

EBS/84/48
Supplement 2

CONFIDENTIAL

June 11, 1984

To: Members of the Executive Board
From: The Acting Secretary
Subject: Nicaragua - Complaint Under Rule K-1

There is attached the text of the Secretary's understanding of the decision taken by the Executive Board at EBM/84/88 on June 6, 1984.

Att: (1)

INTERNATIONAL MONETARY FUND

Nicaragua - Complaint Under Rule K-1

Executive Board Decision - June 6, 1984

1. The Managing Director has reported under Rule K-1 of the Fund's Rules and Regulations to the Executive Board the facts on the basis of which it appeared to him at the dates of these reports that Nicaragua was not fulfilling its obligations under the Articles of Agreement and submitted a complaint on March 9, 1984 in accordance with that rule. The complaint, amended on April 6, 1984, was that Nicaragua was not fulfilling its obligation relating to repurchases in the General Department in the total amount of SDR 10,105,121. These facts, and the complaint of the Managing Director in EBS/84/48, Supplement 1, have been communicated to the authorities of Nicaragua.

2. Since then, Nicaragua's overdue financial obligations in the General Department at first increased to a total amount of SDR 13,498,526, including the obligation to pay charges of SDR 215,700, but were then reduced to the total amount of SDR 10,103,379, all of which relates to repurchases.

3. Having considered the reports of the Managing Director, the complaint and the views of Nicaragua, the Fund finds that Nicaragua has failed to fulfill its obligation relating to repurchases in the General Department in the total amount of SDR 10,103,379.

4. The Fund acknowledged the recent payment of a portion of the overdue payments and took note of the fact that the Nicaraguan authorities proposed to make further repayments and of their intention not to seek access to Fund resources while arrears to the Fund remain outstanding. It nevertheless regrets the nonobservance by Nicaragua of its remaining obligation and urges Nicaragua to resume its observance forthwith. The Fund decides, pursuant to Rule K-2 of the Fund's Rules and Regulations, that Nicaragua shall not make use of the general resources of the Fund until such time as Nicaragua is current on its obligations under the Articles of Agreement relating to repurchases and the payment of charges in the General Department.

5. The present decision shall be reviewed within a period of three months from the date of the decision. The Managing Director will consult with the Nicaraguan authorities regarding the prompt elimination of the remaining overdue obligations and may request an extension of that period up to an additional three months in the light of the repayment performance and the prospects.