



Executive Board Minutes 20/78-1

July 17, 2020–9:30 a.m.

Principality of Andorra—Report of the Committee on Membership

Documents: EBD/20/18

Staff: Mitra, EUR; Hatanpaa, FIN; Blair, LEG

Length: 26 minutes

ISSUED: July 8, 2022

APPROVAL: July 15, 2022

CEDA OGADA
Secretary

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¹ Minutes are the official record of a formal Board meeting in which the Board may adopt decisions and reach understandings related to the business of the Fund. Staff background documents issued before the meeting are the principal basis for the meeting. Preliminary “gray” or “buff” statements by Executive Directors and staff’s responses to Directors’ technical questions are circulated prior to the meeting. Adopted decisions and/or summings up—the Chair’s “sense of the meeting” or policy conclusions/recommendations—are issued after the meeting. The minutes include all these elements, as well as the discussion record (a verbatim transcript of the discussion lightly edited for clarity). Minutes are made public consistent with the IMF’s Transparency Policy and Open Archives Policy.

EXECUTIVE BOARD DECISION

The Executive Board took the following decision:

Principality of Andorra—Report of the Committee on Membership

1. The Board of Governors is requested to vote without meeting pursuant to Section 13 of the By-Laws of the Fund on the attached draft Resolution.
2. The Secretary is directed to send the attached report and draft Resolution on Membership for the Principality of Andorra to each member of the Fund by rapid means of communication on or before July 20, 2020.
3. To be valid, votes must be cast by Governors or Alternate Governors and must be received at the seat of the Fund before 6:00 p.m., Washington time, on August 21, 2020. Votes received after that time will not be counted.
4. The effective date of the Resolution of the Board of Governors shall be the last day allowed for voting.
5. All votes cast pursuant to this decision shall be held in the custody of the Secretary until counted, and all proceedings with respect thereto shall be confidential until the Executive Board determines the result of the vote.
6. The Secretary is authorized to take such further action as he shall deem appropriate to carry out the purpose of this decision. (EBD/20/18, 07/02/20)

Decision No. 16852-(20/78), adopted
July 17, 2020

EXECUTIVE BOARD ATTENDANCE²

K. Georgieva, Chair

Executive Directors

D. Mahlinza (AE)

M. Raghani (AF)

N. Ray (AP)

A. Bevilaqua (BR)

L. Villar (CE)

R. Kaya (EC)

S. Bhalla (IN)

T. Tanaka (JA)

A. De Lannoy (NE)

M. Poso (NO)

M. Mouminah (SA)

A. Mahasandana (ST)

P. Inderbinen (SZ)

S. Riach (UK)

M. Rosen (US)

Alternate Executive Directors

J. Corvalan (AG), Temporary

P. Sun (CC)

A. McKiernan (CO)

P. Rozan (FF)

K. Merk (GR)

M. Psalidopoulos (IT)

M. El Qorchi (MD)

F. Al-Kohlany (MI), Temporary

L. Palei (RU)

S. Bhatia, Acting Secretary

K. Hviding / S. Maxwell, Summing Up Officers

D. Al-Jarbou, Board Operations Officer

M. Eddy, Verbatim Reporting Officer

Also Present

Communications Department: W. Amr. European Department: J. Lee, S. Mitra, M. Pradhan.
 Finance Department: S. Cooney, C. De Luca, G. Everaert, H. Hatanpaa, M. Kida, T. Krueger,
 R. Saperstein. Institute for Capacity Development: A. Lariau Bolentini. Legal Department: C.
 Blair, K. Christopherson Puh, A. Yiadom. Monetary and Capital Markets Department: U.
 Das. Strategy, Policy, and Review Department: W. Gray. Statistics Department: J. Ishikawa,
 Z. Zhan. Executive Directors: A. Andrianarivelo (AF), L. Levonian (CO), P. Trabinski (SZ).

² For countries in each constituency, please see the Constituency Codes in the annex.

Alternate Executive Directors: R. Alkhareif (SA), K. Chikada (JA), S. Geadah (MI), A. Guerra (CE), C. Just (EC), O. Odonye (AE), B. Saraiva (BR), F. Sylla (AF). Senior Advisors to Executive Directors: M. Alle (AF), S. Bah (AF), M. Gilliot (FF), R. Goyal (IN), M. Ismail (AE), L. Johnson (AP), S. Keshava (SA), B. Lischinsky (AG), C. Quaglierini (IT), C. Sassanpour (MD), M. Sidi Bouna (AF), A. Tolstikov (RU). Advisors to Executive Directors: D. Andreicut (UK), A. Arevalo Arroyo (CE), S. Belhaj (MD), D. Cools (NE), D. Fadhel (MI), A. Grohovsky (US), Z. Huang (CC), H. Koh (GR), K. Kuretani (JA), P. Mooney (CO), L. Nankunda (AF), B. Singh (IN), I. Skrivere (NO), D. Susiandri (ST), A. Tola (SZ), J. Al Saud (SA).

DISCUSSION RECORD³

The Chair:

The IMF received an application from the Principality of Andorra to join the membership, and on the basis of this formal letter of application, there has been an extensive engagement with the authorities of Andorra. We had virtual missions with staff from the EUR, FIN, LEG, SEC, and STA Departments. One of the most important tasks staff had was to determine the range of what would be the size of Andorra's quota in the Fund. The Andorran authorities have considered the work done by the Membership Committee on the staff paper that offered a recommendation for a quota. It was accepted by Andorra. Today, we have in front of us the report of the Membership Committee, including a draft membership resolution to be forwarded to our Board of Governors for a formal vote.

I want to thank the members of the Membership Committee and, in particular, the Chair, Ms. Mahasandana, as well as Mr. De Lannoy, who has served as Andorra's channel of communication during this process and will continue to do so.

Ms. Mahasandana:

I am honored to be involved in this proceeding where the Fund is considering the admission of a new member. I would like to take this opportunity to express my appreciation to the members of the Committee on the Membership of the Principality of Andorra and other chairs, who contributed to the deliberations of the Committee on June 23, 2020. I also thank staff who have facilitated this process.

I am pleased to report that after considering the size and the characteristics of Andorra's economy; and the structure of the Fund's existing quota, the Committee reached a consensus that the initial quota for Andorra of 82.5 million SDR would be appropriate. This quota is the lower level of the range considered by the staff to be appropriate for the country following normal procedures for calculating quotas for new members.

The Committee also considered that Andorra should be permitted to pay its initial subscription within six months of accepting membership in the Fund. The Committee recommended that Andorra should pay an amount equivalent to 25 percent of its initial quota in SDR in the currencies of other members acceptable to the Fund.

The authority has notified me of their agreement with the recommended initial quota and the other terms and conditions. They have also

³ Edited for clarity.

decided to move forward expediently with the procedures for membership in the Fund.

The Andorran authorities are working on completing the requirements for membership. In this regard, the committee hopes to gain support from the Executive Board to approve the draft membership resolution for submission to the Board of Governors for a vote without a meeting.

Once the Board of Governors has adopted the membership resolution and the Andorran authorities have completed their own requirements, they will be in a position to proceed to the final steps in the membership process, namely deposits of the Instruments of Acceptance and the signing of the Articles of Agreement in Washington, D.C.

With this, on behalf of the Committee members, I thank the Andorran authorities for their cooperation. I look forward to welcoming Andorra in the near future as the 190th member of the Fund. Thank you.

Mr. De Lannoy:

I am very happy to have been asked to assist the Principality of Andorra in its application to join the Fund. The Principality of Andorra's application for membership in the Fund reflects its ambition to continue to deepen its integration with the international community, and the authorities look forward to taking up the rights and obligations of Fund membership.

Should the Board of Governors approve the application, the authorities stand ready to undertake all necessary domestic procedures for membership as soon as practical, with the aim of formally becoming the Fund's 190th member at the time of the Annual Meetings.

I would like to thank Directors for their consideration of the Principality of Andorra's membership and Ms. Mahasandana and the members of the Membership Committee for their support.

Mr. Rosen:

We are delighted to welcome Andorra's application, which moves the Fund closer towards universal membership. We concur with sending this resolution to the Board of Governors for their approval.

Regarding the proposed quota, the size is appropriate, given Andorra's small economy and data constraints. We hope the membership in the Fund will benefit Andorra by increasing transparency, building a more resilient financial sector, and enhancing the AML/CFT regime in improving statistics. We hope the staff prioritize these issues in their engagements with the authorities.

Finally, we would welcome an update from the staff on the authorities' thinking in choosing a Fund depository in the absence of a central bank as highlighted in the Committee report.

Mr. Tanaka:

We congratulate and thank Ms. Mahasandana, the Committee members, and the staff for examining Andorra's application for the membership in the Fund.

We appreciate Mr. De Lannoy for taking the responsibility for the application of Andorra. We express our support for the proposed decision made by the Committee on membership of Andorra to the Fund. We welcome the Committee's conclusion that the initial quota of 82.5 million SDR will be appropriate for Andorra.

In addition, the Andorran authorities' extensive commitment to IMF, especially to strengthen high capacity to provide the data necessary for effective surveillance and to address existing data gaps with the help of the Fund's technical assistance, is welcome.

We encourage the staff to continue to conduct the due governance process for their application of the membership in the Fund as 190th member country. We expect that the authorities will deepen their ties and integration with the international community by joining the Fund.

Mr. Poso:

The strength of the Fund stems from its near universal membership, therefore, it is a positive news. With this decision, we are taking one step closer to having a truly universal membership.

Andorra's application for the Fund membership is motivated by good reasons, and the authorities consider it as a commitment to transparency. Therefore, we look forward to welcoming Andorra as the 190th member of the Fund. Like Mr. Rosen, I also had a question on the depository, and I look forward to the staff's comments in this respect.

Lastly, I would like to emphasize the importance of high-quality, reliable data and statistics as the basis of sound policy decisions. We encourage the Andorran authorities to take advantage of the vast expertise and advice the Fund can provide through its technical assistance.

Mr. Bevilaqua:

I thank Ms. Mahasandana for her work and her report as the Chair of the Committee on Membership that reflects accurately the conclusions of our Membership Committee meeting last month, and Mr. De Lannoy for his opening remarks.

I am pleased to note that the authorities of Andorra have accepted the proposed terms and conditions for the membership of the IMF. Our discussion in June was helpful in underscoring the importance of having a sound and transparent methodology for establishing the quota share of new members, especially in cases with substantial data gaps. Discretionary adjustments in the data series should be avoided, specifically in a crucial exercise such as the quota calculation. I would like to express my appreciation to the staff for the additional initial work of trying to develop a consistent database for some of the missing quota variables, particularly related to the balance of payments items.

As Mr. Poso said, I, too, am confident that with the IMF membership, Andorra will benefit from significant technical assistance, which will allow the country to build consistent and credible macro-economical statistics, including external sector and financial statistics. This much-improved database could then be reflected in future quota bids.

Due to staff's excellent work in the last two months, the authorities and the Fund have already mapped the statistical areas that require efforts in the coming years. Consistent and sound statistics will also be fundamental for further consultations under Article IV--I expect these to be initiated shortly after the membership process is completed.

I welcome Andorra's decision to seek membership in the IMF as its 190th member; it is an important step for the country's integration with the international financial community. I have been assured that Andorra will benefit from both IMF regular surveillance and technical assistance.

Joining the Fund will also represent an opportunity for Andorra to adopt international best practices in areas, such as tax prosperity, exchange of information, financial regulation, and supervision.

Mr. Inderbinen:

Like other Directors, we welcome Andorra's application for the membership of the Fund as the 190th member. We welcome the rapid progress that has been achieved since the Committee on Membership met. We thank the Committee under the Chairmanship of Ms. Mahasandana for their diligent work.

We would encourage the authorities to avail themselves of the technical assistance, in particular in the area of data collection, improved data provisioning for economic decision-making, and Fund surveillance.

Like Mr. Rosen and Mr. Poso, we would underline the importance of designating a depository in the absence of a central bank, and we hope the authorities have made progress on it. Like Mr. Rosen, I would be interested in the staff reporting on it.

We are convinced that membership in the Fund will be greatly beneficial to Andorra in ensuring the integrity of its financial sector; improving effectiveness of its AML/CFT regime, building on the last mutual assessment report; and the progress that has been made in the areas mentioned by Mr. Bevilaqua.

Mr. Palei:

The proposed decision initiates the version by the Board of Governors, which will seal Andorra's admission to the IMF. Thus, the process that began almost 30 years ago in 1992 is nearing completion. Andorra is a small but open economy, which is tightly interconnected with the European Union. While not a member of the European Union, Andorra is striving for close integration with the European Union and its institutions.

We know that Andorra is an advanced economy, but it needs significant improvements in its institutions, particularly in the area of data collection and provision; and financial sector supervision. Here, the IMF membership would be useful in capacity building. It will also make the IMF safety net available for Andorra, if such a need arises.

We support the proposed Board decision and look forward to the admission of Andorra as the 190th IMF member.

Mr. Villar:

First, let me thank the members of the Committee for the report and Ms. Mahasandana for her remarks this morning. We agree with the Committee's recommendations that the initial quota of 82.5 million SDR would be appropriate for Andorra. We share the comments by Ms. Rosen, Mr. Bevilaqua, and other Directors on data gaps and the importance of initiating a depository. We look forward to the Board of Governors' approval, and we are confident that this process will lead to a prompt institution of Andorra in the IMF membership as the 190th member country.

Mr. Merk:

We thank Ms. Mahasandana, the Membership Committee, and the staff for their work; and Mr. De Lannoy for his remarks.

We support the proposed decision; it brings us closer to a universal membership. We agree that the initial quota is appropriate. We welcome Andorra's commitment to strengthening its capacity to provide the necessary data for effective surveillance. We support Mr. Inderbinen's and other Directors' comments in this regard.

What are the concrete steps to improve data sources? Which statistics will be prioritized? Are concrete TA missions already planned?

Mr. Mahlinza:

I join other Directors in thanking Ms. Mahasandana for her work, as well as the Committee on the membership. We are also happy to welcome Andorra into the Fund's membership, and we support the transmission of the resolution to the Board of Governors. Like Mr. Tanaka and others, we would urge the Fund to prioritize technical assistance to help Andorra address the existing data gaps, with a view to ensuring effective surveillance and informed decision-making.

Finally, we want to also urge Andorra to pursue membership with the World Bank.

The staff representative from the European Department (Ms. Mitra):

I will take the question on the priority piece for data and technical assistance that have already been planned.

On data, the staff sees data on the balance of payments and real sector statistics to be the main deficiency at this stage. Our Statistics Department team members have already been in extensive discussion with the head of Statistics in Andorra to fill these data gaps, including trying to find source data for calculating the current account balance and the financing for the balance of payments.

We are also in discussion with the Statistics Department to improve their data collection on real sector GDP, including by expenditure components.

As we had mentioned during the Membership Committee meeting, they have already requested the technical assistance on financial sector supervision. MCM is seriously considering the request, and the authorities are engaged in this regard, and are committed to improvements.

The staff representative from the Finance Department (Mr. Hatanpaa):

The Managing Director had a question about the status of designating a depository. The staff had a meeting with the authorities after the Membership Committee meeting, and the authorities have indicated they intend to designate one of the commercial banks as a depository. We also had a joint meeting with the authorities and the banking association on the role and functions of the depository, which was a productive meeting. Following the meeting, the authorities indicated that they are confident that one of the commercial banks will be able to fulfill the role of the depository. They haven't decided on the commercial bank, but they intend to make a decision soon.

The Chair:

I want to thank the Board members for the support. We will ensure that we send the membership resolution to the Board of Governors for a vote without a meeting, which will be on Monday, July 20. If the vote is positive, which we have all reasons to expect it will be, Andorra will become a member, once it takes all the necessary legal steps required under its domestic law to fulfill the duties of a membership requirement. Subsequently, Andorra can sign the IMF Articles of Agreement, which is normally done in a ceremony organized by the staff of the U.S. Department of State where we hold the original IMF Articles of Agreement.

The Chair adjourned the discussion.

ANNEX

- Principality of Andorra—Report of the Committee on Membership—
Decision Attachment
- Constituency Codes

**REPORT OF THE EXECUTIVE BOARD
MEMBERSHIP FOR THE PRINCIPALITY OF ANDORRA**

The Principality of Andorra applied on January 3, 2020, for admission to membership in the International Monetary Fund in accordance with Article II, Section 2 of the Articles of Agreement of the Fund. Pursuant to Section 21 of the By-Laws, the Executive Board has consulted with the representative of the Government of Andorra and has agreed upon the terms and conditions which, in the opinion of the Executive Board, the Board of Governors may wish to prescribe for admitting Andorra to membership in the Fund. The Executive Board has therefore approved the attached Resolution for submission to the Board of Governors for a vote without meeting pursuant to Section 13 of the By-Laws.

**INTERNATIONAL MONETARY FUND
DRAFT RESOLUTION
MEMBERSHIP FOR PRINCIPALITY OF ANDORRA**

WHEREAS, the Principality of Andorra, on January 3, 2020, applied for admission to membership in the International Monetary Fund in accordance with Article II, Section 2 of the Articles of Agreement of the Fund;

WHEREAS, pursuant to Section 21 of the By-Laws of the Fund, the Executive Board has consulted with the representative of the Government of Andorra and has agreed upon the terms and conditions, which, in the opinion of the Executive Board, the Board of Governors may wish to prescribe for admitting Andorra to membership in the Fund;

WHEREAS, pursuant to its national legislation, Andorra does not issue a currency of its own but by agreement with the European Union uses the euro as legal means of payment, which for the purposes of the Articles of Agreement of the Fund is deemed to be the currency of Andorra;

NOW, THEREFORE, the Board of Governors, having considered the recommendations of the Executive Board, hereby resolves that the terms and conditions upon which Andorra shall be admitted to membership in the Fund shall be as follows:

1. *Definitions:* As used in this Resolution:
 - (a) The term "Fund" means the International Monetary Fund;
 - (b) The term "Articles" means the Articles of Agreement of the Fund, as amended; and
 - (c) The term "SDRs" means Special Drawing Rights of the Fund.

2. *Quota:* The quota of Andorra shall be SDR 82.5 million.
3. *Payment of Subscription:* The subscription of Andorra shall be equal to its quota. Andorra shall pay twenty-five percent of its subscription in SDRs or in the currencies of other members selected by the Managing Director from those currencies that the Fund would receive in accordance with the Fund's financial transactions plan in effect at the time of payment. The balance of the subscription shall be paid in the currency of Andorra.
4. *Timing of Payment of Subscription:* Andorra shall pay its subscription within six months after accepting membership in the Fund.
5. *Exchange Transactions with the Fund and Remuneration:* Andorra may not engage in transactions under Article V, Section 3, or receive remuneration under Article V, Section 9, until its subscription has been paid in full.
6. *Exchange Arrangements:* Within 30 days after accepting membership in the Fund, Andorra shall notify the Fund of the exchange arrangements it intends to apply in fulfillment of its obligations under Article IV, Section 1 of the Articles.
7. *Representation and Information:* Before accepting membership in the Fund, Andorra shall represent to the Fund that it has taken all actions necessary to sign and deposit the Instrument of Acceptance and to sign the Articles as contemplated by paragraphs 8(a) and 8(b) of this Resolution, and Andorra shall furnish to the Fund such information in respect of such action as the Fund may request.
8. *Effective Date of Membership:* After the Fund shall have informed the government of the United States of America that Andorra has complied with the conditions set forth in paragraph 7 of this Resolution, Andorra shall become a member of the Fund on the date when Andorra shall have complied with the following requirements:

- (a) Andorra shall deposit with the government of the United States of America an instrument stating that it accepts, in accordance with its law, the Articles and all the terms and conditions prescribed in this Resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this Resolution; and
 - (b) Andorra shall sign the original copy of the Articles held in the Archives of the government of the United States of America.
9. *Period of Acceptance of Membership:* Andorra may accept membership in the Fund pursuant to this Resolution not later than six months after the effective date of this Resolution, which date shall be the date of its adoption by the Board of Governors; provided, however, that if the circumstances of Andorra are deemed by the Executive Board to warrant an extension of the period during which Andorra may accept membership pursuant to this Resolution, the Executive Board may extend such period until such later date as it may determine.

CONSTITUENCY CODES

OEDAE

Angola, Botswana, Burundi, Eritrea, Eswatini, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe

OEDAF

Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé & Príncipe, Senegal, Togo

OEDAG

Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay

OEDAP

Australia, Kiribati, Korea, Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, and Vanuatu

OEDBR

Brazil, Cabo Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste, and Trinidad and Tobago

OEDCC

China

OEDCE

Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Spain, and República Bolivariana de Venezuela

OEDCO

Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines

OEDEC

Austria, Belarus, Czech Republic, Hungary, Kosovo, Slovak Republic, Slovenia, and Turkey

OEDFF

France

OEDGR

Germany

OEDIN

Bangladesh, Bhutan, India, and Sri Lanka

OEDIT

Albania, Greece, Italy, Malta, Portugal, and San Marino

OEDJA

Japan

OEDMD

Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

OEDMI

Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, United Arab Emirates, and Yemen

OEDNE

Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, Moldova, Montenegro, Netherlands, Republic of North Macedonia, Romania, and Ukraine

OEDNO

Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden

OEDRU

Russian Federation and Syrian Arab Republic

OEDSA

Saudi Arabia

OEDST

Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Philippines, Singapore, Thailand, Tonga, and Vietnam

OEDSZ

Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan

OEDUK

United Kingdom

OEDUS

United States