

Statement to the Plenary

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George Abed

Fiscal Affairs Department, IMF

Thank you, Mr. Chairman,

It's a pleasure to be here to address you on the question of transparency work in the IMF. As you can see from the presentations this morning and other presentations during the last three days, we are all speaking about establishing rules – rules that are clear, transparent, that are fairly applied, standards of conduct for public officials and corporate chairmen and high officials and standards of performance for public institutions. We in the IMF have been working for several years now on the development of transparency codes and manuals for public institutions entrusted with public funds.

You might ask why the IMF – given what it is and what its mandate is – should be concerned or should place transparency and standards at the core of its work. Well, I can think of at least four reasons: one is that globalisation and economic integration in the world have brought together many countries and have made capital flows between countries one of the most important sources for financing investment and for promoting growth. And in order to attract private capital into the developing and emerging nations nothing impresses markets more than clean government. Therefore, with the rising importance of private capital flows in the world today and the decline of official assistance we see that in order to attract foreign capital for investment, good governance, transparency and fair standards are crucial.

Second, we know that corruption does indeed harm economic performance, it does reduce the rate of growth, it does divert investments into the wrong ends, it impedes foreign direct investment and it aggravates bad distribution of income and promotes or reinforces poverty. We have, in fact, conducted these studies in the Fund, in our own department and other studies in other organisations. Third, the crisis in Asia and in Russia, 1997 – 98, has demonstrated that corruption was a root cause of the precipitation and the propagation of the crisis and the treatment of that crisis requires that we address corruption as well. Finally, transparency and standards and the conduct of public institutions are important for the creation of a more robust international financial architecture.

For these reasons the IMF has been concerned with governance and corruption and has placed the question of transparency, the dissemination of standards and good governance at the centre of its work.

Well, what has it done? Let me deal with this issue in two dimensions: firstly, what has the IMF done internally – in the organisation itself – to promote transparency and standards – and secondly, what have we done in the IMF vis a vis our member governments?

First on the internal organisation of the Fund: first and foremost we have broadened the scope of our dialogue with our counterparts. In the past we only spoke or negotiated with central banks and ministries of finance. In the past several years we have broadened our dialogue to include NGOs, opposition political parties, Labour Unions and other international and local NGOs and organisations. Secondly, we have begun publishing the results of our consultations

with members and these results are summarised in the Chairman of the Board's statement that is actually issued to the press and is placed on the web site of the IMF. We have encouraged our own members to publish the results of our negotiations and discussions, including the documents relating to programmes approved for financial assistance. This includes the letter of intent of the government in terms of its own reform programme and other documents that go with the signing of a programme of financial assistance with member countries. We have, ourselves in the IMF, posted a great deal of information about our internal operations on the IMF web site and that is now available world-wide.

Within the Fund we have established a code of conduct for our own staff that is clear, that gives specific examples about behaviour of the IMF officials and we are working now, currently, on regulations and rules concerning disclosure of financial assets and liabilities of officials within the IMF and we hope to come up with some recommendations later this year – I happen to serve on that committee as well.

What has the IMF done in terms of its relation with member to promote transparency and standards of good conduct on the part of public institutions? Well, let me remind you that the IMF operates in four major areas of its mandate – we do not go much beyond those because this is our mandate. First, on data dissemination, second, in the area of fiscal transparency, third, in the area of monetary and exchange relations and banking issues and fourth on bank supervision as such. In the area of economic and financial statistics we instituted what is known as the special data dissemination standards, these are standards that are recognised as good practises. We induced members to adhere to these standards and so far 47 states have adhered to these standards and have begun publishing very important economic, financial and banking data on their economies. We hope that other members join this group and in our own work in dealings with members we try to encourage them in that direction.

In the area of fiscal transparency we have promulgated what is called the code of fiscal transparency and this was followed by a manual of fiscal transparency that is now available on the web, distributed to all members. We have also encouraged members to make assessments of their own fiscal transparency – that is the transparency of their own accounts, their budget, their expenditures, their tax collections and customs collection – to put those in the public domain and to make them available to the public. We have made a number of assessments of countries' adherence to these codes and, in fact, nine reports have been prepared already. We hope to prepare 12 reports this year and from then on this will become the standard practise, where 36 reports a year will be prepared so that the entire membership of the IMF – of 182 nations will be covered.

In the area of monetary and financial statistics a draft code of monetary and financial transparency has also been issued and approved by the IMF Governing Board. Indeed, this has now become the basis for dialogue with member countries on the release of information and the release of practises and systems, on their banking system and on their financial institutions, such as insurance companies, securities, trading and so on. So far a number of reports have been initiated – this process is new and we don't really have any of these reports public yet, but some will become public soon because the process is currently underway.

In the area of banking regulation we have collaborated very closely with the Basel committee on banking supervision and have adhered – or required our own members to adhere – to the code of banking supervision that has been promulgated by the BIS in Basel and the World Bank as well encourage our members that require our assistance in the area of banking

supervision and regulations, that this code, or these practises, or these principles should be the reference point for regulation of the banking and financial system in our member countries.

At the same time, of course, the IMF in its areas of mandates – that is data on financial and economic performance, fiscal transparency, monetary and financial and banking supervision – that we do ourselves and we collaborate with some international, financial institutions such as the World Bank and other regional institutions. However, in other broader areas of transparency we rely on the work of other international regulatory bodies, or international financial institutions and we work very closely with them. For example, with the OECD we work on the principles of corporate governance, with the International Accounting Standards Committee we work on accounting standards for the public sector, so as to encourage members to adopt proper accounting standards in their own budgets and in their own operations. We collaborate with the International Organisation of Security Commissions, with the Basel Committee on Banking Supervision, as I mentioned, and with the International Association of Insurance Supervisors.

What next? In this work that began about five years ago – in 1995 – or has been reinforced, since this work is actually part of the work of the Fund, but has been invigorated, has been reinforced and greater human resources, or manpower resources have been allocated to its implementation. A couple of years ago we began the preparation of the transparency reports on member countries. We are doing this in collaboration with the officials of member countries and so far eight of the reports have been prepared and they cover all four areas of concern to the Fund – to the IMF. In addition, some of the reports cover specific one or more areas, only because the authorities themselves are not yet prepared, or do not have the capacity to produce these reports, or do not have the time to produce them yet. Ultimately, over the next two or three years we hope to produce fully-fledged transparency reports for a large number of members and to increase the number as we go along.

Thus far I must say that the reactions have been very positive, both from the authorities involved, from the interested public which has been accessing these reports and from the IMF staff and the World Bank staff as well. The benefits from the standpoint of a country, having or seeking access to financial markets, because this is very important for emerging economies and for developing countries – the implementation of transparency standards provides an explicit demonstration of a country's commitment to openness and accountability. For developing countries, or economies in transition, the reports that are prepared indicate a commitment to improve practises and to provide a basis for identifying priority areas for further progress and for possible technical assistance from the IMF and the World Bank.

How do we go about promoting transparency and standards and what are the tools that we use to do that with? Well, there are at least three principle tools available to us in the Fund: the first is the unique function, or the unique powers of the IMF for surveillance of the performance of member countries. This is a single, most important tool in the hands of the IMF – because of the requirements that member governments must consult with the IMF annually, but not longer than 18 months, on their economic performance. This gives us the window of opportunity to review with these countries the transparency issues and to encourage them to adopt transparency and standards according to the best practises. Second, we work through our technical assistance programme to member countries, we deploy nearly 300 person years; that's approximately 20% of the professional staff of the IMF. Of the manpower available to the IMF, 15% to 20% is deployed in technical assistance and

institution building to assist member countries to improve the performance of their own institutions in terms of transparency, good governance and, of course, good performance as well.

Finally, in the area of use of fund resources, we have about 75 countries that either have a programme for financial assistance with the Fund, or are negotiating a programme. Through the leverage the IMF can apply in the area of use of Fund resources. It also introduces requirements for transparency and standards and, indeed, some of the complications we currently have with some member countries – I do not want to mention names – arise from the fact that we are not satisfied with their good governance measures. Indeed, we have lists of measures and good governance and transparency that they have to implement before we resume negotiations, or resume disbursement of funds.

In all of this, it is very important to remember that the IMF is an institution made up of member governments. It is difficult to work with NGOs; however, we have a dialogue with NOGs. But let me say the following: that in our work to promote transparency and standards and good governance in the member governments of the IMF – I presume the same thing of the World Bank, although they have greater freedom, I think, in moving outside official circles – we are very encouraged by those states that have already come forward and collaborated with our staff to product reports and assessments on good governance and transparency and standards. We do, however, run up against recalcitrant states – the ones who resist this as either being an intervention in their own sovereignty, or sometimes under the excuse that this is imported values. Generally, this happens only when a country or an official wants to hide something. But let me say the following: that your work and the work of Transparency International, the World Bank, other organisations, NGOs, Labour Unions and other groups in promoting transparency, in promoting good standards of conduct and in promoting good governance helps us a great deal and gives us a great deal of support, and support to those member states within the IMF, who are pushing, or pressing for the promotion and the dissemination of good standards and good governance. It gives us a great deal of support for you to be doing the work you are doing and, indeed, we are grateful to all the elements, all the forces, that come together to achieve those objectives in these governments, so that in the end these governments can finally be open and transparent – officials can be accountable and they can provide the needed prosperity, peace and civil liberties that is required of them to their own citizens.