

INTERNATIONAL MONETARY FUND

**Proposed Steps to Address Excessive Delays in the Completion of
Article IV Consultations**

Prepared by the Legal and the Strategy, Policy and Review Departments

In Consultation with Other Departments

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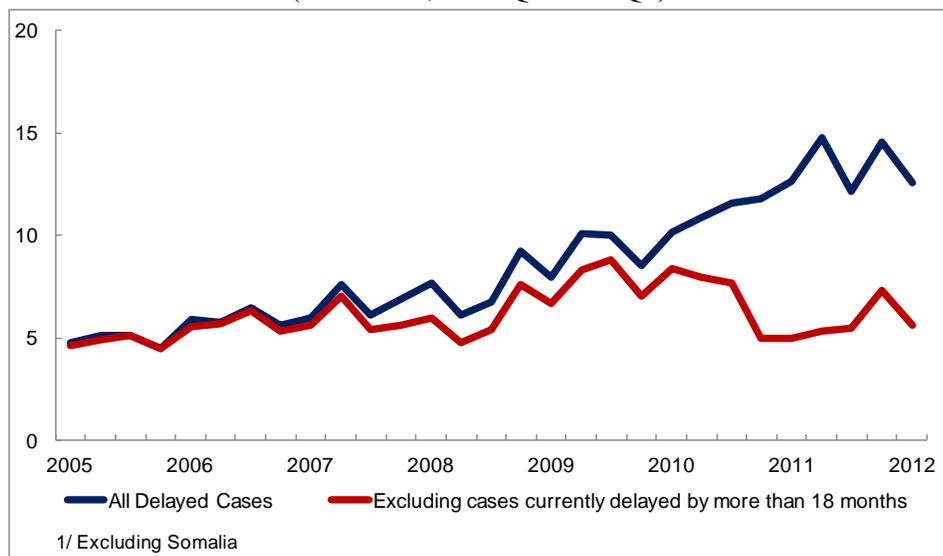
This paper proposes concrete steps to address cases of excessive delays in the completion of Article IV consultations and mandatory financial stability assessments building on the May 2011 Board discussion of this issue.¹

I. INTRODUCTION²

1. **Bilateral surveillance is mandatory for both the Fund and its members, and all members have an obligation to consult with the Fund for this purpose.³** Periodic consultations with members on their policies and access to necessary information are essential for effective bilateral surveillance. Furthermore, to enable the Fund to effectively conduct multilateral surveillance, bilateral surveillance needs to cover all economies at a reasonable frequency.

2. **A few recent cases of severely delayed consultations have underscored the need to better promote timeliness of consultations.** The Fund has relied on a cooperative approach to consulting with members, setting consultation deadlines as *expectations* rather than firm *obligations*. This approach has worked well for most of the membership. Historically, delays in Article IV consultations have generally been relatively short or, in cases of extended delays, for reasons beyond members' control. However, some recent delays have been unusually long for reasons that are not clearly beyond the members' control (Figure 1). These cases have prompted calls to address the issue of timeliness.

Figure 1. Average Delay in Completing Article IV Consultations^{1/}
(in months, 2004Q4-2011Q4)



¹ [Preliminary Considerations of Options to Address Excessive Delays in the Completion of Article IV Consultations](#) (April 28, 2011).

² This paper was prepared by a team comprising J.F. Dauphin, T. Konuki, W. Rahman-Garrett, D. Wang and C. Waysand (all SPR), and R. Leckow and M. Makonnen (all LEG).

³ See Section II of the above-referenced paper.

3. **In May 2011, the Board informally discussed broad options to address this issue, signaling a preference for establishing formal steps within the existing framework.**⁴

Staff's previous paper explored three options to promote timely Article IV consultations: (1) continuing the existing system of relying on informal channels; (2) establishing concrete formal steps within the existing framework; and (3) establishing an obligation-based framework, including the possible application of remedial measures, similar to the framework in place for members' data provision obligation under Article VIII, Section 5. The sense of the discussion was that of a wide support for option 2, while neither option 1 nor 3 seemed to garner sufficient support to be pursued further.

4. **This paper builds on the formal steps discussed as part of option 2 in the previous paper, amended to reflect feedback from Directors.** Specifically, Option 2 in the May 2011 paper set out the following steps to address excessive delays in Article IV consultations: (i) seeking formal involvement from Management in the form of a letter to the relevant members; (ii) publication of a short report listing the relevant members; and (iii) holding a Board discussions of the relevant members' economies based on staff reports prepared without discussion with authorities and publishing these reports. During the discussion, concerns were expressed regarding the third step about possible reputational risks for the Fund if the staff's analysis were to miss key vulnerabilities due to large information gaps and about the ability of the Board to make formal assessments based on incomplete information. As described below, staff's proposals in this paper take these concerns into account. The framework that would implement these recommendations is set out in a draft decision (attached) that is proposed for adoption by the Executive Board.

II. PROPOSED CONCRETE FORMAL STEPS

5. **It is proposed that three concrete formal steps be added to the existing surveillance framework to address cases of serious delays.** As described below, these steps are: (i) sending a letter from the Managing Director; (ii) publishing a list of members with seriously delayed Article IV consultations; and (iii) holding an informal session to brief the Board on the economy of a member with a seriously delayed Article IV consultation. These steps would be applied to all members regardless of the reason for delay, recognizing that the obligation to consult with the Fund under Article IV applies uniformly to all members.

A. Management Letter

6. **It is proposed that the Managing Director send a letter to a member whose Article IV consultation has been delayed by more than 12 months.** In practice, staff and management are typically in frequent informal contacts with any member whose Article IV

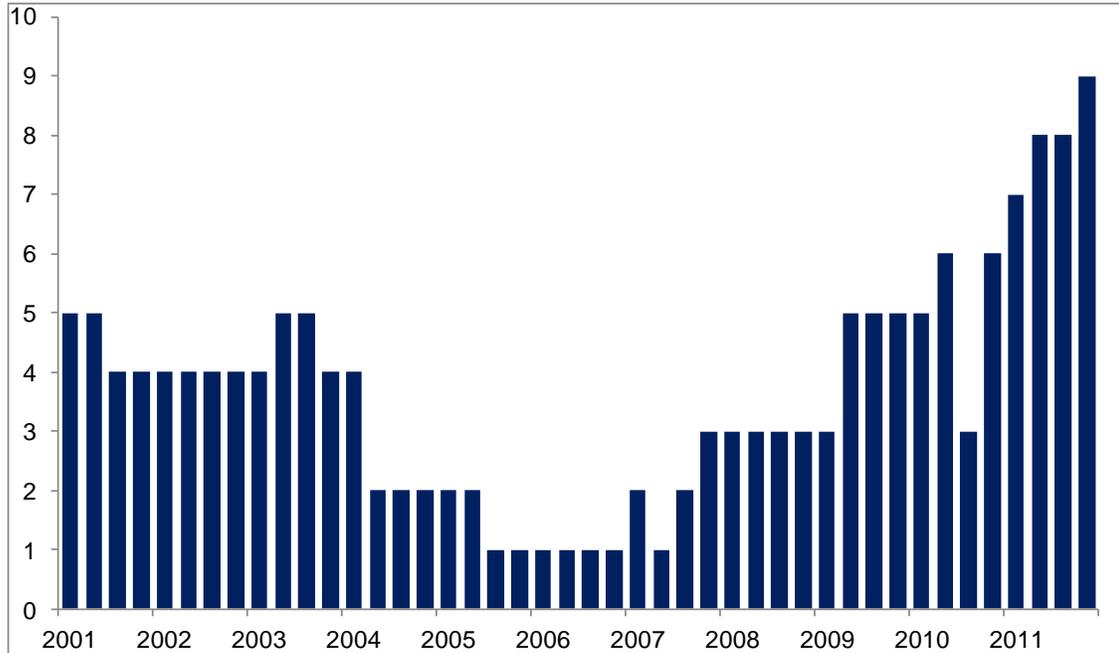
⁴ [*Preliminary Considerations of Options to Address Excessive Delays in the Completion of Article IV Consultations*](#) (April 28, 2011).

consultation has been delayed as soon as the delay occurs with a view to complete the consultation as soon as possible. The letter would be an initiation of formal steps when informal efforts have not succeeded. Specifically, the letter would be sent to the authorities (copied to the Executive Director for the member) after 12 months have elapsed from the end of any grace period applicable to the conclusion of the Article IV consultation.⁵ It would be calibrated to the circumstances of the member. It would normally remind the authorities of their obligation under the Articles and note the importance of engaging in Article IV consultation discussions with Fund staff. Recognizing that the Article IV consultation is an obligation for both the Fund and its members, the letter would be sent irrespective of the reason for delay. In cases where the delay originates on the Fund's side, the letters would not need to remind the authorities of their obligation to consult, but rather clarify what steps the Fund is taking to complete the consultation. Subsequent letters would be sent every 12 months thereafter, so long as the Article IV consultation for that member has not been concluded by the Executive Board. The letters would not be published, nor would the Board be involved at this stage. No such letter would be called for when discussions with staff had been completed but the Board had not yet concluded the consultation.

7. So that the attention is appropriately focused on the most severe delays, 12 months seems a reasonable period before taking this first step in the procedure. Indeed, should the authorities respond positively to the letter, and given the time needed to prepare for and hold the consultation discussions, the consultation could be concluded within approximately six months from sending the letter. As noted in the earlier paper, in practice, delays of over 18 months in concluding Article IV consultations have generally been rare, although there have been occasional spikes such as in the last year (Figure 2).

⁵ [Decision on Article IV Consultation Cycles](#) (September 28, 2010) lays out the rules for determining the expected deadlines for concluding Article IV consultations (see also [Bilateral Surveillance Guidance Note](#) (paragraphs 54–57)). Inter alia, it provides that Article IV consultations that take place on the standard 12-month cycle will be subject to a grace period of 3 months, and accordingly, will be expected to be completed within 15 months of the date of the completion of the most recent consultations. Members that are on a consultation cycle longer than 12 months are not subject to a grace period.

Figure 2. Total Number of Members with Delayed Article IV Consultations Over 18 Months



B. Publishing a List of Members with Serious Delays

8. **It is also proposed that the Fund periodically publish a list of those members whose consultations have been delayed by more than 18 months.** More specifically, a member would be included in the list once 18 months have elapsed from the end of any grace period applicable to the completion of its Article IV consultation. The list would state the reasons for the delay in a manner that is similar to the existing (non-published) regular report on delayed Article IV consultations.^{6,7} The list would be published and updated on at least a semi-annual basis, although it would be open to staff to update and publish the list on a more frequent basis. In addition to the reasons for delays, the list would point out cases, if any, where the consultation discussions with Fund staff had been completed, but the consultation not yet been concluded by the Executive Board at the time of publication. This list would be sent to the Board for information ahead of its publication. An example is attached in Annex I.

9. **Increasing the publicity of delayed consultations will strengthen transparency of the Article IV consultation process.** Although the length of each delay is already implicitly available to the general public through the Fund website, as the date of the last consultation is a known fact, this step would provide the public with more comprehensive and accessible information on all excessively delayed consultations, including greater clarity on the reasons

⁶ These reports are currently produced quarterly.

⁷ The existing regular report on delayed Article IV consultations records only the most recent primary reason for each delay. However, in cases where the delay is explained by different successive reasons, the proposed lists would cite all the reasons that have been recorded in the regular report on delayed Article IV consultations.

for the delays. This would also help the public distinguish between cases obviously beyond the authorities' control and others.

C. Informal Session to Brief the Board on the Member's Economy

10. **For the Fund to fulfill its surveillance mandate, it is important that the Board be kept abreast of developments in member countries with severely delayed consultations.**

With this objective in mind, it is proposed that, for a country with a severely delayed consultation, the staff could still, to the extent possible, regularly brief the Board of its—tentative—assessment of the member's economy and policies based on information it has available. The Board briefing would be intended solely to keep the Board informed of developments in the country. It would, in no way, constitute an Article IV consultation or serve to meet the member's obligation to consult with the Fund under Article IV, Section 3.

11. **The modalities of the Board briefing would need to reflect information gaps.**

Since the briefing is not an Article IV consultation, the Board would not be formally assessing the members' policies or reach conclusions that would be communicated to the member. Rather, it is proposed that the staff's briefings be held in informal sessions (therefore with no summing up). To allow for regular monitoring, the informal sessions to brief the Board would normally be expected to be held approximately every 12 months for a member whose Article IV consultation has been delayed by more than 18 months beyond the expiration of the grace period. No such briefing would be called for to the extent that discussions with the member have been completed but the Board has not yet concluded the consultation, or the Board has been briefed in the previous 12 months on the member's economy in other contexts (e.g., on program-related matters). Staff's briefing material to support the Board discussion would not have any predefined format and could take any form, e.g. short notes, slides, etc. In extreme cases where there is a lack of adequate information, in lieu of a briefing on the member's economy, the Board would be informed of staff's inability to provide a briefing.

12. **It is not proposed that the materials circulated to the Board for these informal sessions be published.** In particular, publication could expose the Fund to a significant reputational risk if the analysis set out in the briefing missed key vulnerabilities due to large information gaps. At the same time, in the interest of transparency, it is proposed that the Fund issue a short factual statement in a press release noting the fact that the Board was given an informal staff briefing on the member's economy based on available information or that no such briefing could be given because of lack of adequate information (see Annex II for proposed templates for such statements).

D. Mandatory Financial Stability Assessments under the FSAP

13. **The proposed framework would also apply to cases involving a delay in the Board discussion of a mandatory financial system stability assessment (FSSA) report.**⁸ If 12 months have passed after the expected date for the Board discussion of the mandatory FSSA report and staff's discussions on the mandatory stability assessment with the member have not been completed, the Managing Director would normally send a letter to the member similar to the letter for Article IV consultations (paragraph 6). The letter would be calibrated to the circumstances of the member and, where the delay is not attributable to the Fund, would remind the authorities of their obligations and note the importance of engaging with Fund staff. Such a letter would be sent every 12 months for so long as discussions with the member have not been completed. In its published list of members with severely-delayed consultations, the Fund would include members for which the mandatory financial stability assessment has been delayed by more than 18 months past the expected date. Informal sessions to brief the Board would normally be expected to be held approximately every five years for a member whose mandatory financial stability assessment has been delayed by more than 18 months beyond the expected deadline if staff discussions with the member had not been completed and the Board had not been briefed in the prior 12 months on the member's financial sector in other contexts. In extreme cases where there is a lack of adequate information, in lieu of a Board briefing, the Board would be informed of staff's inability to monitor the member's financial sector. The fact that the Board was given a briefing by staff on the member's financial sector based on available information or that no such briefing could be given because of lack of adequate information would also be made public.

III. TRANSITIONAL ISSUES

14. **The proposed framework provides for transitional arrangements for the introduction of these measures.** The latest regular report on delayed Article IV consultations gives an indication of members that could possibly have been the subject of the steps proposed above if they were already in place. To allow for a smooth transition, it is proposed that: (i) the requirement for the issuance of letters by management begin to apply one month after the adoption of the proposed decision; (ii) the first publication of a list of members whose consultations have been delayed by more than 18 months take place within six months after the adoption of the proposed decision; and (iii) the first informal Board briefings for each relevant member be scheduled roughly six months after the adoption of the proposed decision.

⁸ [Decision on Integrating Stability Assessments Under the Financial Sector Assessment](#) (September 21, 2010), defines the scope and modalities of mandatory financial stability assessments, including expected deadlines for their conclusion.

Annex I. An Example of the List Proposed in Section II.C.

The following lists the IMF members for which the Article IV consultation has been delayed by more than 18 months. The delay is counted past the scheduled expected date, plus applicable grace period.

Member	Completion Date of Last Consultation	Stipulated Date for Completion of Next Consultation ^{2/}	Main Reason for Delay ^{3/}	Delay in Completion of Consultation (in months) ^{4/}
Country A	11/13/1989	11/13/1990	Political and security situation	251
Country B	9/13/2004	9/13/2005	No agreement on mission dates/modalities	73
Country C	1/25/2008	1/25/2009	No agreement on mission dates/modalities	32
Country D	6/25/2007	4/30/2009	Political and security situation	32
Country E ^{5/}	6/18/2008	9/18/2009	Program-related issues	27

Source: IMF staff.

1/ The status and classification of countries are as of xx, 20xx.

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

3/ Reasons for delay are explained in the Note.

4/ The delay measures the lag between the stipulated date of completion of the next Article IV consultation plus the three-month grace period, where applicable, at end-xx 20xx. If the stipulated date for completion of the consultation falls in the first half of a given month, the calculation of the delay includes this month.

5/ The Article IV consultation discussions between Fund staff and Country E was held in yy, 20yy.

Note. Taxonomy of the reasons for delays of Article IV consultations

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

- Program-related issues: Delayed (i) in order to combine the consultation with a request for use of Fund resources (UFR) or Policy Support Instrument (PSI), or program review; or (ii) due to ongoing discussions on UFR or PSI, or continued work on program review.
- Further discussions: Delayed due to further discussions with the authorities on economic developments and policies.
- Political/security situation: Delayed due to the unsettled political and/or security situation.
- Government change: Delayed due to forthcoming or recent elections, change of government, or changes within government.
- Staffing constraints.
- Authorities' request.
- No agreement on mission dates/modalities: There was no agreement on the modalities for the mission/the authorities have not communicated dates for the Article IV consultation mission.
- Miscellaneous: Includes reasons not accommodated above.

Annex II. Templates for Press Releases Proposed in Section II.C.

Template A is to be used for press releases issued after an informal session to brief the Board for members whose Article IV consultations are delayed by more than 18 months, plus the applicable grace period. Template B is to be used when the Board was informed of staff's inability to provide a briefing.

A. Press Release following Informal Session to Brief the Board

IMF Holds Informal Board Briefing on "Country"

On [Month, dd, yyyy], the Executive Board of the International Monetary Fund (IMF) was briefed on economic developments in "country," whose Article IV consultation is delayed by [number] months.

Informal sessions to brief the Board based on information available are held approximately every 12 months for members whose Article IV consultations are delayed by more than 18 months.

B. Press Release if No Informal Session Held to Brief the Board

On [Month, dd, yyyy], the Executive Board of the International Monetary Fund (IMF) was informed that there could not be an informal session to brief the Board on "country," whose Article IV consultation is delayed by [number] months, due to lack of adequate information.

When possible, informal sessions to brief the Board based on information available are held approximately every 12 months for members whose Article IV consultations are delayed by more than 18 months.

Proposed Decision

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

This decision is adopted pursuant to Article IV, Section 3(a) and (b) of the Fund's Articles. It establishes a framework for addressing cases where there are delays in the completion of Article IV consultations or mandatory financial stability assessments.

1. Whenever an Article IV consultation for a member or a mandatory financial stability assessment pursuant to [Decision No. 14736-\(10/92\)](#), September 21, 2010 (a “mandatory financial stability assessment”) has not been concluded within 12 months of the expected deadline for conclusion, and staff discussions with the member have not been completed, the Managing Director shall notify the member in writing of the delay. The notification shall be calibrated to the circumstances of the member and, where appropriate, shall remind the member of its obligation to consult. Subsequent notifications shall be sent to the member at 12 month intervals as long as the Article IV consultation or mandatory stability assessment has not been concluded and staff discussions with the member have not been completed.
2. The Fund shall, at intervals of not more than six months, publish a list of all members whose Article IV consultation or mandatory financial stability assessment has, as of the date of publication, not been concluded within 18 months of the expected deadline for conclusion. For each such member, the list shall, in particular, specify (i) the fact of the delay in completion and (ii) the reasons for the delay. Where applicable, the list will note the cases when staff discussions with members have been completed.

3. Whenever an Article IV consultation or a mandatory financial stability assessment for a member has not been concluded within 18 months of the expected deadline for conclusion, staff shall, except as provided below, informally brief Executive Directors on the economic developments and policies of the member or on its financial sector, as applicable. No such briefing shall be required to the extent that (i) staff discussions with the member for the Article IV consultation or mandatory financial stability assessment have been completed, or (ii) Executive Directors have, within the previous twelve months, been briefed on the member's economic developments and policies or on its financial sector, as applicable, in another context, or (iii) the Managing Director, in exceptional circumstances, determines that the available information is so inadequate as to seriously undermine the ability of Fund staff to conduct a meaningful analysis of the member's economic developments and policies or of its financial sector, as applicable. Following the initial briefing and, for so long as the conditions set out in (i), (ii) and (iii) have not been met, staff shall, in cases of delayed Article IV consultations, brief the Executive Directors on the economic development and policies of the relevant member every 12 months thereafter; and in cases of delayed mandatory financial stability assessments, brief the Executive Directors on the financial sector of the relevant member every 60 months thereafter. Whenever a briefing under this paragraph is held, the Fund will make public the fact that the briefing took place. Whenever the Managing Director makes the determination specified in (iii) above, the Managing Director will inform the Executive Board that no such briefing will be held and the Fund will make public the fact that no briefing was held due to the lack of adequate information.
4. Any calculation of the deadlines in paragraphs 1, 2, and 3 above shall be made in accordance with [Decision No. 14747-\(10/96\)](#), September 28, 2010, as amended and

[Decision No. 14736-\(10/92\)](#), September 21, 2010, as amended, taking into account any grace period, as applicable.

5. Paragraph 1 of this Decision shall begin to apply one month after the date of adoption of this Decision.

6. Paragraph 2 of this Decision shall begin to apply immediately upon the date of adoption of this Decision provided, however, that the first public announcement required under that paragraph shall take place no later than six months following the date of adoption of the Decision.

7. Paragraph 3 of this Decision shall begin apply six months after the date of adoption of this Decision.