/123	11/25/86
Korea	EBM/86/159	09/19/86	EBS/86/194 Sup. 1	08/19/86 09/18/86	SM/86/230	09/05/86	SUR/86/99	09/23/86
Kuwait	EBM/86/96	06/13/86	SM/86/105	05/16/86	SM/86/120	06/03/86	SUR/86/53	06/17/86
Lao P.D.R. 1/	EBM/86/1 EBM/86/192	01/03/86 12/05/86	SM/85/321 SM/86/280	12/03/85 11/14/86	SM/85/328 SM/86/282	12/16/85 11/21/86	SUR/86/2 SUR/86/127	01/07/86 12/11/86
Lebanon	EBM/86/70	04/25/86	SM/86/68 Sup. 1	03/28/86 04/24/86	SM/86/75	04/11/86	SUR/86/35	04/30/86
Lesotho	EBM/86/206	12/22/86	SM/86/289	12/01/86	SM/86/293	12/04/86	SUR/86/132	12/24/86
Liberia	EBM/86/156	09/15/86	SM/86/205	08/18/86	SM/86/212	08/25/86	SUR/86/96	09/18/86
Madagascar	EBM/86/4	01/08/86	EBS/85/270	12/09/85	SM/85/331	12/19/85	SUR/86/4	01/16/86
Malaysia	EBM/86/138	08/27/86	SM/86/164	07/07/86	SM/86/173	07/27/86	SUR/86/85	09/02/86
Maldives	EBM/86/47	03/19/86	SM/86/27	02/12/86	SM/86/34	02/24/86	SUR/86/25	03/24/86
Mali	EBM/86/60	04/04/86	EBS/86/56	03/05/86	SM/86/64	03/20/86	SUR/86/30	04/11/86
Malta	EBM/86/138	08/27/86	SM/86/171 Sup. 1 Sup. 2	07/15/86 08/07/86 08/26/86	SM/86/195	08/13/86	SUR/86/89	09/05/86
Mauritania	EBM/86/161	09/22/86	EBS/86/192 Sup. 1	08/19/86 09/19/86	SM/86/232	09/09/86	SUR/86/102	09/24/86
Mauritius	EBM/86/176	11/03/86	SM/86/252	10/08/86	SM/86/254	10/17/86	SUR/86/115	11/05/86
Mexico	EBM/86/149	09/08/86	EBS/86/161 Sup. 1 Sup. 2	08/15/86 08/15/86 09/04/86	SM/86/220 Sup. 1	08/26/86 08/27/86	SUR/86/93	09/12/86

Table 25 (Continued). Article IV Consultations Concluded in 1986

Country	EBM Number	EBM Number	Staff Report Number	Staff Report Number	RED Number	RED Date	Summing Up Number	Summing Up Date
Morocco	EBM/86/142	08/29/86	SM/86/197	08/08/86	SM/86/199	08/13/86	SUR/86/88	09/04/86
Mozambique	EBM/86/184	11/17/86	SM/86/259	10/21/86	SM/86/268	11/04/86	SUR/86/120	11/20/86
Netherlands	EBM/86/46	03/14/86	SM/86/32 Sup. 1	02/20/86 03/11/86	SM/86/50	03/03/86	SUR/86/25	03/24/86
Netherlands Antilles	EBM/86/78	05/09/86	SM/86/80	04/18/86	SM/86/81	04/22/86	SUR/86/41	05/13/86
New Zealand	EBM/86/104	06/27/86	SM/86/112 Sup. 1	05/22/86 06/25/86	SM/86/124	06/09/86	SUR/86/60	07/02/86
Nicaragua	EBM/86/83	05/16/86	SM/86/78	04/15/86	SM/86/86/	04/28/86	SUR/86/42	05/20/86
Niger	EBM/86/99	06/20/86	EBS/86/109	05/16/86	SM/86/119	06/02/86	SUR/86/59	07/01/86
Nigeria	EBM/86/112	07/11/86	SM/86/137 Sup. 1	06/13/86 07/08/86	SM/86/158	07/01/86	SUR/86/69	07/16/86
Norway	EBM/86/110	07/07/86	SM/86/138 Sup. 1	06/16/86 07/02/86	SM/86/149	06/25/86	SUR/86/85	07/11/86
Oman	EBM/86/97	06/18/86	SM/86/115	05/28/86	SM/86/122	06/04/86	SUR/86/55	06/23/86
Pakistan	EBM/86/59	03/31/86	SM/86/51 Sup. 1	02/28/86 03/28/86	SM/86/58	03/13/86	SUR/86/29	04/04/86
Panama	EBM/86/166	10/08/86	SM/86/240	09/11/86	SM/86/246	09/24/86	SUR/86/104	10/10/86
Papua New Guinea	EBM/86/168	10/10/86	SM/86/231	09/04/86	SM/86/244	09/22/86	SUR/86/107	10/20/86
Paraguay	EBM/86/166	10/08/86	SM/86/219 Sup. 1	08/26/86 10/07/86	SM/86/239	09/16/86	SUR/86/103	10/09/86
Philippines	EBM/86/173	10/24/86	EBS/86/222 Sup. 1	09/22/86 10/17/86	SM/86/249 Sup. 1	10/01/86 10/02/86	SUR/86/113	10/28/86
Poland	EBM/86/169	10/15/86	SM/86/243 Sup. 1	09/16/86 10/14/86	SM/86/248 Sup. 1	10/01/86 10/02/86	SUR/86/106	10/16/86
Qatar	EBM/86/21	02/05/86	SM/85/342	12/30/85	SM/86/12	01/17/86	SUR/86/11	02/07/86
Romania	EBM/86/167	10/10/86	SM/86/224 Sup. 1	08/28/86 10/08/86	SM/86/235	09/12/86	SUR/86/108	10/20/86
Rwanda	EBM/86/9	01/15/86	SM/85/289	10/31/85	SM/85/293	11/06/85	SUR/86/8	01/22/86
Sao Tome & Principe	EBM/86/168	10/10/86	SM/86/183	07/28/86	SM/86/222	08/29/86	SUR/86/109	10/20/86
Saudi Arabia	EBM/86/106	06/30/86	SM/86/118	05/29/86	SM/86/131	06/16/86	SUR/86/61	07/03/86
Senegal	EBM/86/54	03/25/86	EBS/86/44	02/27/86	SM/86/59	03/13/86	SUR/86/28	04/01/86
Seychelles	EBM/86/109	07/07/86	SM/86/129	06/10/86	SM/86/148	06/25/86	SUR/86/62	07/09/86
Sierra Leone	EBM/86/182	11/14/86	EBS/86/243	11/03/86	SM/86/273	11/07/86	SUR/86/119	11/19/86
Singapore	EBM/86/109	07/07/86	SM/86/132	06/12/86	SM/86/144	06/25/86	SUR/86/63	07/09/86
Solomon Islands	EBM/86/159	09/19/86	EBS/86/177	08/06/86	SM/86/204	08/20/86	SUR/86/98	09/23/86
Somalia	EBM/86/161	09/22/86	SM/86/225	08/27/86	SM/86/234	09/10/86	SUR/86/101	09/24/86
South Africa	EBM/86/155	09/12/86	SM/86/185 Sup. 1	07/30/86 09/09/86	SM/86/217	08/28/86	SUR/86/95	09/17/86
Sri Lanka	EBM/86/110	07/07/86	SM/86/139	06/16/86	SM/86/143	06/23/86	SUR/86/64	07/10/86
St. Christopher & Nevis	EBM/86/82	05/16/86	SM/86/83	04/22/86	SM/86/87	04/29/86	SUR/86/43	05/20/86
St. Vincent	EBM/86/21	02/05/86	SM/85/345	12/31/85	SM/86/9	01/16/86	SUR/86/13	02/14/86
Sudan	EBM/86/45	03/12/86	SM/86/33	02/19/86	SM/86/38	02/26/86	SUR/86/22	03/17/86
Suriname	EBM/86/82	05/16/86	SM/86/76	04/11/86	SM/86/91	04/30/86	SUR/86/45	05/27/86
Swaziland	EBM/86/150	09/09/86	SM/86/192	08/05/86	SM/86/221	08/28/86	SUR/86/91	09/11/86
Sweden	EBM/86/134	08/08/86	SM/86/178	07/18/86	SM/86/182	07/25/86	SUR/86/81	08/13/86
Syrian Arab Rep.	EBM/86/34	02/24/86	SM/86/18	01/30/86	SM/86/21	02/06/86	SUR/86/17	02/28/86

Table 25 (Concluded). Article IV Consultations Concluded in 1986

Country	EBM Number	EBM Number	Staff Report Number	Staff Report Number	RED Number	RED Date	Summing Up Number	Summing Up Date
Tanzania	EBM/86/48	03/20/86	SM/86/23	02/07/86	SM/86/37	02/27/86	SUR/86/27	03/26/86
Thailand	EBM/86/95	06/09/86	EBS/86/106	05/09/86	SM/86/109	05/23/86	SUR/86/52	06/12/86
Togo	EBM/86/95	06/09/86	EBS/86/103	05/06/86	SM/86/110	05/23/86	SUR/86/51	06/12/86
Tonga	EBM/86/82	05/16/86	SM/86/88	04/25/86	SM/86/94	05/05/86	SUR/86/44	05/21/86
Trinidad & Tobago	EBM/86/123	07/28/86	SM/86/161	07/03/86	SM/86/172	07/15/86	SUR/86/76	07/31/86
Tunisia	EBM/86/177	11/04/86	SM/86/237	09/10/86	SM/86/261	10/23/85	SUR/86/117	11/12/86
Turkey	EBM/86/08	01/13/86	SM/85/332 Sup. 1	12/18/85 01/08/86	SM/85/334	12/23/85	SUR/86/7	01/17/86
Uganda	EBM/86/111	07/09/86	SM/86/134 Sup. 1	06/13/86 06/27/86	SM/86/150	06/25/86	SUR/86/67	07/15/86
United Kingdom	EBM/86/34	02/24/86	SM/86/15 Sup. 1	01/27/86 02/21/86	SM/86/22 Sup. 1	02/10/86 02/11/86	SUR/86/18	03/03/86
United States	EBM/86/132	08/06/86	SM/86/167 Sup. 1	07/07/86 08/01/86	SM/86/180 Sup. 1	07/23/86 07/24/86	SUR/86/82	08/14/86
Uruguay	EBM/86/90	05/28/86	EBS/86/101	05/01/86	SM/86/95	05/07/86	SUR/86/48	05/30/86
Venezuela	EBM/86/122	07/25/86	SM/86/152	06/25/86	SM/86/153	07/02/86	SUR/86/74	07/29/86
Viet Nam	EBM/86/113	07/11/86	EBS/86/133	06/20/86	SM/86/155	06/30/86	SUR/86/68	07/16/86
Western Samoa	EBM/86/40	03/03/86	SM/86/25 Sup. 1	02/10/86 02/27/86	SM/86/29	02/18/86	SUR/86/19	03/07/86
Yemen, P.D.R.	EBM/86/175	10/31/86	SM/86/227	08/29/86	SM/86/251	10/03/86	SUR/86/116	11/05/86
Yugoslavia	EBM/86/45	03/12/86	EBS/86/38 Sup. 1	02/19/86 03/07/86	SM/86/39	02/27/86	SUR/86/21	03/14/86
Zaire	EBM/86/72	04/28/86	EBS/86/76	04/02/86	SM/86/77	04/16/86	SUR/86/36	05/01/86
Zimbabwe	EBM/86/158	09/17/86	SM/86/200 Sup. 1	08/14/86 09/08/86	SM/86/228	09/04/86	SUR/86/97	09/23/86

Source: Exchange and Trade Relations Department.

1/ Both the 1985 and the 1986 Article IV consultations with the Lao People's Democratic Republic were concluded in 1986.