Issues in Implementing International Financial Standards and Codes *

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It gives me great pleasure to deliver this public lecture at the Centre for Banking Studies (CBS) of the Central Bank of Sri Lanka. It gives me greater pleasure to share the podium with Governor Jayawardena whom I greatly admire for his intellect, acumen and outstanding statesmanship. The last time I shared the same forum with him was at the Second South Asia Forex Dealers' Association Conference at Hyderabad in October 1998. The East Asian countries were still in the midst of crisis. I remember that he had listed do's and don'ts of policy making for crisis avoidance, and his words of wisdom continue to be valid even today.

Since both Sri Lanka and India shared many concerns in this regard, Governor Jalan had in August 1999 devoted the 49th Anniversary Lecture at the Central Bank of Sri Lanka to the subject of international financial architecture (Jalan, 1999). Reflecting on the developing countries perspectives, he focused on several areas of significance, *viz.*, the exchange rate, the policy on reserves, the role of the external private sector, the management of capital flows, strengthening the financial system, transparency in systems and development of standards and codes, reform of international institutions and new arrangements for international liquidity. In particular, Governor Jalan flagged several issues relating to transparency in systems and developing standards and codes, and today I propose to highlight the aspects relating to implementation of these standards and codes.

There are several reasons for choosing to speak on this subject today. Among all the issues posed by the Governor Jalan in his Colombo speech, noteworthy progress is noticeable in respect of standards and codes. Furthermore, the basic parameters on the issue of codes enunciated by him stand vindicated by subsequent events. Moreover, India has gained some experience in sensitising the issues and creating an awareness, and in attempting self-assessment of its own adherence to various standards and codes benchmarked against international norms.

Finally, issues relating to financial stability have gained significant attention of policy making in recent years. In fact, Mr. Andrew Crockett, General Manager, Bank for International Settlements had made an outstanding analysis of "Why is Financial Stability a Goal of Public Policy" (1997) in the Jackson Hole (Wyoming; U.S.A.) Conference of August 1997 in which I had participated. More importantly, he has, through the Financial Stability Forum, brought about a more participative approach to evolution, consolidation and implementation of international standards and codes, though these initiatives need much more progress. A description of the key standards and the monitoring of their observance is available on the publication of Financial Stability Forum (April 2001) http://www.fsforum.org entitled "International Standards and Codes to Strengthen Financial Systems" and so I will not spend time giving a descriptive account of them.

Standards and Codes : Current International Context

The development of international standards and codes in the current context has five important features, *viz.*, it is part of the reform of the international financial architecture; it represents a consolidated view of several interrelated standards and codes; it is a collaborative effort involving different groups of countries, markets and international financial institutions and standard setting agencies and bodies; it has elements of both external and internal assessments of degree of compliance; and finally there is an assumption of linkage between the implementation of standards and codes as well as financial stability.

First, in the light of the Asian crisis, the need for fundamental changes in the international financial architecture acquired greater urgency. Many proposals were made for strengthening the international financial system. The focus of these proposals was broadly on indentifying indicators of financial vulnerability, development of sound international codes, standards and best practices, introduction of pre-emptive measures and safety nets, and designing a framework for crisis management. Thus, while development of international standards and codes is only one element of the overall effort in the aftermath of the Asian crisis to reform the international financial architecture, significant progress is noticeable in this element only. As part of the effort to strengthen financial systems and improve coordination among the agencies responsible for them, the Financial Stability Forum (FSF) was established in April 1999. Its mandate is to promote international financial stability by improving the functioning of markets and reducing systemic risk through information exchange and international cooperation in supervision and surveillance of financial markets. The FSF has drawn together various standard-setting bodies which were constituted by means of cooperation among central banks, international financial institutions, national authorities and international supervisory and regulatory bodies. The FSF has posted on its website the Compendium of Standards, which serves as a common reference for various standards. Currently, there are 69 standards cited in the Compendium. A set of twelve standards has been highlighted by the FSF as key for sound financial systems and deserving of consideration for priority implementation. The key standards are broadly accepted as representing minimum requirements for good practice. The twelve key areas are organised under three broad headings, *viz.,* macroeconomic policy and data transparency (covering monetary and financial policy transparency, fiscal policy transparency, data dissemination and data compilation), institutional and market infrastructure (covering insolvency, corporate governance, accounting, auditing, payment and settlement and market integrity) and financial regulation and supervision (covering banking supervision, securities regulation, and insurance supervision).

Second, the current initiative represents a consolidated view of several interrelated standards and codes. The international standard-setting bodies have existed for a long time, but each body was developing common codes and rules in isolation. There are various international organizations, which over the years have made significant contribution to raising standards of soundness and risk-awareness in financial systems. After the Asian crisis, it was recognised that the world economy can be exposed to potential threat of contagion from problems in financial markets and so it became imperative to strengthen financial systems through intensified coordination and cooperation among national regulatory bodies, international regulatory bodies and international financial institutions charged with fostering standards and codes. For the first time, a consolidated view of several standards broadly relevant to the financial sector was considered essential on an appreciation of their inter-linkages. For example, macroeconomic policy can affect the sectoral dimension of financial stability through its impact on the value of financial assets and liabilities. More important, it can affect the functioning of the payments and settlement systems. Similarly, regulation and supervision are linked to good accounting practices, bankruptcy laws and insolvency procedures, and corporate governance principles.

Third, the current process is a collaborative effort involving developed countries and emerging economies, international institutions, public and private sector and regulators and market participants. The emphasis has been concentrated on the official sector, with the responsibility for implementation and accountability for results being vested with the Government or the regulatory agency. It is now being recognised that the percolation of the compliance to certain standards and codes by the official sector will depend upon improvements in the private sector also. For instance, while banking supervision/ regulatory practices by official authorities would improve significantly by adhering to the core principles, in a market related environment, the overall efficiency of the system cannot be enhanced without adequate response from the banking institutions themselves. Similarly, corporate governance in banking and also in the private corporate sector, in particular in securities firms, would be an important aspect.

Fourth, the current initiative has elements of external assessment and incentive for internal assessment of degree of compliance of a country with the key standards and codes. Thus, the IMF and the World Bank have developed a collaborative organisational framework for assessing member countries' observance of standards and codes. The IMF assesses the implementation of standards as part of its Article-IV consultations. The joint Bank-Fund Financial Sector Assessment Programmes (FSAP) involves an assessment of financial sector standards. All FSAP assess observance of, at a minimum, the Fund's Monetary and Financial Policy Transparency Codes and the Core Principles for Effective Banking Supervision. Other standards are assessed as relevant. Some of the financial sector standards may also be assessed by the Fund and the Bank independent of the FSAP. The assessments are documented in the Reports on Observance of Standards and Codes (ROSC). The IMF is preparing ROSCs on data dissemination and fiscal transparency, which are considered to be areas important to its mandate of overseeing international monetary and financial stability. The World Bank is producing ROSCs on auditing, corporate governance, and insolvency and credit rights systems. In preparing the ROSCs, the assessments have generally been sensitive to different stages of economic development, administrative capacities and heterogeneous cultural, legal and institutional conditions of Fund members. Participation in ROSC, however, continues to be voluntary in nature. Internal assessments are also encouraged by international institutions and standard setting bodies.

Fifth, the entire exercise relating to the international standards and codes is being undertaken on the premise that their implementation helps to promote sound financial systems domestically enabling their smooth integration to global markets contributing thereby to financial stability internationally. They are meant to play an important role in strengthening financial regulation and supervision, enhancing transparency, facilitating institutional development and reducing vulnerabilities. Standards are also expected to facilitate informed decision making in lending and investment and improve market integrity and, thereby, minimize the risks of financial distress and contagion. No doubt, standards are not ends in themselves but a means for promoting sound financial fundamentals and sustained economic growth.

Assessment of International Initiative

It may be useful to assess the response to these international initiatives in terms of the validity of the approach, adequacy of coverage of issues, symmetry of treatment between participants, linkage between international standards and codes and financial stability and issues of coverage of standards in IMF surveillance.

First, the latest Trade and Development Report (UNCTAD, TDR, 2001) questions the validity of the overall approach to the reform of the international financial architecture. It observes that the recent efforts have focussed on measures mainly designed to discipline debtor countries. While it is conceded that all the reforms that are being prescribed have their merits, there is an overriding presumption in the prescriptions that “the cause of the crises rests primarily with policy and institutional weaknesses in the debtor countries and accordingly place the onus of responsibility of reform firmly on their shoulders”. The Report observes that inadequate attention has been given to the role of institutions and policies of creditor countries. The root of the problem, according to UNCTAD, “lies in the failure to establish a stable system of exchange rates after the breakdown of the Bretton Woods arrangements”. There are also criticisms that although the IMF introduced the contingent credit lines, it has not been used so far. It is well recognised that the capacity of the IMF to raise resources is severely limited and is inadequate compared to the size of the recent financial packages. There are also views that not much has been done on standstill arrangements and bankruptcy procedures.

Secondly, there are varying perceptions among different actors resulting in inadequate attention to many aspects of international order. A study by Prof. Stephany Griffith Jones (2001) highlights that all key actors involved in the reform process, *viz.*, developed country Governments, banking and financial markets and international financial institutions share one common objective, which is, that they are in favour of and benefit from sustained growth of developing countries. According to the study, for some (developing countries and international financial institutions) it is a dominant objective although it is not clear why it should not be so for others. There is, however, far less agreement on specific measures to be taken for building a new international financial architecture. An important example relates to the opening of the capital accounts by developing countries. While international financial markets have a strong preference for full opening up, most developing countries favour a gradual and sequenced opening up. The study also observes the attitudes of the different players on specific changes in the international financial architecture. The areas include codes and standards, international liquidity, development finance, international regulation, standstill and orderly debt workouts and increased developing country participation. The matrix shows that except in the area of standards and codes, most of the significant measures that would need to be taken have not actually happened.

Thirdly, it is argued that the progress made so far reflects asymmetry in different participants’ responsibilities for the changes required. The main criticism is that it does not adequately address the concerns of developing countries. The obligations contained in the standards and codes seem to reflect the view that the main flaws in the system for international capital movements are to be found in recipient countries which should thus bear the burden of adjustment needed to prevent or contain financial crisis. The UNCTAD Report (2001) states: ”the reform process rather than focussing on international action to address systemic instability and risks has placed emphasis on what should be done by national institutions and mechanisms. Even in this regard it has failed to adopt an evenhanded approach between debtors and creditors. Thus, it seems as if standards and codes are being pressed upon developing countries to improve transparency and disclosure without corresponding obligations for disclosure by financial institutions and hedge funds”. I may, however, add that this conclusion does not in any way minimise the importance of standards to any nation. It would be preferable to move to best practices irrespective of other country practices.

Fourthly, the link between implementation of standards and codes and financial stability by itself is neither theoretically established nor backed by sufficient empirical evidence (Vasudevan 2001). However, on the basis of first principles and judgment, the linkage between the two elements is apparent. Financial stability requires stability of both financial institutions and financial markets. The stability of financial institutions depends on the confidence of public regarding the ability of the former to meet contractual obligations. Standards relating to effective banking supervision, for example, aim at enhancing stability of the institutions. Stability in financial markets is reflected in market participants' confidence at being able to transact at prices reflecting true market fundamentals. Standards on accounting, auditing, data dissemination, and securities settlements systems, in turn, aim at strengthening stability of financial markets. The standards and codes, however, do not address the problem associated with inability of the market agents to understand and process the information. In a vast majority of developing countries, and possibly in developed countries as well, as the recent large corrections in the international stock markets suggest, mispricing of information could often give rise to instability. There are some markets, which tend to move more by noise and rumours than news. In such markets, release of additional information may not be recognised and understood by the players and may add more noise than information. Thus, in developing countries, it can be argued that information superiority of the regulator or Government may be justified when it shoulders the dual responsibility of both "market development" and "avoidance of market failure".

As regards institutional stability, compliance with related standards appears to make a positive contribution since the early warning indicators that could be compiled due to implementation of the relevant standards, could potentially contain the probability and severity of a crisis provided timely action is initiated at the early sign of vulnerability. Stronger and sound supervision of institutions in respect of compliance with related standards, while strengthening the preventive mechanisms and leading to timely and proactive interventions, may not fully insulate the system from occurrence of financial frauds.

A difficult issue that needs to be addressed while implementing standards and codes for strengthening stability of institutions is that the implementation of standards enables compilation and monitoring of information both on aggregated information across all financial institutions and on systemically important individual institutions. The implementation authorities should recognise the value and usefulness of both segregated and aggregated data and information and imbibe analytical skills and techniques to draw useful conclusions.

Recent initiatives on Macro-Prudential Indicators (MPIs) aim at addressing this particular issue of a macro-view. Aggregation of performance indicators across heterogeneous groups like banks, non-banks, development banks, merchant banks, securities firms, insurance companies etc., however, may not always convey any meaningful signal. In bank dominated financial systems, the emphasis, therefore, has been on aggregating the information first across banks, then extending it to other institutions over time. Monitoring is also exercised over different groups separately at group level. Group level analysis that clearly tracks inter-group exposures partly addresses the problem of aggregation for the system as a whole.

Fifthly, despite the apparent emphasis on their voluntary adoption, there is a danger that incentives and sanctions linked to standard setting will become features of IMF surveillance and conditionality. In such a scenario, publication of information on the compliance status, particularly the information presented in the ROSC reports, is fraught with the danger of classifying the countries into performers and non-performers. Even when the international agencies associated with the work on standards and codes may not intend so, once the information is disseminated, it is possible that credit rating agencies may assign country ratings on the basis of the levels of achievement of standards. Internal assessments and external evaluations under Article-IV and FSAP by the Fund-Bank have, therefore, to be extremely cautious about the dissemination of information on a country's compliance status. The policy makers, who shoulder the responsibility for developing markets while at the same time avoiding market instabilities must retain full discretion on their own dissemination policy.

Desirable Approach at National Level

Briefly stated, the recent international initiatives in regard to standards and codes provide, at best, a partial solution to the problems of existing international financial architecture. Furthermore, in the context of a crisis, they provide solutions at domestic level for issues that may often originate outside the country. Finally, they do not assure international financial stability although they may contribute to it. Yet, there are several reasons why public policy and national authorities need to focus on the international standards and codes and these reasons centre around both efficiency and stability of financial sector in the country. In this context, a desirable approach to the consideration of international standards and codes can be explored in national interest.

As mentioned earlier, standards are not totally new. The current international effort is only to codify best practices and disseminate widely to member countries so that the domestic markets in a globalised environment will grow and integrate in harmony without destabilisation. The role of financial sector as also the other institutional arrangements for efficient economic activity has been extensively debated in the past. One issue is whether the market behaviour has to be viewed from a normative angle passing 'value judgments' or the market behaviour should be taken as 'rational' or 'commercial' behaviour. This leads to the wider debate between State versus Market and the role of the regulator over markets. History has taught lessons that while markets have a key role to play, there are limits to market behaviour leading, at times, to crisis situation. It is necessary to recognise that just as the nature and functioning of 'State' has some variations as between countries, the working of markets also varies among countries.

When a country gets globalised, the domestic institutional, legal and other structures have to be in reasonable harmony with international best practices. Otherwise, international flows cannot freely respond to market signals and information. Therefore, the risks arising in domestic markets can spill over as international or cross border risks. It is in the light of the increasing global cross border flows and handling of risks arising thereby, that the acceptance and adherence of international best practices assume significance. While the standards and best practices may not uniformly apply and the relevance and applicability may differ from country to country, as a medium and longer term endeavour, development of international best practices in any country may be viewed in the best interest of sound, stable and efficient financial structure.

Although the standards have evolved in the context of international stability, they have enormous efficiency-enhancing value by themselves. Standards by themselves may be presumed to be, *prima facie*, desirable, and it is, therefore, in the national interest to develop institutional mechanisms for consideration of international standards. Thus, the implementation of standards needs to be given a domestic focus with the objectives of market development and enhancing domestic market efficiency. Some standards keep evolving and it is important to keep close track of development in these areas. It also needs to be recognised that the process is evolutionary and say two years down the line, present standards themselves can change, in degree and detail though not in kind.

In a broad sense, it can be held that all standards are, in some way or other, relevant for all the countries though the extent of relevance, scope for application and urgency of implementation may differ depending upon the stage of development as also the country specific, legal and institutional structures. In particular, in economies which do not have developed markets, the entire market development has to be given greater weight than mere application of standards. In the case of such economies, the advantage is that since they are starting on a clean slate, the standards and best practices could be easily incorporated as they go along with the development of institutions and markets.

While there can be no uniform prioritisation of standards relevant for all countries, it is possible to place, on a universal basis considerable emphasis upon certain specific areas depending on individual country circumstances. To quote the Task Force on Implementation of Standards chaired by Andrew Sheng (2000): "prioritisation of standards for implementation must necessarily vary from economy to economy, taking into consideration their current status in observance of standards, economic circumstances, financial structures, legal and institutional frameworks, and policy priorities. A balance would need to be struck between international and domestic considerations".

It would be useful to explore parameters for prioritization in respect of specific countries though there could be different approaches. For instance, it would be easier to implement standards in areas, which have been substantially developed. On the contrary, the prioritization for a particular country could consider the identification of 'weak areas'. The weak areas may be, for example, weak legal base leading to legal uncertainties, lack of regulation leading to lack of regulatory norms, etc.

It may also be possible to classify the standards in a conceptual framework under three broad elements, *viz.*, technical, policy and socio-cultural. Standards like SDDS, accounting and auditing, and supervision may be classified as purely technical and, therefore, easily amenable to implementation. Standards on monetary and financial policies, fiscal transparency and securities regulation have certain policy implications and would form an integral part of the economic reform process in many developing countries. The changes in these areas depend on timing, sequencing and complementarity in related areas and availability of institutional, technological and legal infrastructure. Nevertheless, while it is desirable to adopt these standards quickly, it actually boils down to an issue of managing of policy reforms in a non-disruptive fashion. Finally, standards in the areas of corporate governance, insurance and to a certain extent insolvency and bankruptcy practices take a socio-cultural dimension and pose challenges of design, adoption and implementation.

It is also possible to attempt a construct of the link between transparency and macroeconomic policy. Good macroeconomic policy and good standards is perhaps an ideal situation for a country. Good macroeconomic policy and poor transparency, though not ideal, is perhaps not risky by itself. Bad macroeconomic policy and good transparency has large elements of risk and warrants change in policy before launching into transparency. The most risky combination perhaps is bad macroeconomic policy and bad standards. In a more dynamic sense, it can be argued that transparency provides incentives to adopt good macroeconomic policies.

Practical Issues in Implementation

It is difficult to attempt an exhaustive or universally applicable account of practical issues in implementation of standards and codes since they are country-specific. It is, however, worth exploring, *albeit* hesitatingly, some general observations.

First, while transparency and financial stability appear fundamentally complementary, there could be a trade-off at some point. Therefore, codes should be treated as milestones and the exact manner and timing of dissemination of information including the structure of reporting should depend not only on constitutional, legal and institutional mechanisms but also the likely impact of dissemination on the financial sector soundness and stability in a given context.

Secondly, many codes emphasise legislative provisions in a concrete manner. Legislation provides the shield or back up for such actions. The emphasis of the codes should be to promote a general effort to improve legislative provisions and it is necessary to recognise that the process of legislation is time consuming and complex. While it is essential to recognize the importance of legislation, given its complexity, we need to appreciate that sound practices also could be as satisfactory.

Thirdly, the implementation of monetary policy is centralised with a single authority, generally the central bank, while the implementation of financial policies pertaining to various sectors like non-bank financial institutions, insurance, securities markets and payments and settlement may rest with different institutions. While the standards and codes could be taken as umbrella ones for all institutions, different aspects of implementation have to be dealt with separately for different sectors. This is necessary because the objectives of the institutions may differ fundamentally. For example, banking emphasises depositor protection whereas in the case of securities market, it is investor protection. The payment and settlement system has huge systemic risk associated with it and in the case of insurance, the emphasis is upon asset protection. Such differences lead to basic differences in the approach and management and, therefore, it would be useful to address implementation aspects separately sector-wise as far as possible, even though the design may be centralised.

Fourthly, in implementing the Codes, since there is a multiplicity of institutions or arrangements for regulating different financial sector segments like insurance, banking, securities markets and payment and settlement, overall approach to cover different agencies in overlapping/grey areas of regulation become important. In the absence of well-defined regulatory roles and responsibilities combined with over-viewing or overseeing arrangements, there are possibilities for regulatory gaps/overlaps leading to regulatory arbitrage by market agencies. The use of the word coordination is avoided deliberately, preferring the word oversee since a rigid and centralised approach to compliance in this complex task covering several institutions may be counterproductive.

Fifthly, transparency practices are often addressed to financial agencies (regulatory authorities) and not applicable to companies or other entities in the private sector. The emphasis on the implementation of standards and codes and accountability thereof is still heavily concentrated in the official sector. There is some asymmetry here. An optimal balance between regulation and competitive efficiency in the financial system and markets can be achieved only with equal emphasis on responsibility and accountability of the private sector. The focus of IMF is also with regard to codes mostly in respect of regulators and not so much with private sector. International accounting standards and standards set by securities market associations are, no doubt, expected to cover issues relating to private sector market participants. Every effort should be made to recognise and correct the asymmetry.

Sixthly, financial agencies may be justified not to disclose some policy measures which are in progress, contingency plans, corrective actions, emergency lending decisions and supervisory or enforcement actions. Revealing of such information could be based upon case-by-case deliberations and no standardisation is possible in such cases. It should also be emphasised that the transparency practices may not be the same and the relevance and applicability of practices may differ between financial sector agencies. For instance, 'market efficiency' should be relevant more for securities regulatory authority; the 'market and systemic stability' would be more relevant for a central bank and other supervisory agencies; and 'client-asset protection' would be more relevant for institutions like Deposit Insurance Companies.

Seventhly, the practice evolved in India is in finding solutions through a participatory/ consultative approach even on major policy issues. Important guidelines are circulated/ publicised in draft form for consultation and discussion before implementing and making them operational. Technical advice is sought from participants including academia on areas of market development and reforms. This is perhaps a useful approach to enhance the quality of change and appropriateness of changes while developing better acceptance among economic agents.

Eighthly, the implementation of codes must be treated as an ongoing process requiring awareness in the market and the public and should not be treated as a onetime job.

Indian Approach to Implementation

I would like to take this opportunity to place before you the approach adopted in India in the implementation of standards and codes.

Development of standards and codes is viewed as an integral part of the process of economic reform, most appropriate to the country's needs. The approach to implementation of financial standards and codes is based on the efficiency-enhancing elements of the standards and codes, and on the need to consider them as part of process of institutional development in the country, while not ignoring their relevance to domestic as well as international financial stability. The emphasis is on creating awareness to promote adoption by the relevant official agencies, self-regulating bodies and market participants rather than prescribing compliance at the instance of a central authority.

In order to facilitate positioning of international financial standards and codes in relevant areas of the financial system in India and to guide the overall process of implementation of appropriate changes in respect to various segments of the financial system, the Reserve Bank of India in consultation with Government of India, in December 1999, constituted a 'Standing Committee on International Financial Standards and Codes' under the Chairmanship of Deputy Governor, Reserve Bank of India and Secretary, Economic Affairs, Government of India as Alternate Chairman.

The Committee was given the responsibility of identifying and monitoring developments in global standards and codes being evolved especially in the context of the international developments and discussions as part of the efforts to create a sound international Financial Architecture, considering all aspects of these standards and codes to Indian financial system. The Committee has also been asked to consider plotting a road map for aligning India's standards and practices as necessary and desirable in the light of evolving international practices, periodically reviewing the status and progress in regard to the codes and practices; and reaching out its reports on the above to all concerned organisations in public or private sectors.

The Standing Committee has constituted Advisory Groups in ten core subject areas, which broadly encompass the twelve key areas prescribed by FSF, pertaining to the financial system. These are: Transparency in Monetary and Financial Policies, Data Dissemination, Payments and Settlement System, Banking Supervision, Securities Market Regulation, Accounting and Auditing, Fiscal Transparency, Insurance Regulation, Bankruptcy Laws and Corporate

Governance. Accounting and auditing have been clubbed together and the twelfth area namely 'Market Integrity' associated with the forty recommendations of the Financial Action Task Force (FATF) on money laundering is not being presently looked into by the Standing Committee. These Advisory Groups were entrusted with the task of studying, in detail, the present status of applicability and relevance and compliance of relevant standards and codes, reviewing the feasibility of compliance and the time frame over which this could be achieved given the prevailing legal and institutional practices, comparing the levels of adherence in India, *vis-a-vis* in industrialised and also emerging economies particularly to understand India's position and prioritise actions on some of the more important codes and standards, and to chalk out a course of action for achieving the best practices.

All Advisory Groups are chaired by eminent experts not generally holding official positions in Government or other regulatory bodies. The members are generally non-official experts in relevant subject areas. This process enables an objective, independent and 'external' assessment within the confines of the domestic economy.

The Indian approach to the implementation of standards and codes has been recognised as noteworthy by international agencies in that it follows a systematic process. The process consists of the initial recognition, identification and taking on record of standards and codes in relevant areas. This is followed by in-depth assessment by independent experts of issues pertaining to the present status of applicability, relevance and the existing degree of compliance, the feasibility of compliance and the earmarking of the possible time frame for transition given the prevailing legal and institutional practices. It is also common to seek comparison of the levels of adherence in India, *vis-a-vis* industrialised and emerging economies, particularly to understand India's position and to prioritise actions on some of the more important codes and standards. The process seeks to map out a comprehensive course of possible actions for achieving the best practices. This approach is put in the public domain through publication of Reports on each of the selected standards and codes.

The next stage would involve putting efforts for the widest possible dissemination of Advisory Group Reports including by means of seminars and workshops. The objective is to obtain involvement and stimulation of interest among public authorities and other stakeholders in the debate and to garner a higher level of general awareness on the subject. This is to be followed by invitation of and consideration of inputs and feedback from relevant public and private sector organisations to enhance the sense of involvement and to build confidence. Such a participative and consultative approach is advocated to secure a convergence of viewpoints and, hence, favorable public disposition towards the necessity of change.

In sum, the process in India is an exercise that aims at understanding and comprehending various standards and codes in terms of rationale, technical complexities, institutional and legal requirements and the immediacy and relevance at the present stage of development and institutional structure. Second, it is intended to result in getting a fair view of the country's status with reference to standards. Third, this would enable getting an idea about the necessary steps required to move closer to the adherence of standards and codes.

Fourthly, it would sensitise the regulatory authorities, agencies and institutions about the priority areas of action.

Conclusion

In conclusion, I would like to quote Andrew Crockett from a recent IMF-World Bank jointly sponsored conference on International Standards and Codes (March 2001): "Therefore, although setting high-quality standards is generally acknowledged to be a good thing, more work needs to be done on finding the best way to get there."

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