

## INTERNATIONAL MONETARY FUND

## Minutes of Executive Board Meeting 84/13

3:00 p.m., January 23, 1984

J. de Larosière, Chairman

W. B. Dale, Deputy Managing Director

Executive Directors

A. Donoso  
R. D. Erb  
M. Finaish  
T. Hirao  
  
G. Laske  
G. Lovato  
R. N. Malhotra  
  
J. J. Polak  
A. R. G. Prowse  
  
F. Sangare  
  
J. Tvedt  
N. Wicks  
Zhang Z.

Alternate Executive Directors

J. K. Orleans-Lindsay, Temporary  
H. G. Schneider  
X. Blandin  
  
T. Yamashita  
Jaafar A.  
L. Leonard  
C. Robalino  
G. Grosche  
C. P. Caranicas  
A. S. Jayawardena  
S. El-Khoury, Temporary  
T. de Vries  
K. G. Morrell  
O. Kabbaj  
  
J. L. Feito  
A. Lindá

L. Van Houtven, Secretary

L. Collier, Assistant

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Also Present

Administration Department: T. Cole. African Department: O. B. Makalou, Deputy Director; F. d'A. Collings. Exchange and Trade Relations Department: D. K. Palmer, Associate Director; W. A. Beveridge, Deputy Director; S. Kanesa-Thasan. External Relations Department: H. O. Hartmann. Legal Department: G. P. Nicoletopoulos, Director; J. G. Evans, Jr., Deputy General Counsel; S. A. Silard. Research Department: W. C. Hood, Economic Counsellor and Director; A. D. Crockett, Deputy Director; R. R. Rhomberg, Deputy Director. Secretary's Department: J. W. Lang, Jr., Deputy Secretary; A. P. Bhagwat, G. Djeddaoui. Treasurer's Department: W. O. Habermeier, Counsellor and Treasurer; D. Williams, Deputy Treasurer; D. S. Cutler, T. M. Tran. Advisors to Executive Directors: S. R. Abiad, H. A. Arias, C. J. Batliwalla, K. A. Hansen, S. M. Hassan, Y. Okubo, P. Péterfalvy, D. I. S. Shaw. Assistants to Executive Directors: J. Bulloch, L. E. J. M. Coene, G. Ercel, I. Fridriksson, V. Govindarajan, H. Kobayashi, M. J. Kooymans, G. W. K. Pickering, M. Rasyid, A. A. Scholten, Shao Z., S. Sornyanyontr.

1. WORK PROGRAM

The Executive Directors continued from the previous meeting (EBM/84/12, 1/23/84) their consideration of the Managing Director's statement on the work program until the end of June 1984 (see EBM/84/12), together with a tentative schedule of Executive Board meetings (Secretary's Circular No. 84/11, 1/17/84).

Mr. Erb said that, with regard to the possible Interim Committee meeting in the spring, his authorities were quite flexible and were prepared to go along with the consensus. They did not expect that any major decisions would be reached at the meeting, but there would be an opportunity to discuss the World Economic Outlook and the progress of adjustments being made. If it were decided to have an Interim Committee meeting, early April would be convenient.

As to the work program, because the two exchange rate papers had been combined for discussion on January 30, he requested that no country items be scheduled for that day's agenda, Mr. Erb continued. He hoped that the paper "The Global Effect of Fund-Supported Adjustment Programs" would also survey the global effect of countries not following the kind of economic adjustment often recommended by the Fund; it would be worthwhile to look at those adjustment programs in a broader context. He also requested that discussion of the paper on the simplification of operations in SDRs be postponed two weeks until Friday, February 24.

Mr. Schneider said that he was in general agreement with the work program. Concerning the possible spring meeting of the Interim Committee, his constituency was in favor of that meeting for the reasons given by Mr. Polak at EBM/84/12. He would convey the views of the Executive Directors to the Chairman of the Interim Committee, Mr. De Clercq, to help the Committee assess the general support for that meeting.

He would have appreciated more time between circulation of the World Economic Outlook paper and the Board discussion, Mr. Schneider commented. Like Mr. Prowse, he requested that the two papers, "The Role of the SDR in the System" and "The Future Role of the IMF," be submitted for comment before transmittal to the G-10 Deputies. In addition, it would be of interest if the staff, along with the staff of the OECD, could examine the problem of statistical asymmetry in the world balance of payments accounts. He recalled that during the previous World Economic Outlook discussion, the asymmetry in 1982 had been said to be \$92 billion, of which about \$40 billion was attributable to the balance of payments of the United States. The results of a study on statistical asymmetry would enable the Board better to assess the performance of the current account of the United States. Finally, he looked forward to the next half-yearly review of the Fund's liquidity position in the light of the new quota limits.

Mr. Tvedt said that he was in full agreement with the work program. The timetable for Article IV consultations and for reviews under stand-by and extended arrangements was helpful in assessing the workload; it was

obvious that the Board would continue to be quite busy and that its time would have to be allocated efficiently. He especially welcomed the forthcoming discussion on the prolonged use of Fund resources and the implications for the revolving character of the Fund. He also looked forward to the paper on the theory and design of financial programs, scheduled for distribution in the summer.

On balance, his authorities were slightly in favor of holding an Interim Committee meeting in April, Mr. Tvedt commented. If international meetings were held only when major decisions had to be made, there would be a paucity of meetings and thus less dialogue between countries.

Mr. Finaish remarked that he had not received instructions from all his authorities regarding the Interim Committee meeting; meanwhile, he would go along with the consensus. As to the timing of a possible spring meeting, mid-April would not be suitable because several meetings of the regional Arab monetary and financial institutions were scheduled to be held then; hence the first week of April would be more convenient. With regard to the agenda, the suggestions put forth by Mr. Malhotra and others at EBM/84/12 seemed appropriate, especially concerning the World Economic Outlook, the debt issue, and SDR allocations.

Mr. Malhotra recalled that the last paragraph of the Interim Committee's communiqué of September 25, 1983 stated: "The Committee agreed to hold its next meeting in Washington, D.C. in the spring of 1984." In that context, he wondered how the Board could decide whether or not there would be a meeting when the Committee had already decided the question. In Board of Governors Resolution No. 29-8 constituting the Interim Committee, Section 4 on procedures stated that "the Committee shall meet ordinarily three to four times a year." Only later, had it been decided that the Committee would meet every six months. The Resolution also stated that "the Chairman may call meetings after consulting the members of the Committee." Accordingly, following consultations with members during the previous Committee meeting, the decision had been to meet in the spring of 1984. The Interim Committee was governed by the procedures laid down in the relevant Resolution of the Board of Governors. If the Chairman of the Committee--Mr. De Clercq--should feel that there were strong grounds for overturning a decision of the Committee, he would have to consult with the Committee members to decide whether they were in favor of that action. The decision would have to be made by the Committee.

A survey of his colleagues' statements revealed that three or four Executive Directors had not received instructions from their authorities, Mr. Malhotra observed; two or three Directors had said that they were expressing a personal view, while others had stated that their authorities' position was flexible. He believed that a strong case for a meeting of the Interim Committee in the spring of 1984 had been made.

Mr. Erb commented that his impression of the purpose of the present discussion was to provide the views of the Executive Directors' authorities to the Chairman of the Interim Committee, as requested informally by Mr. de Groote, to help the Committee decide, as was customary before every Committee meeting, when it should meet.

Mr. Malhotra said that he had merely wished to point out, first, that the Interim Committee had made a decision to meet. Second, if such a decision were to be overturned, according to the procedure in Section 4 of the Resolution the Chairman must consult the members of the Committee beforehand. Overturning a decision required strong grounds, not merely the fact that the Committee did not have any major decisions under consideration. The terms of reference in the Resolution establishing the Committee downplayed the Committee's role regarding specific decisions but highlighted "supervising the management and adaptation of the international monetary system, including the continuing operation of the adjustment process, and in this connection reviewing developments in global liquidity and the transfer of real resources to developing countries."

Mr. Wicks observed that his earlier comments had not been made on the basis that the Board would itself take the decision on whether or not the Interim Committee would meet. He was confident that the Executive Board would never have the "bravery" to take such a decision, which was a matter for the members of the Committee. Unless he spoke on a personal basis, he was merely transmitting his authorities' views. The Board's purpose was to help the Chairman and the members of the Interim Committee gauge the feeling in various countries on whether it was appropriate to hold an Interim Committee meeting. He hoped that the views of the Board would be transmitted to the Chairman through the available channels of communication.

He had found the present discussion extremely useful, Mr. Wicks concluded, not only to the Board but to the Chairman of the Interim Committee as well, because whatever had been decided by the Committee in September 1983, a meeting would not be useful if there was no real agenda.

The Chairman confirmed that the question of the Interim Committee meeting was in the hands of the Chairman and the members of the Committee. Mr. Schneider would report the present discussion to Mr. De Clercq, who would reach a decision in consultation with the members.

With regard to the agenda, the Chairman commented that the members of the Committee should be made aware of the difficulty of holding a discussion on the international debt problem without careful preparation. Because the international debt situation was part of the world's economic prospects, he could understand the members' interest. However, to provide more than what was contemplated in the World Economic Outlook document would be a complex exercise, and there was insufficient time under the present schedule to provide a paper of the requisite quality.

Several Directors had requested four weeks to prepare for the discussion of the World Economic Outlook, the Chairman noted. Although a three-week period was the general rule, he believed that an exception could be made, although he did not wish to set a precedent. Because the Interim Committee meeting might take place around April 10, Board discussion could be later than March 23 and still allow a few days to prepare and submit the paper to the Committee. However, in order to allow time to transmit the final document to members before the Committee meeting, which he understood would focus on the World Economic Outlook, he suggested that the Board discussion take place on March 26.

Mr. Erb, Mr. Laske, and Mr. Malhotra concurred.

The Chairman noted that, in accordance with Mr. Polak's request, the discussion of the paper "Reporting Problems on Quantitative Performance Criteria in Fund Arrangements--Legal and Policy Issues," scheduled for June 6, would be advanced two weeks. With regard to the review of the liquidity position of the Fund, it would be difficult to issue an earlier staff paper in addition to the one scheduled for the second part of February. Mr. Erb's request to postpone for two weeks the discussion of the simplification of operations in SDRs could be met by scheduling the discussion for Friday, February 24. Concerning Mr. Polak's request for an early discussion of a paper on a clearing facility and use of the "private" SDR, it was intended to have a paper prepared in March or April for discussion in May.

The Deputy Managing Director noted that the timetable for preparing the Administrative Budget was tight; therefore, it would not be feasible to envisage circulation of the Budget before the end of March. Some additional time could be gained, however, by scheduling the Board discussion later than planned, so long as the Budget was considered by the Board by the end of the Fund's financial year, April 30. With regard to procedure, bilateral discussions with interested Directors on specific details seemed an appropriate course of action.

The timetable for the salary review indicated that the Hays Associates data would become available to the staff and management in early May, the Deputy Managing Director remarked, but the date was not firm. It was hoped that the Chairman's recommendation would be issued to the Executive Board about May 25, which would allow the review to be taken up during the course of June. It would not be feasible to advance the timing to the extent that the results of the review could be taken into account at the time of the budget discussion in April.

The Chairman recalled that a number of questions had been raised regarding the Board's responsibilities in connection with the staff studies requested by the G-10 Deputies. Those staff papers would be circulated to Executive Directors before transmittal to the Deputies; if a Director so requested, Board discussion could be scheduled so that any comments could also be communicated to the G-10 Deputies. The topics of the staff studies were important and of direct relevance to the work of the Fund. He would therefore be pleased to respond to requests for Board consideration.

The Economic Counsellor commented that one of the staff studies, "The Future Role of the Fund," was a background paper, while the Deputies had been invited to present fairly far-reaching papers on that topic. He envisaged that the paper would review the present activities of the Fund, list the services provided by the Fund, examine how the Fund was financed, and perhaps indicate whether there would be changes in the demand for Fund services in the immediate future.

The Chairman observed that the interest expressed by Directors in specific studies had been noted. He also pointed out that, although it had not been cited in the work program, the Treasurer was considering a paper on possible action to be taken in the case of failures by certain members to meet their obligations to make payments to the Fund.

With regard to the possible Interim Committee meeting in April, the Chairman commented that the management of the World Bank, because of scheduling constraints, had tentatively planned a date in the second part of May for the Development Committee meeting. He suggested that the Secretaries of the Fund and the Bank should meet with Mr. Kastoft, in order to avoid holding the two meetings one month apart.

The Executive Directors agreed, in the light of the discussion, upon the work program until the end of June 1984.

2. EXECUTIVE BOARD - INFORMAL RECESS

The Executive Board agreed that the period beginning Monday, August 13, 1984 and extending through Friday, August 24, 1984 would be the period for the informal Board recess.

Adopted January 23, 1984 1/

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1/ The Secretary's understanding of the decision was circulated as EBAP/84/28 (2/6/84).

DECISION TAKEN SINCE PREVIOUS BOARD MEETING

The following decision was adopted by the Executive Board without meeting in the period between EBM/84/12 (1/23/84) and EBM/84/13 (1/23/84).

3. BAHRAIN - TECHNICAL ASSISTANCE

In response to a request from Bahrain for technical assistance, the Executive Board approves the proposal set forth in EBD/84/14 (1/17/84).

Adopted January 23, 1984

APPROVED: June 6, 1984

LEO VAN HOUTVEN  
Secretary