

MASTER FILES

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04 INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 86/65

3:00 p.m., April 18, 1986

R. D. Erb, Acting Chairman

Executive Directors

Alternate Executive Directors

Huang F.

Mawakani Samba
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L. Hubloue, Temporary
T. Alhaimus
M. Sugita
B. Goos

Z. b. Ismail, Temporary
H. A. Arias
M. Foot
R. Fox, Temporary
H. Fugmann
L. Leonard

H. Ploix

G. D. Hodgson, Temporary
P. E. Archibong, Temporary
M. A. Weitz, Temporary
J. E. Suraisry
G. Ortiz

G. Salehkhoul

S. de Forges
A. Steinberg, Temporary
H.-S. Lee, Temporary

S. Zecchini

O. Kabbaj
A. S. Jayawardena
N. Coumbis

L. Van Houtven, Secretary

K. S. Friedman, Assistant

1.	Fund Statistics - Review	Page 3
2.	Schedule of Meetings	Page 25
3.	Relations with GATT - Consultations with CONTRACTING PARTIES - Fund Guidance	Page 28

Also Present

Administration Department: H. Wiesner. Exchange and Trade Relations Department: J. T. Boorman. External Relations Department: J. M. Landell-Mills. Legal Department: J. G. Evans, Jr., Deputy General Counsel. Middle Eastern Department: F. Drees. Research Department: R. R. Rhomberg, Deputy Director; M. C. Deppler. Secretary's Department: A. P. Bhagwat. Treasurer's Department: T. Leddy, Deputy Treasurer; G. Wittich. Bureau of Computing Services: W. N. Minami, Director; C. K. Rhee. Bureau of Statistics: W. Dannemann, Director; A. C. Bouter, M. S. Gill, J. B. Gupta, J. V. Levin, G. F. Loeb, J. B. McLenaghan, K. W. O'Connor, C. A. Patel, M. R. P. Salgado, E. W. Saunders. Advisors to Executive Directors: L. P. Ebrill, A. Ouanes, P. Péterfalvy. Assistants to Executive Directors: H. Alaoui-Abdallaoui, A. Bertuch-Samuels, J. de la Herrán, F. Di Mauro, H. Kobayashi, R. Msadek, A. H. Mustafa, S. Simonsen, L. Tornetta.

1. FUND STATISTICS - REVIEW

The Executive Directors continued from the previous meeting (EBM/86/64, 4/18/86) their consideration of a staff paper on the second annual review of Fund statistics (SM/86/55, 3/11/86).

Mr. Zecchini considered that the annual review of Fund statistics was useful. It enabled the Executive Board to assess the use that had been made of the resources that had been budgeted to the statistical area, something that was of great interest both to members and the Fund. It also gave the staff an important opportunity to hear the comments of users of Fund statistics.

The efforts that had been made to increase the number of members to which country pages were devoted in International Financial Statistics (IFS) had been significant, although 14 countries still were not covered by those pages, Mr. Zecchini continued. There was a clear need to continue special missions and technical seminars for public officials in order to improve the quality of statistics. Increasing the amount of available statistics on countries that still lacked an adequate data base, and harmonizing statistics between countries in order to enhance international comparability of data should continue to be major aims of the Fund. In that connection, it was unfortunate that, despite the sizable financial resources involved, there had been, as the staff had concluded on page 28, a discernible decline in the responsiveness of some members to the Fund's monthly reporting system. Improving the Fund's statistics would require the close collaboration of members. He wondered what accounted for the decline in the responsiveness of members and what concrete steps the staff would suggest to avoid that outcome in the future.

Commenting on the transmission of data to the Fund, Mr. Zecchini said that he favored the use of any means that could help to increase the effectiveness of data processing. For example, the use of magnetic tapes would be appropriate to improve the timeliness of data. His authorities stood ready to cooperate with the Fund in making such improvements.

Two additions could usefully be made to the IFS data series, Mr. Zecchini considered. First, in the pages concerning international interest rates it would be useful to complement the existing data with figures on interest rates for financial instruments that were denominated in European Currency Units (ECUs). It would be particularly useful to include the LIBOR rate on ECU deposits for different maturities. The inclusion of those figures would reflect the importance of ECU-denominated financial instruments and would help users of IFS, as the data in question were not available in the published statistics of other international organizations. He had made the same request during the first review of the Fund's statistics and he wondered whether there were any problems in making such an improvement. Second, ECU exchange rates were shown in the country pages as end of period figures. It would be useful to include a period average figure for the ECU against the relevant national currencies; comparable figures for the SDR were already provided.

Some discrepancy still existed between data in the IFS and the corresponding data presented in the world economic outlook papers, Mr. Zecchini said. He wondered whether that problem--which was due mainly to the somewhat different sources and objectives of desk economists compared with the authors of the statistical publications--could be solved by the use of the new economic information system that was to replace the data fund system. A further comment on the progress in harmonizing the statistical sources would be helpful, bearing in mind Executive Directors' keen interest to have access to the most comprehensive data base possible.

Mr. Templeman remarked that as his chair had stressed during the first annual review of Fund statistics, good and current data were crucial for members--as they aided in policy formulation and in monitoring of policy implementation--helped the Fund to provide economic advice, and assisted the world business, banking, and academic communities. The success of the Fund's statistical efforts depended upon the close cooperation of the Fund staff and members' authorities as well as the Executive Board.

He was surprised that there were still 14 countries that were not covered by IFS country pages, Mr. Templeman continued. Providing information to the Fund was a basic obligation of membership. In addition, it was disconcerting to note from Table 2 that more than 30 percent of members were very tardy in submitting complete data in such important areas as the monetary authorities' statistics, deposit money banks, interest rates, and international trade. The progress that had been made to date in publishing in IFS more complete data on multiple currency rates, interest rates, international banking, and government finance were welcome.

There was still justification for publishing data on developing countries broken down into the former categories of oil exporting and non-oil developing countries as a transitional arrangement, Mr. Templeman considered. The recent oil price drop had increased the interest of his chair in receiving such information.

Table 4 showed that countries with Fund programs fell below the average for the developing countries as a group in some data reporting areas, such as monetary authorities' data, deposit money bank data, prices, and international trade statistics, Mr. Templeman went on. He would have thought that the record for countries with Fund programs might well be better than it actually was.

The updates in the form of supplements to the IFS on economic indicators, government finance, and prices were welcome, Mr. Templeman said. He looked forward to the new supplement on interest rates and welcomed the work that was planned in 1986 on leading economic indicators. However, the content and purpose of the proposed supplement on other financial institutions were not clear to him, and the scope of the supplement on external debt should be explained more fully.

It would be useful to have additional data in the Balance of Payments Yearbook on the existing stock of external assets and liabilities for both industrial and developing countries, Mr. Templeman commented. The initiative that had been started in 1984 to identify and address statistical inadequacies in the context of Article IV consultations was working fairly well, despite the lags in introducing reforms in some members' statistical systems.

Progress had been made during both the design and test phases of the development of the Economic Information System (EIS), Mr. Templeman remarked. Presumably additional specialized training--beyond that required of members of the Bureau of Statistics--would still be needed. It would be important to make the EIS useful for operational purposes and not only for statistical publication purposes. In addition, there should be closer integration of all sources of Fund data, including the world economic outlook and country data that were available in the area departments. The possibility of giving Executive Directors' offices access to the EIS should be explored.

Statistics on international banking and external debt continued to be crucial in the efforts to deal with the world debt problem, and the Fund had an important role to play in providing those statistics, Mr. Templeman said. Better data would help the debtor countries to manage their debt, assist the creditor countries in the evaluation of individual country and world debt situations, help private creditors in their assessment of credit risk, help bank regulators to judge the financial position of banks, and help international institutions to analyze and provide advice on the debt situation. Wider coverage of banking centers, breakdowns by currencies, and cross-checking of creditor data with debtor data could contribute to efforts to improve the statistics on international banking and external debt. He continued to support strongly the work of the International Compilers' Working Group on External Debt Statistics. A synthesis and reconciliation of debt data provided by different sources for individual countries, as mentioned on page 21 of the staff report, would also help the users of debt data and would be especially helpful in connection with debt reschedulings.

He generally supported the increase in the Fund's technical assistance activities and agreed with the general order of priorities in that area, Mr. Templeman remarked. However, more information on structural and institutional arrangements and developments might be needed in connection with the new structural adjustment facility and the strengthened debt initiative.

The Working Party on the Statistical Discrepancy in Global Current Account Balances had already published its interim report and was expected to publish its final report by the end of 1986, Mr. Templeman noted. The interest of his chair in that work had increased during the latest world economic outlook discussion. Data prepared for that discussion had showed that missing surpluses on the current account had amounted to \$86 billion in 1985 and were estimated at \$74 billion in 1986. Those

figures exceeded the identified surplus of the largest surplus country, Japan. Those developments raised the question whether policymakers and the Fund would assess members' policies and policy interactions in a different light if current account deficits around the world were lower than they appeared to be.

Mr. Goos considered that good progress had been made in improving the Fund's statistics since the previous review. However, the staff report clearly showed that the Bureau of Statistics would have to make a continuing effort to secure an adequate degree of currentness, coverage, and quality of the economic statistics that were used in the Fund's operational work. That task was clearly underscored by the number of references to statistical problems that had appeared in staff reports for Article IV consultations and by the considerable number of countries for which there was still no country page in IFS.

There were limitations on and difficulty in measuring the currentness of Fund data and other aspects of reporting performance, but Tables 2-5 suggested that additional improvements were needed, Mr. Goos continued. The fact that the reporting performance was weaker in 1985 than in 1984 was a cause for concern. While the reasons for that development were understandable, given the budgetary constraints in individual countries and the growing statistical requirements of international organizations, it would be unfortunate if any necessary reallocation of resources for statistical purposes occurred at the expense of the Fund, which clearly had a central role to play in monitoring national economic developments. The Fund should strengthen its statistical cooperation with other international organizations in order to reduce the reporting burden on members to the extent possible.

The present practice of covering statistical issues in staff reports for Article IV consultations was generally satisfactory and should be maintained, Mr. Goos considered. The response of the Bureau of Statistics to the problems that Executive Directors had noted during previous discussions was welcome. However, he was surprised that only 4 of the 84 missions to members covered by the report had dealt with more than one field of economic statistics in 1985 and that several consecutive missions dealing with statistical matters had been required in many cases in 1985. Given the budgetary constraints on the Fund, more missions should deal with several statistical issues at once.

He had no difficulty with the proposed work program, Mr. Goos said. However, the staff should be careful to avoid overambitious refinements of the data base. Priority should be given to improving further the currentness and completeness of the reporting to the Fund and to the reduction of the number of members that did not have separate country pages in IFS. Special attention should be paid to members with Fund-supported programs. The poor performance of that group of countries in terms of currentness and reporting suggested that their weak statistical collection and reporting capacity might be directly related to their overall economic problems. The Fund should concentrate on improving

their statistical collection and reporting capacity; such efforts were a prerequisite for the formulation and implementation of adjustment efforts and for monitoring the adjustment process. Current and complete data played a crucial role in effective Fund surveillance.

Care was also needed to avoid excessively ambitious plans for employing more sophisticated means of data transmission, Mr. Goos went on. While further efforts to achieve rapid transmission of data from members to the Fund might be appropriate in many instances, the additional costs of such efforts had to be weighed carefully against the potential benefits.

The progress that had been made in improving the quality of the international banking statistics and the ongoing efforts by the International Compilers' Working Group on External Debt Statistics were welcome, given the importance of improving the quality of those statistics, Mr. Goos remarked. However, while the efforts to harmonize debt statistics on a worldwide basis were welcome, there were limitations, as some countries already had well-established statistics that were geared to national requirements or the requirements of major international organizations such as the BIS and the European Communities. In those cases, the Fund should exercise some moderation in its demands on members in order to avoid undermining the countries' ability and even willingness to provide data to international institutions. As the staff had noted on page 28, the increased reporting burden had already led to such adverse effects in some countries. His reservations applied in particular to banking statistics. Commercial banks, for example, would show little understanding if the reporting system of the BIS, the establishment of which had taken a considerable effort, had to be modified now. Therefore, the results of the working group on debt statistics should be presented in the form of recommendations rather than in the form of instructions like the ones in the Fund's manuals on balance of payments and government finance statistics.

His authorities were worried that the draft Guide to Money and Banking Statistics in International Financial Statistics would take the form of a manual, Mr. Goos said. Their concern was heightened by the reference on page 24 of the staff report to the guide as a manual for use in the IMF Institute's course on money and banking statistics. While the Fund might indeed have the primary responsibility for developing international guidelines for the compilation and distribution of money and banking statistics, in order to assist countries that were just beginning to collect such statistics, other countries might find it difficult if not impossible to follow guidelines that were different from established practices.

The situation with respect to the quality of statistics in many sub-Saharan African countries was alarming, especially as a number of those countries were implementing Fund-supported programs or were expected to request Fund resources under the structural adjustment facility, Mr. Goos said. Every effort should be made to help those countries to develop a reliable statistical base. The Fund had the means to provide such assistance, and economizing unduly in that field because of budgetary constraints would be self-defeating.

Mr. Mawakani recalled that at its most recent meeting the Interim Committee had asked the Executive Board to design a set of indicators that could be used to monitor economic performance of members and as a guide in the discussions on members' policies. In that context, the timely collection of reliable statistical information was crucial.

Commenting on the coverage of IFS data, Mr. Mawakani said that the increase in the number of members with separate IFS pages was welcome. The Bureau of Statistics should continue its efforts to improve further the coverage of IFS data, although the difficulty in so doing should not be underestimated. Long-term technical assistance together with appropriate training programs could supplement statistical missions as a means of strengthening the data collection in members that did not have separate country pages in IFS. The reporting in IFS of commercial bank deposits and lending rates of more than 100 countries was a welcome initiative. The efforts of the Bureau of Statistics in the area of exchange rates were also welcome. He wondered whether data on exchange rates in parallel markets could be collected and published. Such information would be valuable in assessing the effects of members' economic policies on the market-determined exchange rate.

Table 4 indicated that members with Fund-supported programs had made additional efforts to improve the currentness of their data, Mr. Mawakani remarked. That development indicated that a strengthening of statistical collecting units in developing countries could help to improve the currentness of the members' data.

Given the Interim Committee's request, work on the set of indicators and the collection of data pertaining to them should be given a prominent place in the work program of the Fund in general, and of the Bureau of Statistics in particular, Mr. Mawakani considered. Finally, the Bureau's plan to offer a course in money and banking statistics in English was welcome, and he hoped that the course would soon be offered in French.

Mr. Fox said that, given the efforts that were being made to improve the effectiveness of Fund surveillance, the need for timely and accurate data had become even more important. The progress that the staff had made since the previous review of Fund statistics was therefore greatly welcome. He particularly appreciated the increase in the number of countries that provided government finance statistics that were reported in IFS, the inclusion for a few countries of data on multiple exchange rates, the conclusion of the first phase of the EIS, the further development of international banking statistics, and the Fund's contribution to research on the world balance of payments discrepancy. Further work on data on multiple exchange rates would be helpful.

The proposed priorities in the work program for the coming year were appropriate, Mr. Fox remarked. However, the staff should be careful to avoid duplication of effort. Collaboration between the Bureau of Statistics and the area departments should be increased, and cooperation between the Fund and other international organizations should be enhanced wherever

appropriate. The Fund's participation in the Working Group on External Debt Statistics was welcome, and he looked forward to the publication of the Working Group's findings.

During the previous review of Fund statistics his chair had stressed the need for collaboration in the context of the work on international banking statistics, Mr. Fox recalled. The introduction of quarterly data adjusted for exchange rate changes was a significant step forward. However, those data had sometimes differed substantially from the corresponding BIS data, presumably owing to differences in coverage, but also perhaps owing to different methodologies. The staff itself had mentioned the need to compare its data with the data from other sources in producing the best estimates of bank lending to individual countries. The staff should comment on the further refinements and attempts at reconciliation of various data that were planned. The Working Group on External Debt Statistics might be a useful forum in which to attempt to reconcile data on flows as well as stocks. He had sometimes found it useful to consult the minutes of meetings of the Working Group, and advance knowledge of the agenda of its meetings would be helpful.

The efforts to expand the coverage of the country pages in IFS and the special efforts to attack the deficiencies in the area of government finance statistics were welcome, Mr. Fox commented. There had also been an increase in the number of countries providing interest rate data, although there was still room to further improve the number of countries providing such data. The increased number of country pages in IFS was welcome, and the newer country pages generally had better explanatory notes than the older pages. The planned review of the text of IFS would be helpful. He wondered whether the staff had any plans to provide seasonally adjusted external trade data in IFS--for example in the world tables.

Developments concerning the currentness of IFS data had been less encouraging and greater efforts were called for, Mr. Fox stated. There was of course a limit on what the staff could do to improve the efficiency of national reporting systems, which was the main problem in the area of currentness of IFS data. The staff should continue its practice of identifying statistical shortcomings in its reports on Article IV consultations; such problems should also be indicated where appropriate in the Chairman's summings up. Given the widespread and disappointing deterioration in reporting response rates in 1985, some shortcomings should be given particular attention. In most of the cases in which shortcomings had been identified, technical assistance had been provided; the benefits of such assistance should be significant in the longer run. The planned IMF Institute course on money and banking statistics would fill a major gap in the Institute's program.

Mr. Hodgson said that the addition to the IFS in 1985 of a series on interest rates and multiple exchange rates and the plans to expand and refine the coverage of those areas were welcome. The improved country coverage of government financial statistics was a step in the right

direction. However, the apparent lack of improvement in the currentness of data during the previous year and the decline during 1985 in the responsiveness of some members to the monthly reporting system were a cause for concern. The staff had suggested that those problems were due partly to the increased reporting requirements of international agencies. If that conclusion were correct, further progress would be needed in harmonizing information systems among international agencies, thereby avoiding duplication. At the national level, the Fund should continue to encourage governments to improve the availability and quality of statistics, particularly in key areas, such as government finance and the balance of payments. His chair strongly supported the technical assistance that was provided by the Fund to members for the purpose of improving statistical coverage. The present review discussion had highlighted good reasons why it would be premature to reduce the technical assistance available from the Fund.

During the previous review of the Fund's statistics, his chair had suggested that the Fund should consider including additional series in IFS that were important for individual countries, Mr. Hodgson commented. The best example of such series was the money supply series. Money and quasi-money were reported for all countries and were apparently tabulated on a consistent basis. However, national definitions of various money aggregates apparently were included in IFS only for the United States. Monetary series based on a national definition were important because they were the series that were actually used by national authorities. Moreover, differences in institutional structures and, more important, in financial innovations could make apparently comparable series not strictly comparable in fact. One example of that problem was the IFS money series for Canada, which showed very rapid growth resulting largely from a shift into interest-bearing deposits included in the IFS definition of money. It might therefore be useful to have the staff consider including national definitions of money supply in IFS in cases that warranted the inclusion of such definitions in addition to the standardized series. A brief description of the differences between those series might also be included. In the case of Canada, the additional space required for such enhanced reporting could be obtained by dropping the four lines that were devoted to the Federal Business Development Bank, which was of minor importance in the Canadian financial system.

The plan to review the text of IFS was warranted, Mr. Hodgson considered. Given the space limitations, information must be condensed and should be as clear and as well organized as possible. Consideration should perhaps be given to an annual publication of textual material, either separately or in the IFS yearbook, with only important changes or differences between standard and country-specific series included in the monthly IFS documents. That approach might provide additional space for a new data series and would permit a more extensive explanation of series and methodology than was possible at present.

The changes that had been made in 1984 and 1985 with respect to the handling of statistical issues during Article IV consultations were appropriate, Mr. Hodgson said. The Bureau of Statistics had been able

to follow up in almost all the countries where statistical deficiencies had been identified in the summings up on the Article IV discussions in 1984 and 1985. He hoped that the statistical appendices to staff reports for Article IV consultations could be further strengthened through the standardization of the data contained in those appendices.

The introduction of the EIS should improve the timeliness and accuracy of data, Mr. Hodgson remarked. In addition, it should help to reconcile some of the difference in statistics in the IFS country pages and staff reports. The staff should concentrate its further efforts on reducing or eliminating differences in timeliness between data reported in IFS and in staff reports. The IFS objective of reporting internationally comparable data involved some inevitable differences in data, but the inclusion of certain key series defined on a national basis might be helpful in cases in which there were significant differences in the timeliness of data. In addition, there should be greater use to the extent feasible of faster methods of transmission, such as telefacsimile or courier services. Over the longer run, the Fund should explore the use of international common carrier networks for data transmission.

The recent efforts to improve the international coordination of external debt statistics were welcome, Mr. Hodgson commented. A joint publication by international organizations on external debt statistics would be appropriate. Some developing countries were trying to prepare a synthesis of external debt data, and similar efforts should be made in other countries wherever feasible.

Mr. Huang said that substantial advances had been made in Fund statistics since the first review in 1985. There had been clear improvements in the coverage and quality of the various publications mentioned in the staff report. In addition, there had been a series of IFS supplements on special statistical topics in recent years. The publications on exchange rates, prices, international trade, international reserves, and the balance of payments had enabled his authorities to gain a deeper understanding of current conditions.

He welcomed the technical assistance that the Bureau of Statistics had provided to members, Mr. Huang continued. His authorities appreciated the assistance that they had received in the balance of payments and other areas. The efforts of the staff and his authorities had resulted in the publication since October 1985 of balance of payments data on China in IFS. He looked forward to the coming seminar for officials working in the field of government finance statistics, which was to be held in China under the auspices of the Bureau of Statistics.

Commenting on the proposed work program for 1986, Mr. Huang said that he fully supported the continued development of Fund statistics and the tasks mentioned in the staff report. Strengthening the international banking and external debt statistics would help members to assess the debt situation and to recognize promptly movements in international capital markets.

Considerable improvements had been made in the statistics of countries whose statistical problems had been identified in summings up by the Chairman at the conclusion of Board discussion of Article IV consultations, Mr. Huang remarked. Additional assistance would be needed by some members if the requirements of Article VIII, Section 5 were to be met. Providing such assistance was a long-standing task for the Fund, which should aim to help members to strengthen their statistical base and should provide training to ensure that qualified personnel would carry out that work.

Mr. Sugita noted that further progress had been made in improving the coverage of data in IFS with the addition of a series on interest rates and multiple exchange rates and the increased coverage of government finance statistics. The inclusion of a table on stand-by and extended arrangements in IFS was welcome. However, the reporting performance of members continued to be unsatisfactory. Nearly two thirds of the developing countries returned less than half of their report forms, and the reporting performance had deteriorated somewhat in 1985. He hoped that the staff would identify the reasons for that deterioration and explore ways in which to improve the reporting performance with the support of Fund technical assistance as necessary. At the same time, the demand for technical assistance had been growing rapidly, and it had been increasingly difficult to meet all the requests. Priority should be given to meeting requests by members that were in the early stages of the development of their statistical base and to members that were using the Fund's resources.

International efforts were being made to harmonize the statistical standards of the various international organizations, Mr. Sugita remarked. He hoped that those efforts would reduce the reporting burden on members in the long run.

He fully understood the importance of ensuring members' compliance with international statistical standards in order to maintain international comparability of data, Mr. Sugita said. However, there might be cases in which a flexible approach was warranted, particularly if the deviations in the data were relatively minor and the costs involved in changing long-standing practices of members were large. Such flexibility would also be required in establishing a new Fund-wide data base by integrating the data bases of the Bureau of Statistics and the area and Research Departments.

Mr. Alhaimus remarked that progress had been made in improving the various aspects of Fund statistics during 1985. The proposed program of work of the Bureau of Statistics for 1986 was appropriate, although he hoped that the staff's efforts would be concentrated on improving present programs rather than on breaking new statistical ground. Clear progress had been made in widening the coverage of data in IFS, including the addition of a page on one of the countries in his constituency--Maldives.

The reporting performance of members was bound to be uneven for a variety of reasons, Mr. Alhaimus continued. For example, there were inadequate human and financial resources to maintain an efficient system of financial services in many developing countries. He agreed with previous speakers who had stressed that technical assistance could be very helpful for such countries.

Security requirements in a few countries made it particularly difficult for them to improve their reporting performance even with the best of intentions, Mr. Alhaimus continued. Security requirements partly explained the reporting performance of the Middle Eastern region that was mentioned on page 12 of the staff report. However, that situation was likely to prove to be temporary; normal reporting should be resumed eventually.

The completion of the draft of the Guide on Money and Banking and the Manual on Government Statistics was welcome, Mr. Alhaimus said. The staff report indicated that work had been started on translating those documents into French and Spanish. That step was clearly in the right direction, but, as he had mentioned on a previous occasion, an Arabic translation of those useful documents should be given serious consideration. The Balance of Payments Manual had already been translated into Arabic and had proved to be very useful for officials in more than 20 member countries.

Mr. Weitz commented that he was generally pleased with the progress that had been made over the previous year in the statistical area. The proposed work program for 1986 was acceptable. Members had benefited from the advice of Fund statistical experts, but he had serious reservations about some aspects of the collaboration between the Bureau of Statistics and the area departments. Many statistics on basic indicators in IFS were not properly updated, and staff members in area departments sometimes did not use the statistics provided to them by the Bureau of Statistics. That problem was a serious one.

There was an urgent need for greater cooperation in the data field between the Fund and the World Bank, especially with respect to low-income countries and in light of the implementation of the Fund's new structural adjustment facility, Mr. Weitz went on. The recent expansion of international banking statistics had made an important contribution to the analysis of the pattern of capital flows between countries and regions.

He attached great importance to the planned paper on external debt statistics, Mr. Weitz remarked. In addition, closer collaboration on such statistics with other organizations--especially the BIS--would be welcome.

The decline in the responsiveness of some members to the Fund's monthly reporting system was a cause for concern, Mr. Weitz said. The area departments and the staff in charge of providing technical assistance should cooperate more closely with the authorities concerned in order to

help to solve the problem of the inadequate reporting performance of some members. Finally, the staff's treatment of statistical issues in its reports for Article IV consultations had been satisfactory, although it was unrealistic to expect members facing statistical problems to make very rapid progress in solving those problems.

Mr. Suraisry stated that he broadly agreed with the staff report. The work of the Fund in gathering and disseminating statistical information was essential. It helped the staff to assess and monitor economic developments and countries to widen and strengthen their statistical base, thereby improving their formulation and monitoring of economic policies. Moreover, by making internationally comparable data widely available the Fund contributed to enhancing applied research. The Fund's information improved the currentness and the quality of the statistics on which corporations and commercial banks based financial decisions affecting members. The continued efforts of the Bureau of Statistics to refine the quality and to widen the coverage of Fund statistics should be supported.

Significant improvements in the coverage of data in IFS had been made during 1985, including the introduction of three country pages and the addition of a series on exchange rates and interest rates, Mr. Suraisry remarked. However, the recent decline in the responsiveness of some countries to the Fund's monthly reporting system was a cause for concern. The increased amount of required reporting to international agencies had placed a burden on members. Therefore, it was important for the Fund to coordinate with other international organizations to minimize the data request overlaps. In some cases it might be possible to design a unified system of reporting and to share the results with more than one international organization.

The increased collaboration between the Fund, the World Bank, and other institutions in the field of external debt statistics was welcome, Mr. Suraisry said. Given the lack of comprehensive information on external debt, the Bureau of Statistics was to be commended for the progress that it had made in preparing debt syntheses for a number of debtor countries. The Fund should intensify its efforts in that direction.

The work on data integration within the framework of the Fund's Economic Information System should be continued, Mr. Suraisry considered. Such integration would improve the work of area departments by providing a flexible system that was capable of handling data requirements of desk economists. At the same time, the new system would facilitate the effort to reconcile country data published by the Fund and data in Article IV consultation reports.

Technical assistance to members in general, and statistical assistance in particular had proved to be valuable, Mr. Suraisry remarked. It was therefore important for the Fund to continue to meet members' need for technical assistance even if countries receiving such assistance had to bear part or all of the financial cost.

He supported Mr. Alhaimus' request for an Arabic translation of the manuals on the balance of payments and government finance statistics, Mr. Suraisry commented. Translating those manuals would help to ensure that data in those countries were compiled in the most useful manner. That effort would in turn enhance the quality of data transmitted to the Fund. Given the already heavy workload of the Executive Board and the staff, it might be useful to hold the discussion on Fund statistics every other year, rather than on an annual basis.

Mr. de la Herrán remarked that the Fund's information system constituted a vital element of the work of the Fund and of a growing number of outside users. He welcomed the various improvements in the coverage of IFS that had occurred over the previous year, including the additional country pages and the extension of existing tables relating to countries and specific topics. The progress that had been made in the extension of coverage of international banking statistics was particularly encouraging, and further efforts in that direction should be made. It would of course be important to gather the most comprehensive information possible. During the previous review, his chair had stressed that it would be useful to disaggregate financial claims and liabilities by national origin and between official and nonofficial sources. That effort would permit better estimates of private capital flows. Given the recent proliferation of estimates of those flows from many different sources and the increased importance that was attached to private capital flows in debt discussions, it was desirable to improve Fund statistics in that area to the extent possible.

He agreed with the staff that it was difficult to devise accurate and objective measures of the currentness of data, but the staff's treatment of that issue was not clear to him, Mr. de la Herrán continued. The staff had noted that uneven changes in the currentness of information had occurred over the previous year, but it had not clearly indicated whether or not it felt that basic progress had been made in 1985. In view of the difficulty that a significant number of countries had had in responding to the Fund's monthly data request, he doubted whether significant progress had been made in improving the currentness of the Fund's statistical information.

The decline in the responsiveness of some members to the monthly reporting system was a cause for concern, Mr. de la Herrán went on. If members facing budgetary restrictions felt overburdened by the reporting requirements of international agencies, the Fund should devise ways in which to facilitate the meeting of the reporting task through direct assistance where appropriate and by other means. The development and intensification of personal contacts between the staff of the Bureau of Statistics and the personnel who were in charge of collecting and reporting the data in member countries that were experiencing particular difficulties in the statistical area might be especially helpful.

He continued to attach considerable importance to the provision by the Fund of technical assistance in the statistical field, and he generally agreed with the priorities that had been listed by the staff, Mr. de la Herrán said. The establishment of an IMF Institute course on money and banking statistics was welcome, and he hoped that the staff would participate in seminars and courses that were organized by regional organizations.

The inclusion of a section on statistical issues in staff reports for Article IV consultations had been helpful, Mr. de la Herrán remarked. He supported the staff's intention to broaden the scope of its evaluation of the adequacy and quality of the information provided to the staff.

During the previous review of Fund statistics, his chair had noted the urgent need to improve the coordination between country desk economists and the Bureau of Statistics, Mr. de la Herrán recalled. His chair had emphasized the need for a flexible information system that was capable of handling the data requirements of country desk economists, as it had been his impression that considerable time was spent by those economists in maintaining a data base outside the Data Fund System. He suspected that considerable duplication of information was occurring within the Fund, thereby adding to the operational costs of the institution and to the burden of individual members.

Mr. Jayawardena said that he was pleased with the improvements that had been made in the coverage of IFS during 1985, including the addition of country pages for Maldives, Solomon Islands, and Vanuatu. He hoped that the staff would continue its efforts to provide coverage for all members. Efforts to increase technical assistance to members, thereby broadening the coverage of IFS, would be welcome.

It was regrettable that, despite the improved coverage, there had been some deterioration in the reporting performance in 1985, Mr. Jayawardena commented. In particular, the response from the 20 industrial countries had declined from 86 percent in 1984 to 79 percent in 1985. He wondered why the deterioration had occurred and what could be done to improve the reporting performance. The reporting response by the 116 developing countries had also declined, from 52 percent in 1984 to 50 percent in 1985. A continuation of that trend would obviously be undesirable, especially as members improved their information systems.

Commenting on the currentness of data, Mr. Jayawardena said that Appendix Table 1 provided interesting information. For example, there were no balance of payments data for 9 members. In some of those countries, as Mr. Finaish had noted, the absence of data was due to security problems, but others had provided some data for Article IV consultations and arrangements with the Fund. In addition, while the appearance of developing countries in that list was not surprising, one of the countries was European. There were no data on government finance for 15 members. Moreover, for many countries there was a delay exceeding five years in

the provision of balance of payments and government finance data; the long-delayed data that were finally provided were of relatively little use in terms of the Fund's operations. Some of those members had arrangements with the Fund, and it was difficult for him to understand why there were such gaps in the provision of data. He wondered whether the staff would approach Executive Directors for assistance in solving such problems.

The proposal to produce IFS supplements on interest rates and external debt and a catalogue of financial institutions in member countries was welcome, Mr. Jayawardena commented. An update of the supplement on price statistics was to be published later in 1986. He wondered whether it would be possible to update the supplements on other subjects as well at least by giving data for the previous ten years along lines that were consistent with the data for earlier years, as was the practice with respect to supplements that were already being published.

The proposed work program for 1986 was generally satisfactory, Mr. Jayawardena said. If slippages in reporting or currentness had occurred due to transmittal problems, they should be dealt with separately. The members of his constituency were willing to help solve any such problems, provided that requests to them were made in a timely manner.

The EIS had replaced the Data Fund System as the Fund's statistical data base, Mr. Jayawardena noted. Phase I of the new system was to have been completed by April 1986, and Phase II was to be completed in 1986. He hoped that that schedule would be maintained, but that the confidentiality of the information provided during Article IV consultations would be preserved even as attempts were made to integrate data to meet the managerial requirements of the Fund.

He welcomed the Fund's participation in the effort to coordinate the revision of the United Nations' Standardized National Accounts (SNA), Mr. Templeman said. Efforts should be made to ensure that the Fund's data systems were in harmony with the SNA. As revisions were made in the SNA, the Fund's own methodologies for the compilation of money, banking, and government finance statistics might have to be reviewed. Finally, the Fund's coverage and quality of data in its publications were commendable, and its technical assistance in the area of the dissemination of information was valuable.

The Director of the Bureau of Statistics remarked that the staff would carefully examine Executive Directors' various comments. Mr. Steinberg's comments on interest rates had in effect followed up on a proposal--made two years previously by the Executive Director for the United States--on that subject and the subject of multiple exchange rates. The suggestion to add a world table on real interest rates to IFS was attractive and merited consideration, especially if such a table were to be a companion to the table on world consumer prices. Mr. Zecchini's suggestion to include statistics on interest rates for financial instruments denominated in ECUs and average period rates for ECU exchange rates would be examined.

The current presentation of end-of-month ECU exchange rates was based on the need to convert stock statistics, such as end-of-month balance sheet data, from national currencies into ECUs.

Most of the Executive Directors' other comments on the coverage of IFS had to do with the fact that a number of members were still missing from the country pages and that the reporting of statistics to the Fund had slightly deteriorated, the Director recalled. Improvements in the coverage in terms of the addition of new country pages had admittedly been somewhat limited, and the reporting might have slightly deteriorated when measured in the form that was outlined in the appended text and tables of the staff report. The reasons for the deterioration were not fully known and were being examined. The deterioration might well be a reflection of the construction of the indicators that measured reporting performance rather than a reflection of actual deterioration, although some slippage could not be ruled out. Unfortunately, there had been only one reference month on which the calculation of the reporting of data had been based. Such calculations were elaborate, and staff resources did not permit the staff to repeat that exercise from month to month. Hence, the picture of reporting performance might be somewhat different if more frequent calculations could be made. A similar conclusion could be made with respect to the currentness of statistics in Fund statistical publications. In some cases, there was a tradeoff between the currentness and quality of statistics. An improvement in the quality of statistics might coincide with a deterioration in the currentness of the data. At the same time, a number of countries had made significant improvements in the currentness and quality of the data that they provided to the Fund; China and Turkey are examples of members that had increased the scope and improved the quality of economic and financial data.

Executive Directors had mentioned possible additions to the coverage of the Fund's data base, such as social indicators and a national concept of the money supply, the Director remarked. Implementing such proposals would add to the reporting burden of countries. Perhaps more important, the additional data might not necessarily fall into the categories of statistics in which the Fund took a primary interest. For example, in the area of social indicators, there was a sufficiently broad array of data available through the activities of the World Bank; those data could be used by the Fund, particularly as a result of the data communications arrangements to be provided under the new data system in the Fund.

One Executive Director had suggested that more textual information on the compilation and definition of data could be provided in the IFS Yearbook rather than in the monthly issues of IFS, the Director noted. That request was a reasonable one. There were certain shortcomings in the present text. Some of those shortcomings had occurred because when new statistics were introduced, there was an emphasis on providing the data themselves rather than on also providing a comprehensive description of the data; there was a certain time lag in the provision of such a description. However, there were some disadvantages to separating the

text from the statistics: for example, users would always have to refer to the two or more issues of a given publication at the same time in order to benefit from the full range of available information.

As to the presentation of data on the money supply in national form, as Mr. Hodgson had suggested, it was well known that such additions were of interest to a number of countries whose statistics on the subject did not take the form of stock data derived from balance sheets but instead covered the particular transactions or changes that were the primary focus of national monetary policy, the Director commented. Such information would probably exceed the physical limitations of publication of IFS, although such data should be an important ingredient of the general data base.

A number of encouraging comments had been made on some of the new activities that the Fund had undertaken in the area of international banking statistics and external debt, the Director noted. It had been clear for some time that some of the activities had not progressed at the originally intended pace, particularly the compilation of debt statistics beyond the framework of international banking. That difficulty could not have been foreseen a few years previously, when the Fund had initiated its efforts to deal with the large range of debt statistics, and the difficulty was partly traceable to certain staffing constraints. In principle, there was no reason why the work of the Bureau of Statistics on external debt should be different from efforts in other statistical areas, and why the Fund should not apply the usual three-pronged approach involving certain assistance to and from the rest of the Fund, technical assistance to members, and the publication of debt statistics. Limited progress had been made in those areas, because work on international banking as a subset of the larger effort to deal with external debt statistics had required more resources than had originally been envisaged, and it did not appear likely that in the coming year the Bureau of Statistics could shift a significant amount of its resources to the work on the external debt data. Some of the difficulties in the external debt area had to do with the fact that the Fund attempted to reconcile international banking statistics with the regular statistics on money and banking that were submitted to the Fund and which were sometimes compiled by different national authorities.

International banking statistics would require added attention in the context of the Baker initiative, the Director continued. Much of that work would be undertaken by other departments within the Fund. At the same time, the question had been raised why international banking data compiled by the BIS differed from the data compiled by the Fund. That difference was explained by the facts that the Fund's coverage of statistics had exceeded that of the BIS, and the Fund had a number of data preparation routines that were different from those applied by the BIS. Of course, every effort should be made to reconcile and explain such differences.

He agreed with Mr. Goos that the Fund's international banking exercise should not add significantly to the statistical requirements of the BIS, the Director said. In fact, there had been only small additional requirements for countries that had been reporting such data over a long period.

A request had been made to prepare a paper on the collaboration by the Fund with other international agencies, including the World Bank, the OECD, and others in the so-called compilers group of international banking statistics, the Director remarked. Such a paper could be issued for the information of the Executive Board following the next meeting of that group. The issuance of a supplement to IFS on external debt had also been requested. If the necessary budgetary provision could be made, a supplement on the subject could perhaps be published in the second half of 1987.

Fund data on objective indicators existed, and, as the Managing Director had recently noted, the main relevant question was how to cast such sets of statistics into a useful analytical framework, the Director said. Further comments on the subject of indicators would no doubt be made by management, as well as by the Research Department and other involved departments.

Executive Directors had expressed their appreciation for the technical assistance provided by the Bureau of Statistics, the Director of the Bureau of Statistics commented. The staff would have to consider a number of the suggestions that had been made, because they were new in comparison with the technical assistance activities that were provided under existing schemes. A Fund-wide examination and decisions would be required in response to the suggestion to have the Fund add technical assistance activities that emphasized structural aspects of economic performance. The longterm statistical assistance that had been mentioned by Mr. Mawakani was beyond the present mandate of the Bureau of Statistics. The Bureau's technical assistance program typically involved the type of work that could be completed within two to three weeks.

The Assistant Director of the Bureau of Statistics said that the staff expected that separate country pages in IFS would be added for 2 more countries in 1986. It was conceivable that the number would actually be as much as 4, thereby reducing the number of countries without individual country pages from 14 members to 10 members. Technical assistance missions had been scheduled to 9 of the 14 countries in the coming year.

For those countries on which the Fund had data on multiple exchange rates, footnotes and information on the rates and their disposition were provided in IFS, the Assistant Director of the Bureau of Statistics noted. The staff hoped to provide additional information on multiple exchange rates in coming issues of IFS.

Mr. Hodgson said that he had no firm views on how often the Executive Board should conduct reviews of the Fund's statistics. A review every second year would be acceptable.

The Acting Chairman recalled that questions had been raised about the collaboration between the Bureau of Statistics and the area departments together with the staff more directly involved in producing world economic outlook papers. There was a need to improve the collaboration between those parts of the Fund in order to enhance the development, collection, and reporting of data. Efforts had been made in recent years to strengthen the collaboration. For example, members of the Bureau of Statistics had been included in Fund missions to a greater extent than hitherto. In that connection, the reporting on the quality of statistics in Article IV consultation reports had helped to strengthen the ties between the Bureau of Statistics and the area departments. Moreover, increased mobility involving staff members in the Bureau of Statistics and other departments could be expected.

In addition, there had been important technological developments that were likely to bear fruit in the future in terms of improved collaboration in the development of the new Economic Information System in the Fund, the Acting Chairman continued. Those developments should facilitate communication within the Fund. For example, the development of a computer network within the Fund would facilitate the linking of personal computers to economic information. The computer network would strengthen communications within the staff by acting as the focal point for the organization and maintenance of data that were collected by the various desk economists in the course of their work on individual countries. At present, it seemed fair to conclude that individual desk economists working on particular countries collected data independently; it was left to each desk officer to maintain the statistics required for his work.

For some time, management had perceived the need to develop more explicit standards that would provide a basis for harmonizing and standardizing the data that were collected by area department desk officers, the Acting Chairman went on. In that connection, some progress had already been made in a number of country cases; those countries were providing data in a form that was useful both for the desk economists and within the context of the EIS. However, considerable determination was required to make such progress for each country and to develop a common set of standards. An informal group of senior staff had been working on such kinds of intra-Fund data cooperation efforts during the previous several years, and he had recently decided to establish that group as a formal committee that would advise management on ways of improving collaboration within the Fund, particularly between the area department desks and the Bureau of Statistics, on the collection and maintenance of data for individual countries within the Fund. That committee would also advise management on the priorities that should be established with respect to budgetary expenditures on technology related to the Fund's statistical activities, including expenditures on the EIS, and expenditures on software that individual desk economists would use in maintaining their statistical data. That committee was to be a focal point for improved cooperation between the World Bank and the Fund in the area of data collection in relation to the work of desk officers on individual countries. There had

been close collaboration between the Bureau of Statistics and those parts of the World Bank that collected data on a regular basis from countries for publication. That collaboration had existed for some time. There appeared to be a desire on the part of individual countries to avoid duplication by World Bank and Fund staff at headquarters and on missions collecting data from those countries. The new committee would also be a focal point for working with a corresponding committee in the World Bank that dealt with the Bank's internal data management issues in relation to the Bank's regional desks.

The Acting Chairman then made the following concluding remarks:

Directors welcomed the opportunity to discuss issues relating to statistics collected by the Fund. Directors emphasized that broad-based, high-quality, and timely data were important for the work of the Fund and were useful to members as well as international financial institutions.

In commenting on the report, Directors noted the progress that has been made over the past year in various areas, including the number of countries reporting data, and the addition of series on interest rates and multiple exchange rates. They welcomed the reporting of banking statistics, the improved coverage of government finance statistics, the efforts that were being made in the context of the Economic Information System as well as the development and near completion of Phase I of the EIS and the plans for Phase II.

At the same time, the Directors who spoke believed that there was considerable room for improvement. They noted that a number of members were still without country pages in IFS. Moreover, Directors noted the often late and incomplete data that were reported by a number of members with IFS country pages. In that connection, concern was expressed about the deterioration in the reporting in 1985, and Directors encouraged the staff to help countries reverse that deterioration and to improve the timeliness and quality of the reporting for IFS. The effort to review the documentation that is provided in IFS was welcomed. In that connection, it was suggested that the documentation could be provided just once a year. That approach would reduce the need to include detailed documentation in each monthly IFS report.

It was agreed that the Bureau of Statistics would look at the suggestions that were made for expanding the coverage in IFS to determine which of the suggestions could be acted on in the context of the Bureau's plans for the coming year and in light of the costs of specific suggestions.

In commenting on the importance of statistics for the Fund, Directors underscored the role of statistics in activities concerning the use of Fund resources. In addition, they noted that the

availability of statistics made an important contribution to the Fund's efforts to fulfill its surveillance responsibility; in that connection, they welcomed the efforts to include a section on statistical issues in each staff report for an Article IV consultation. It was recommended that the discussion of statistical issues in staff reports for Article IV consultations should be continued, and that the staff should follow up on the weaknesses in the statistical area in individual members. At the same time, caution was expressed not to expect immediate results; improving the data reported by individual countries often takes time.

Concern was expressed about the weaknesses in the statistical reporting by countries that were using Fund resources, and the staff was encouraged to provide whatever assistance it could to improve the reporting by those members. Directors expressed general strong support for the Fund's technical assistance activities in the statistical area. They noted that the level of assistance would be maintained in 1986 but indicated that, given the demand for technical assistance, it was important to set priorities. The priorities that some Directors outlined gave emphasis to countries that were in an early stage of their statistical collection efforts, and to countries that were using Fund resources. It was also suggested that statistical missions could be combined, thereby facilitating and increasing the cost effectiveness of technical assistance.

Another general subject that was emphasized by Directors was the importance of collaboration with other institutions, including not only the World Bank but also the BIS and the OECD. Directors also stressed that improving such collaboration would make the Fund's statistical coverage efforts more cost effective, would avoid duplication, and, perhaps more important, would reduce the burden of reporting by individual members.

Strengthening collaboration between the Bureau of Statistics, the area departments, and those who work on the world economic outlook exercise was strongly encouraged by a number of Directors.

A number of Directors also commented that, while they recognized the need to harmonize and standardize data across countries and agreed that that was useful for purposes of comparison across countries, they wished to encourage the staff to be flexible and to avoid burdening countries by seeking an excessively high degree of standardization. That issue was one of achieving an appropriate balance. In that connection, it was suggested that it would be useful to report some statistics and data series by a country which were unique to that country but which were important for policymaking purposes in the country. Such data would be useful for purposes of general analysis.

The next report reviewing the Fund's statistics could be made in two years time, the Acting Chairman added, unless developments warranted a report within one year.

Mr. Jayawardena said that he wondered why government finance statistics were available for Japan only through 1979. Similarly, information on interest rates in the Philippines was available only through December 1979. Although recent data had been available during the latest discussion on Yugoslavia, IFS data on the balance of payments were current only through 1983, and for government finance statistics only through 1981.

Mr. Ortiz commented that some of the countries in his constituency reported almost daily to the Western Hemisphere Department information on various factors, such as interest rates. However, information on the same factors for the same countries in IFS often was several years old. That gap apparently was a reflection of the lack of communication between the Bureau of Statistics and the area departments. That lack also placed an extra burden on the reporting countries, as they were required continuously to update the information available both to area departments and the Bureau of Statistics.

The Director of the Bureau of Statistics said that the government finance accounts for Japan in IFS were current only through 1979 because of problems with the standardization of the Japanese data in accordance with the Government Finance Statistics Manual. The daily reporting by some countries to the area departments--as distinct from the provision of statistics for Fund publications--did not necessarily reflect a problem of communications within the Fund; it might be due to the confidentiality of the statistics that were provided on a daily basis. Alternatively, the data that were provided on a daily basis might be partial in nature or might not be reconcilable with international reporting standards. The staff of the Bureau of Statistics had standing instructions to maintain frequent communication with area departments to make certain that information received elsewhere in the Fund that was usable and nonconfidential would be transferred to the Fund's computer data files.

Mr. Ortiz commented that the cases that he had had in mind did not involve confidential information. Although interest rate data were relatively available and easy to obtain, there was a considerable lag in the publication of such data in IFS even though the area departments were receiving interest rate data on at least a weekly basis.

The Acting Chairman said that he agreed that a further effort was needed to improve the collaboration on data between the area departments and the Bureau of Statistics. During the coming year, the effort in that area would be given a higher priority than hitherto; that effort had been formalized in order to clearly establish the priority that was to be given to it. Additional resources were being allocated through the budget for the computer systems in the Fund to ensure that the necessary computer software would be developed in order to facilitate the communication of data between the area departments and the Bureau of Statistics.

Standards and rules would also have to be developed to facilitate such communication; desk officers passing on data to the Bureau of Statistics would have to be certain that the data met the tests that were required for the Fund's publications. The tests would include the test of confidentiality.

Mr. Sugita remarked that the currentness of Japan's financial statistics in IFS was a long-standing issue. To meet the Government Finance Statistics Manual standards the Japanese authorities would have to make extensive changes in their computer system and in basic accounting practices in Japan. The authorities and the Bureau of Statistics had maintained tained extensive contacts but had not yet reached an agreement on how to solve the problem. He hoped that a compromise could eventually be reached.

The Executive Directors concluded their review of Fund statistics.

2. SCHEDULE OF MEETINGS

Mr. Foot noted that there were just 16 days between the circulation of the latest paper on the Fund's income position (EBS/86/81, 4/14/86) and the scheduled discussion of the paper on April 30, 1986. There had been a significant further decline in interest rates since the circulation of the paper, and the staff would undoubtedly wish to circulate updated information just prior to the discussion on the Fund's income position. The staff paper on provisioning against loan losses in the context of the Fund should also be discussed on April 30, 1986. The outcome of the discussion on provisioning could conceivably significantly affect the outlook for the Fund's income in financial year 1987. It might be appropriate to use the meeting on April 30, 1986 to concentrate on how to deal with the income surplus that was emerging in financial year 1986. That occasion might be a useful one on which to comment on a range of subjects concerning the larger matter of the Fund's income position in financial year 1987. The fact that the discussion would be taking place at the beginning of a new fiscal year would give the Executive Board some leeway in which to tackle some of the difficult issues concerning the Fund's income position and to assess the data that could necessarily be provided only at the last moment.

Mrs. Ploix considered that the scheduled discussion of the Fund's income position on April 30, 1986 would be a suitable occasion on which to examine inter alia burden sharing. In fact, the staff paper on the Fund's income position that was to be considered on April 30, 1986 asked the Executive Board for guidance in its further work on burden sharing.

Mr. Foot said that he agreed that there could be fruitful comments on financial year 1987 during the discussion of the Fund's income position scheduled for April 30, 1986.

Mr. Goos stated that he agreed with Mr. Foot. The Executive Board's discussion on the Fund's income position would be meaningful only if the subject of loan loss provisioning were also considered at the same time. The outcome of the discussion on loan loss provisioning would clearly affect the Fund's income position, especially charges and the rate of remuneration. The discussion on April 30, 1986 should be preliminary in nature and should not bind the Executive Board with respect to charges and other aspects of the Fund's financial position in financial year 1987.

Mr. Suraisry said that he sympathized with Mr. Foot. The issue of burden sharing was closely related to the issue of provisioning in the context of the Fund, and the two matters should be discussed at the same meeting.

Ms. Bush stated that she agreed that the issue of provisioning was a significant factor in the Fund's income position. The discussion on provisioning should be kept on the agenda for April 30, 1986 together with the discussion on the Fund's income position. However, it was unlikely that the Executive Board would be able to draw any firm conclusions with respect to provisioning at its meeting on April 30. Nevertheless, the Executive Directors should use the opportunity provided by the discussion on April 30 to consider the issue of provisioning together with the various issues with respect to the Fund's income position.

Mr. Leonard said that he saw no difficulty in structuring the discussion on April 30 in the way in which Mr. Foot had suggested. He attached considerable importance to the issue of burden sharing. The Executive Directors should have adequate background information with which to discuss that issue; that information had not yet been made available. However, he agreed with Mrs. Ploix that Executive Directors who wished to do so could provide guidance on the subject of burden sharing during the discussion on April 30. However, the final outcome with respect to burden sharing should not be prejudiced by the discussion on April 30.

Mr. Fugmann commented that a discussion of the Fund's income position together with provisioning on April 30 would be acceptable, provided that no decision on provisioning would be taken at that meeting.

Ms. Bush, responding to a question, said that in all likelihood the rate of charge that was set on April 30, 1986 would be applied in financial year 1987. In considering that and other related issues on April 30, the Executive Directors should be able to take into account information that the staff had prepared for the discussion on provisioning. Indeed, it was Mr. Dallara's understanding that there was a firm commitment to discuss provisioning before the end of financial year 1986.

Mr. Foot, responding to a further question, said that ideally the discussion on April 30, 1986 should be postponed so that Executive Directors could have more time to consider the staff papers on the Fund's financial position and on provisioning. However, it seemed preferable to hold the

discussion on the Fund's income position and provisioning on the same day to avoid having to postpone the decision on the rate of charge for financial year 1987.

Mr. Suraisry commented that he preferred not to postpone the discussion on provisioning. However, he was willing to go along with Ms. Bush's request to discuss provisioning together with the Fund's income position on April 30, 1986.

Mr. Sugita said that, in the light of the rapidly changing circumstances with respect to the Fund's income position, he sympathized with Mr. Foot. He was prepared to hold a preliminary discussion on provisioning on April 30, 1986.

Mrs. Ploix stated that it would be appropriate to discuss provisioning and the Fund's income position on April 30, 1986 provided that the subject of burden sharing was also discussed on that date.

Mr. Salehkhrou recalled that the Executive Directors had agreed to discuss the Fund's income position on April 30, 1986 because they suspected that the increase in the rate of charge for the second half of financial year 1986 might have been unnecessary in light of actual developments. The issue of provisioning for financial year 1987 should be discussed on its own merits. The discussion on April 30, 1986 should focus on the rate of charge and the rate of remuneration for the second half of financial year 1986.

Ms. Bush commented that she agreed that provisioning should be discussed on its own merits, but that issue could not be fully separated from the rate of charge for financial years 1986 and 1987. The Executive Board need not reach final conclusions on provisioning during its discussion on April 30, 1986. An awareness of the implications of provisioning would be useful for the discussion on the Fund's income position on that date.

Mr. Jayawardena said that, as he understood it, under Ms. Bush's proposal only the issue of provisioning would be discussed in a preliminary manner on April 30, 1986. The Executive Directors would attempt to reach an agreement on the rate of charge on that date. Accordingly, the staff paper on provisioning should be included on the agenda for April 30, 1986 as a background document for the discussion on the Fund's income position; the paper on provisioning need not be formally included as a separate item on the agenda for that date.

Ms. Bush remarked that she preferred to include provisioning as a formal and separate item on the agenda for April 30, 1986.

Mr. Ortiz considered that Mr. Jayawardena's suggestion was reasonable and helpful.

Mr. Foot remarked that the present discussion had clarified the link that some Executive Directors perceived between the Fund's income position and provisioning. Including the paper on provisioning as a background

paper for the discussion on April 30, 1986 would be acceptable. Executive Directors who were in a position to do so would then feel free to comment on the paper during the discussion.

Mr. Leonard said that by having the paper on provisioning before them in preparation for and during the discussion on April 30, 1986 Executive Directors would be able to take the information in the paper into account in their examination of the rate of charge and would have an occasion to give the staff guidance on its further work on burden sharing.

After a further brief discussion the Executive Directors agreed to continue their discussion on the scheduling of meetings on April 23, 1986.

DECISION TAKEN SINCE PREVIOUS BOARD MEETING

The following decision was adopted by the Executive Board without meeting in the period between EBM/86/64 (4/18/86) and EBM/86/65 (4/18/86).

3. RELATIONS WITH GATT - CONSULTATIONS WITH CONTRACTING PARTIES -
FUND GUIDANCE

The Executive Board approves the recommendation by the Committee on Liaison with the CONTRACTING PARTIES to the GATT with regard to the guidance statements for the Fund representative attending the GATT consultations with Argentina, Bangladesh, Greece, and Peru on April 21-25, 1986, as set forth in EBD/86/113 (4/16/86).

Decision No. 8254-(86/65), adopted
April 18, 1986

APPROVED: January 6, 1987

LEO VAN HOUTVEN
Secretary