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ROOM C-120 04

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 84/146

10:00 a.m., October 5, 1984

J. de Larosière, Chairman

Executive Directors	Alternate Executive Directors
A. Alfidja	W. B. Tshishimbi
	H. G. Schneider
	X. Blandin
	M. A. Weitz, Temporary
	M. Lundsager, Temporary
	N. Haque, Temporary
	T. Yamashita
G. Grosche	
J. E. Ismael	
	L. Leonard
	D. I. S. Shaw, Temporary
	C. Robalino
	N. Coumbis
R. N. Malhotra	
	E. M. Taha, Temporary
	A. A. Scholten, Temporary
	A. J. Tregilas, Temporary
G. Salehkhou	O. Kabbaj
	S. M. Hassan, Temporary
	J. E. Rodríquez, Temporary
	A. Lindå
	T. A. Clark
	D. J. Robinson, Temporary
Zhang Z.	Wang E.

L. Van Houtven, Secretary
L. Collier, Assistant

Also Present

African Department: J. B. Zulu, Director; R. J. Bhatia, Deputy Director; O. B. Makalou, Deputy Director; N. Abu-zobaa, Buu Hoan, E. A. Calamitsis, C. N. Egwim, M. C. Niebling, R. T. Stillson, J. C. Williams. European Department: P. B. de Fontenay, Deputy Director. Exchange and Trade Relations Department: M. Guitián, Deputy Director; K. Flug, J. Hicklin, S. Kanesa-Thasan. IMF Institute: B. Goorah, Participant. Legal Department: G. P. Nicoletopoulos, Director; J. M. Ogoola. Research Department: W. C. Hood, Economic Counsellor and Director; A. Muttardy. Treasurer's Department: D. Williams, Deputy Treasurer; G. Wittich. Personal Assistant to the Managing Director: S. P. Collins. Advisors to Executive Directors: D. Hammann, A. Vasudevan. Assistants to Executive Directors: J. R. N. Almeida, C. Flamant, V. Govindarajan, G. D. Hodgson, A. K. Juusela, H. Kobayashi, K. Murakami, T. Ramtoolah, L. Tornetta.

1. GROUP OF TEN - DEPUTIES' MEETING - REPORT BY STAFF

The Economic Counsellor noted that the G-10 Deputies had met in Washington during the period of the Annual Meetings on September 21 and 26, 1984. At the first meeting there had been a brief tour de table on the subjects on the agenda of the Interim Committee. The second meeting had been the latest in a series on the improvement of the functioning of the international monetary system. Several topics were discussed--issues to which the Group, no doubt, would be returning in subsequent meetings--including the subject of surveillance, particularly, its objective: was it the convergence of policies or of performance; was it medium-term stability of financial conditions; was it to focus narrowly on exchange rates, or was it to look more broadly on the various factors affecting them? Other topics included the role of the indicators of appropriate exchange rate levels--perhaps in the extreme target zones; the role of groups such as the Group of Ten in multilateral surveillance; and the publicity to be accorded to Article IV consultation proceedings and their related documents.

The Deputies planned to meet in Paris on December 13 and 14, when they intended to discuss cooperation between the Fund and the Bank--a topic that would have been discussed in the Board by that date, the Economic Counsellor noted. The Deputies would also discuss the role of the SDR. The Deputies were proceeding according to the timetable that had been set out at the London economic summit meeting, in June 1984, when the Ministers had been enjoined to complete the present phase of their work in the first half of 1985.

The Chairman commented that after the Annual Meetings he usually held an informal session with Executive Directors to inform them of the Group of Five's multilateral surveillance exercise that generally occurred at that time; there had been no such exercise during the present year's meeting.

2. MAURITIUS - 1984 ARTICLE IV CONSULTATION

The Executive Directors considered the staff report for the 1984 Article IV consultation with Mauritius (SM/84/196, 8/14/84; and Cor. 1, 8/21/84). They also had before them a report on recent economic developments in Mauritius (SM/84/213, 8/31/84).

The staff representative from the African Department made the following statement:

> During the 1984 Annual Meetings, the Mauritian authorities confirmed to the staff that they had signed and fully drawn a fifth Euro-currency loan. The loan was for US$40 million and carried the following terms: (a) eight years' maturity; (b) three years' grace period; and (c) an interest rate of 1 1/2 percentage points above LIBOR. The loan will finance the greater

part of the financing gap projected for 1984/85. Interest on the loan will add US$2.7 million to interest payments in the balance of payments in 1984/85 and US$5.4 million in 1985/86. Amortization payments of US$8 million per year will begin in 1987/88.

Also during the 1984 Annual Meetings, the Mauritian authorities discussed with the staff of the World Bank and the Fund the broad outlines of financial relief to the sugar industry. These discussions will continue with a Bank mission that will visit Mauritius in October 1984. This mission will also aim at reaching agreements on the structural reform of the industry and financial relief by the end of that month. According to present indications, finalization of the package for the sugar industry is expected by the spring of 1985.

Extending his remarks, the staff representative said that the Mauritian authorities had requested the use of Fund resources under a fifth stand-by arrangement and that the staff would visit Mauritius in the latter part of October.

Mr. Alfidja remarked that since 1979 Mauritius had undertaken four successive stand-by arrangements to deal with the internal and external imbalances that had emerged as a result of an expansionary policy in the latter part of the 1970s. Those adjustment efforts had been successful, as exemplified by the fact that between 1980/81 and 1983/84 the external current account deficit had been reduced from 15.5 percent to 2.6 percent of GDP, while the overall fiscal deficit had fallen from 14 percent to 7.7 percent of GDP, and inflation had declined from 26.5 percent to 5.6 percent.

Despite that success, Mr. Alfidja continued, the authorities were aware of the need to continue their adjustment effort. They also faced the no less urgent problem of diversifying the economy away from sugar. Given the scarcity of land, the Export Processing Zone (EPZ) and tourism represented the two sectors on which the authorities had pinned their hopes for a viable diversification policy. The EPZ was already playing a major role in the authorities' attempt to deal with the difficult unemployment situation, to which many Directors had drawn attention in previous discussions. The authorities were emphasizing the need for sustainable growth and economic diversification in order to cope with that serious problem; thus, it was expected that 5,000 new jobs would be created in the EPZ in 1984.

The sugar sector was going through a trying period for various reasons, including low output due to cyclones and drought, weakening world sugar prices, high operating costs, and an increased level of taxation, Mr. Alfidja commented. The authorities had had to move cautiously in dealing with the situation because of the social costs and the political implications involved. Nevertheless, a Sugar Authority was established

in June 1984, and its top priority was to propose a "restructuration" plan for the industry, including if necessary the closure of sugar mills. The World Bank was reviewing some of the proposals made by the Sugar Authority and, meanwhile, the authorities had announced two relief measures--the elimination of the brokerage fee and an increase in the domestic price of sugar, on average, by 22 percent.

Recent developments in the various economic sectors indicated that real GDP was estimated to have grown by about 8 percent in 1982/83 as sugar output recovered, Mr. Alfidja remarked. In 1983/84 the economy was expected to grow by only 2 percent, reflecting partly a drought-related decline in the 1983 sugar output. Such an outcome could only exacerbate the unemployment situation.

The 1983/84 budget deficit was estimated to amount to 7.7 percent of GDP, compared with 12.9 percent and 9.4 percent in 1981/82 and 1982/83, respectively, Mr. Alfidja noted. The present outturn reflected cutbacks in capital spending and net lending. The 1984/85 budget envisaged a deficit equivalent to 6.7 percent of projected GDP; the principal new revenue measure was a 10 percent surcharge on import taxes, while a near doubling of grants was expected following additional aid from European sources. The expenditure side would continue to be characterized by restraint, as shown by the Government's intention to limit the increase in its wage bill to 5.6 percent, compared with 11 percent in 1983/84.

Other measures had been implemented on the revenue side, Mr. Alfidja remarked. First, on June 1, 1984, the Unified Revenue Board had been established, with Fund assistance, to streamline the various revenue departments and to reduce tax evasion and fraud. Second, a change in the company tax had been undertaken in the 1984/85 budget to discourage excessive distribution of dividends and to encourage capital formation while the tax rate was brought to a uniform 35 percent for both public and private companies.

In the area of money and credit, Mr. Alfidja said that the authorities intended to continue influencing the allocation of domestic credit in order to limit the import of consumer goods generally, while redirecting credit to the productive sectors of the economy. Chart 3 in the report on recent economic developments illustrated that total credit was decreasing, while real credit to the private sector was increasing, reflecting the reduction in the Government's financial requirements. Also, the rate of growth of monetary aggregates had declined sharply in 1983/84, and real interest rates were being maintained at a positive level.

The external current account deficit had undergone a remarkable decline over the period 1980/81-1983/84, Mr. Alfidja said. The overall balance of payments deficit, nevertheless, increased in 1983/84 to SDR 36 million, reflecting amortization of Eurocurrency loans and restraint in borrowing. Given the debt service ratio projections by the

staff in their medium-term scenario, it was worth pointing out that the authorities were intent on pursuing a prudent policy of debt management. They had emphasized the need to maintain the debt ratio at a level that would not compromise the rate of economic growth and employment opportunities.

The Mauritian authorities were deeply aware of the need to maintain a flexible exchange rate policy in order to ensure the competitiveness of Mauritian exports, Mr. Alfidja concluded. The EPZ and tourism sectors were expected to play a key role in the diversification of the economy, and the exchange rate would constitute a major instrument toward that end. Mauritius maintained a fairly liberal trade and payments system. Unfortunately, it continued to encounter increasing protectionism from some industrial countries. His Mauritian authorities were grateful to the Chairman for having brought that matter to the attention of the authorities concerned. During the second review under the stand-by arrangement with Mauritius (EBM/84/72, 5/7/84), several Directors had deplored such practices, but there had not been much change thereafter. He could only reiterate what he had said at that time--the removal of those restrictions was crucial for the achievement of a sustainable current account deficit and a reasonable rate of growth in Mauritius.

Mr. Blandin said that he welcomed the Article IV consultation with Mauritius; the small island economy had made good progress toward adjustment over the previous four years, however painful some of the measures might have been, and despite a difficult external environment.

There were three main problems facing the Mauritian economy that would have to be addressed in depth in the coming years, Mr. Blandin noted: the restructuring of the sugar industry; the necessary diversification of the economy away from the sugar sector; and external debt. The restructuring of the sugar industry was not an easy task; it posed difficult political, economic, and social problems, which should nevertheless be resolved quickly. A lot of time and energy had already been dedicated to the task without much result. The number of sugar factories in Mauritius--21--would have to be reduced. The climate of uncertainty surrounding the decisions to be made in that respect and the poor financial position of the industry had had adverse consequences: investments had declined over the past years, equipment was becoming obsolete, and cane plantations were being renewed at too slow a pace. As a result, productivity was declining, leading to further deterioration in the financial position of the industry.

Moreover, Mr. Blandin added, the present structure of taxation in the industry did not encourage increases in productivity, as taxes increased with the level of production. Yet the basic rates of the export duty on sugar had been increased by the Government in June 1983 for fiscal reasons. In short, the sugar industry was at present providing more revenue than it earned, despite the preferential price for exports to the European Communities, and it was ultimately a channel to

distribute money to the other sectors of the economy. The inevitable result was the increasing indebtedness of the sugar sector, which was in urgent need of rationalization. During the Annual Meetings the authorities and the staff of the World Bank and the Fund had made some progress toward agreement on the main elements of a restructuring program, although the details had not yet been finalized; if agreement could be reached during the next World Bank mission to Mauritius, an essential precondition for fruitful cooperation between the Fund and Mauritius would be satisfied.

With regard to the encouragement of production and export activities outside the sugar sector, the authorities would have to tackle the question of development of both the Export Processing Zone and tourism, Mr. Blandin remarked. The measures that had already been taken by the authorities to support the activities of the EPZ, such as the establishment of the Mauritius Export Development and Investment Authority and the Mauritius Equity Financing Fund, were in the right direction and he invited the staff to comment on whether the results achieved so far were up to expectations. Nevertheless, it appeared that the easiest task had been carried out during the past decade--namely, the transfer to Mauritius of labor-intensive industries, such as textiles and clock and jewelry making, which were on the decline in the industrial countries. But those industries were fragile, and the degree of integration into the local network of Mauritian enterprises was weak, with limited transfers of technology and with a significant number of failures. Moreover, some industries were suffering from protectionist measures limiting access to the U.S. and Canadian markets. Consequently, it was necessary to attract a second wave of industries relying on more sophisticated technologies, more skilled labor, and a different breed of entrepreneurs. Perhaps that objective might be better achieved if the Mauritian entrepreneurs were closely associated with planning activities; the Mauritius Export Development and Investment Authority might provide the right vehicle. Investments in new industries would be facilitated if the banking system could provide investors with medium-term credit, instead of rolling over overdrafts as at present.

The authorities should diversify tourist accommodations, which at present were mainly luxury hotels, Mr. Blandin suggested. The stumbling block to increased tourist arrivals remained air access, which could be greatly improved by a more liberal policy for allocating traffic rights; according to pages 18 and 19 of the report on recent economic developments, steps had been taken in that direction. The Mauritian authorities had decided to adopt a gradual approach to the problem of extending the existing international airport at Plaisance. That wise decision would help to keep the investment budget under control.

On the problem of external indebtedness and debt servicing in the years ahead, the medium-term balance of payments outlook provided by the staff was very useful, but showed an unacceptable evolution of the debt service ratio, Mr. Blandin noted. After declining to 23.7 percent in

1986/87, the ratio would increase again to 29.7 percent in 1989/90. The staff assumption that the financing gap would be covered on commercial terms, without any Fund support from 1985 onward, did not seem appropriate, because commercial borrowing was not suitable for a middle-income economy such as that of Mauritius. The maturities were too short, and the interest rate--at 1.5 percentage points above the London interbank offered rate (LIBOR)--was far too high. An alternative solution might consist of a combination of increased official development assistance, additional private investment flows, and, obviously, continued Fund support. Mauritius was indeed far from having reached the maximum access limits, and its pursuit of sound adjustment policies should entitle the country to further use of Fund resources. In conclusion, he emphasized the desirability of tight coordination between the Bank's and the Fund's activities in Mauritius, as in many other countries.

Mr. Robinson said that he endorsed the staff appraisal and supported the proposed decision. Like Mr. Blandin, he was impressed by the progress that the authorities had made since 1980/81 under a series of stand-by arrangements with the Fund, as summed up in the table on page 7 of the staff report (SM/84/196), especially as the achievements had been reached in the face of considerable external difficulties. However, as the authorities were aware, the economic situation remained fragile. The debt service payments were heavy, substantial financing gaps were projected for the remainder of the decade, and reserves were very low.

On the fiscal side, Mr. Robinson continued, public savings remained negative although they had improved considerably over the past few years and were projected to improve again in 1984/85. Further improvement would be necessary if capital expenditure and net lending, which had taken the brunt of fiscal restraint so far, were to increase to the levels recommended by the World Bank without excessive recourse to further external borrowing or crowding out of the private sector.

A successful restructuring of the sugar industry would be crucial to the country's medium-term growth prospects, Mr. Robinson remarked. Like the staff and Mr. Blandin, he encouraged the authorities to take the necessary steps without delay, in conjunction with the World Bank, to revitalize that sector. It would be important to ensure that the measures taken were consistent with the fiscal targets for 1984/85.

Given the need for continued adjustment, he could support the Mauritian authorities' desire to seek a further arrangement with the Fund, which could also improve the possibilities of raising concessional finance to cover the projected financing gap, Mr. Robinson remarked. However, as Mauritius had had four successive Fund programs, its outstanding use of Fund resources was at a relatively high level, and it faced a heavy burden of debt service payments over the rest of the decade, including substantial obligations to the Fund; therefore, the size of any arrangement should necessarily be modest.

The authorities' efforts to restrain current expenditure, which had fallen by about 1 percent of GDP since 1982 and would fall by a similar amount in 1984/85, were commendable, Mr. Robinson said. Nevertheless, current expenditure had increased from 73 percent of central government expenditure in 1979/80 to about 83 percent in 1983/84 and in 1984/85. Over one fourth of current expenditure was now accounted for by interest payments; the burden of further restraint would, therefore, have to fall on wages, salaries, subsidies, and transfers, which accounted for the bulk of the remainder. He therefore encouraged the authorities to continue with their policy of tight wage restraint. He particularly welcomed their intention to reduce public sector employment, to limit wage drift so that the wage bill was budgeted to increase by 5.6 percent in 1984/85, and to maintain their efforts to reduce subsidies and transfers, especially through measures to improve the performance of the parastatals. On the revenue side, an increase in the tax on gasoline would help to reduce both gasoline imports and the dependence of the tax system on trade taxes.

The liberalization of interest rates in 1981/82 had encouraged savings and reduced the balance of payments pressures, Mr. Robinson noted. He urged the authorities to build on that foundation by eliminating the system of credit ceilings currently applied to bank lending and moving toward more indirect methods of monetary control, although he recognized that that might take some time because of the considerable excess liquidity that had built up in the economy.

With regard to external policy, he agreed with the staff that at about one week of imports, reserves were extremely low, Mr. Robinson commented. As a small tropical island subject to the vagaries of the weather, Mauritius needed to maintain an adequate level of reserves. The report on recent economic developments stated that as irrigation became more expensive, the sugar sector, which accounted for about 60 percent of merchandise exports, became more vulnerable to drought. He urged the authorities to give priority to increasing reserves, which would be an important element of any new program. He commended the authorities for maintaining a relatively liberal trade and payments system to encourage export-oriented growth. Like the staff, he encouraged them to continue their flexible exchange rate policy, which would be an essential element in building on the successful efforts so far to promote export diversification through the Export Processing Zone and tourism. In that context, he invited the staff to comment on the future role of private direct investment.

Mr. Shaw said that he was in general agreement with the staff appraisal and could support the proposed decision. The staff report and Mr. Alfidja's statement demonstrated clearly how adjustment could take place in a country where the authorities were fully committed to a program. The summary table on page 7 (SM/84/196) and the comparison of the assumptions, targets, and policies with actual performance in Appendix III graphically demonstrated the vigorous implementation of the stand-by

program over the past 18 months. The progress made was all the more remarkable because the Mauritian economy had faced two severe handicaps over that period. The first was the financial position of the sugar industry, which accounted for 60 percent of Mauritian exports, 14 percent of GDP, and 25 percent of the employment of the labor force. Nevertheless, the authorities had made commendable progress in adjusting in the face of external market conditions. The second, and more important handicap, was the country's dependence, as a small open island economy, on one major crop. The authorities were powerless to change the second handicap; nevertheless, they had attempted to diversify the economy away from sugar. Although the Board had discussed the subject of small tropical island economies earlier (Seminar 84/4, 5/4/84), the economic problems of such economies, with which his chair was intimately familiar, warranted the Board's return to that issue. There were a number of areas in which the Fund could be more responsive to the particular problems of those economies without sacrificing the principle of equal treatment for all members. Although the discussion on Mr. Legarda's paper at the seminar had highlighted those issues, it would be appropriate to re-examine a few of the options put forward at that time.

The Mauritian authorities had accomplished significant adjustment under four consecutive stand-by arrangements, Mr. Shaw remarked, and their successful completion of the programs must rank them high among members having arrangements with the Fund over the past three years. It would be appropriate at present to address the medium-term prospects of the Mauritian economy because, for example, the adjustment had been accomplished at the expense of a lower growth rate and higher unemployment. The structural measures required to meet those and other medium-term problems could be reinforced by an extended arrangement with the Fund. While it was true that Fund credit to Mauritius was high in relation to quota, an extended arrangement at an appropriate level, supported by additional structural adjustment loans from the World Bank and bilateral donors, would consolidate the gains already made. In particular, a restructuring of the key economic sectors of sugar, tourism, and manufacturing was of major importance.

The success of adjustment effort in the medium term would be affected by developments in three areas, Mr. Shaw commented. First, the authorities had made remarkable progress in reducing the overall fiscal deficit from 13 percent of GDP in 1981/82 to 7.7 percent in 1983/84, and an additional improvement to 6.7 percent was forecast for 1984/85. Nevertheless, the deficit continued to be high and further reductions would have to be made in the medium term. In particular, measures proposed to broaden the tax base and to contain capital expenditure were welcome but might not be sufficient to offset the loss of revenue arising from tax relief for the sugar industry. He therefore urged the authorities to make more effort to control current government expenditure than in previous years and to generate positive central government savings. The previous stand-by arrangements had focused primarily on reducing capital outlays, while current expenditure had remained relatively high in relation to GDP.

While he recognized that an improvement in the efficiency of the investment program had been an important policy objective, he urged the authorities not to go too far in cutting back their investment program and to concentrate instead on reducing current expenditure. In that respect, the budgeted increase in capital expenditure for 1984/85 was welcome.

Second, remaining structural imbalances, including price controls and wage rigidities, would have to be tackled, Mr. Shaw remarked. While he commended the authorities for having removed many of the price controls and for having increased utility rates over the past year, the removal of remaining price controls would be important, if not crucial, in stimulating production and correcting fiscal imbalances.

He welcomed the move by the authorities toward a system of direct wage negotiation and their commitment to keep wage increases in the public sector below the projected rate of inflation, Mr. Shaw said, as exemplified by the wage awards effective July 1, 1984. The intention of the authorities to limit employment and wage drift resulting from the system of increments and the catch-up nature of individual industry adjustment was praiseworthy. Early action by the authorities to limit upward pressure on wages and to link pay settlements more closely to productivity gains would lead the way to reducing wage rigidities in both the public and private sectors.

Third, in the external area, the detailed analysis by the staff of the medium-term balance of payments outlook was extremely helpful, Mr. Shaw remarked, and, along with the statement by the staff indicating that a fifth Eurocurrency loan had been successfully negotiated and drawn down, indicated that the balance of payments position of Mauritius in the medium term might not be as bleak as first considered. However, it was clear from Table 7 in the staff report that continued strong adjustment and additional concessional resources would be needed by Mauritius in the future. For example, the overall balance of payments was projected to be in surplus in 1985/86 and 1986/87, but the estimates excluded sizable Fund repurchases and did not allow for a buildup of reserves from the present low level of one week's imports. When those two factors were considered, there would be a substantial financing gap in both years equal to the net repurchases to the Fund. That situation gave cause for concern, and a substantial increase in both concessional and nonconcessional flows would be necessary to enable the authorities to make those repurchases during that period. Of course, the Fund should be ready to provide further assistance to Mauritius, but its support would need to be accompanied by some assurance of significant nonproject aid in the medium term from both multilateral and bilateral sources. It was only through a program of assistance, which in the case of Mauritius and other small island economies must inevitably be concessional, that those economies could maintain their growth rate while servicing their indebtedness both to the Fund and to other creditors.

Ms. Lundsager commented that Mauritius had recorded an admirable performance unlike its recently completed stand-by arrangement, with dramatic improvements in its external accounts, fiscal accounts, and inflation rate. That adjustment had occurred while Mauritius had maintained a low, but positive, rate of real economic growth. The domestic savings rate had increased to 17.5 percent of GDP during the past fiscal year, an encouraging sign for future growth prospects. In fact, the improved economic situation had given Mauritius the room to take a longer-term view of where the country was headed. Exports were concentrated in one product and accounted for close to one half of GDP, leaving Mauritius vulnerable to changes in external demand. The present consultation had highlighted to the authorities the need to continue adjusting economic policies in order to foster more export diversification away from sugar. The increase in investment and employment in the Export Processing Zone should encourage the Government of Mauritius to continue its program of price decontrol, exchange rate flexibility, and liberal foreign investment regime.

Nevertheless, sugar would continue to dominate exports for the foreseeable future, Ms. Lundsager remarked. She therefore welcomed efforts to improve efficiency and productivity in the sugar sector, thereby permitting a shift in land use toward other agricultural products with better potential for growth. While she had doubts about the establishment of a Sugar Authority with "wide powers," she hoped that it could speedily review the need for restructuring the industry, as well as formulate and implement decisions. In that regard, she welcomed the authorities' consultations with the World Bank.

Some major imbalances remained, Ms. Lundsager continued. The existence of financing gaps for the next six years should indicate to the authorities that further domestic adjustment might be inescapable. While the fiscal deficit had fallen substantially as a percentage of GDP since 1980/81, when it had been 14 percent, the medium-term scenario suggested that, at 7.7 percent of GDP in 1983/84, it remained unsustainable. That judgment might appear severe, because the volume of imports was assumed to increase by only 3.2 percent a year. However, if the Mauritian authorities wished to lower the debt service ratio to about 20 percent, they would have to find some other method of balance of payments financing than commercial borrowing, such as the recently arranged $40 million loan. Table 7 in the staff report clearly showed the heavy debt service burden attendant on commercial borrowing, an area that should be the focus of discussions for the fifth stand-by arrangement. In that regard, Mr. Blandin's emphasis on the desirability of private foreign investment flows and concessional assistance was well taken, while she agreed with Mr. Robinson that future access to Fund resources must be modest, given the extent of the country's past use of Fund credit.

Mr. Grosche remarked that after four consecutive stand-by arrangements, Mauritius had achieved a sizable reduction in its financial imbalances. But in view of the ongoing difficult balance of payments

situation, which would remain precarious in future years, and the pressing need to restore international reserves, he joined the staff and other Directors in urging the authorities not to lose the momentum of their adjustment effort. The policy course followed under the Fund arrangements--characterized by prudent demand management, efforts to further liberalize the markets, and a flexible exchange rate--had served the country well; and these policies should be maintained and, when necessary, accentuated.

However, he advised the staff to be cautious in responding to the authorities' request for a fifth stand-by arrangement, Mr. Grosche continued. Mauritius had reached a stage where new recourse to Fund resources seemed less indispensable than it had been at the start of the adjustment process, and the problem of prolonged use should be kept in mind.

The authorities' ability to obtain a new loan from the Eurocurrency market to fill part of the financing gap was a positive sign, Mr. Grosche concluded, but he noted the staff's concern about new commercial borrowing. The relatively high debt service ratio, together with the uncertainties about sugar exports in the next few years, left no room for a relaxation of policies. Some prudent borrowing should not be ruled out, however, particularly if it were used for diversification of the economy; but direct investment and concessional loans were called for as well.

On fiscal policy, Mr. Grosche welcomed the intention of the authorities to continue restraint on current expenditure and to increase taxes. Simultaneously, however, the structure of incentives should be improved.

The authorities should reconsider their somewhat rigid system of controlling the expansion of credit, Mr. Grosche added. The progressive liberalization of interest rates on the one hand and the policy of establishing quarterly ceilings on credit expansion for each bank on the other did not fit well together. A more liberal and indirect system of steering monetary aggregates would offer more advantages.

He shared the view of the staff that the authorities should take comprehensive and bold action to restructure the sugar industry, preferably in close cooperation with the World Bank, Mr. Grosche said. He wondered whether the staff could give a more detailed assessment of the present situation. In conclusion, he supported the proposed decision.

Mr. Salehkhou commented that under the program supported by the 18-month stand-by arrangement completed in August 1984, Mauritius had made considerable gains in the pursuit of economic adjustment. The successful completion of the program had been based on the implementation of major policy actions envisaged under the program and the observance of all performance criteria. As a result, the external current account deficit had been sharply reduced, and the fiscal deficit had been narrowed to more manageable proportions. Furthermore, as a consequence of corrective measures in the monetary and financial sectors, gross domestic savings as a

percentage of GDP had gradually increased and inflation had been brought firmly under control, declining to 5.6 percent in 1983/84 compared with the high rate of 26.5 percent three years previously.

The general aim of the program, which was to restore economic viability and to pave the way for sustained noninflationary growth through the correction of domestic and external imbalances, had been fully realized, Mr. Salehkhou stated. Major rationalization and liberalization of price controls, price adjustments with respect to some consumer products and utilities, moderation of wage demands, and institutional improvements in tax administration had strengthened the domestic structure of the economy. Progressive reductions in import restrictions combined with a flexible exchange rate policy had helped the external sector.

The achievements so far made it easier for the authorities to tackle more fundamental issues in the economy, Mr. Salehkhou continued. One such issue was the clear need for greater invigoration of domestic production. The growth in GDP at constant market prices in 1983/84 had been below earlier projections and far lower than in 1982/83. Gross domestic investment had been equally short of the program target and had been on a declining trend in the past few years. Second, the external debt servicing burden might pose great problems for the future. Indeed, there would be large service payments in 1984/85 and 1985/86, many to the Fund and the commercial banks. The latest Eurocurrency loan would add to that burden. Third, the deteriorating financial situation of the sugar industry had been the result of poor crops, increased taxation levels, and weakening world prices, necessitating considerable financial relief. Clearly, in the absence of major structural reforms, the problems would be aggravated. He welcomed the decision of the Government to establish the Sugar Authority to advise on policy and to effect changes in the sugar industry.

He was encouraged that the 1984/85 budget focused on continued expenditure restraint, with recurrent expenditure rising by less than the inflation rate, Mr. Salehkhou said. Moreover, annual wage awards would be moderated and total subsidies would remain stable. The tax reform measures, and the coordination and supervision of the activities of revenue departments to discourage tax evasion, would prove beneficial. Ways and means to improve the structure of import taxes and the administration of the Customs Department would emerge as a result of current studies undertaken by the authorities under the auspices of the World Bank, which should contribute further to the process of reform which had already started.

The Mauritian authorities were justifiably concerned about the protectionist stance of countries that were principal markets for their manufactured products, Mr. Salehkhou noted. The authorities had come a long way in diversifing their production and exports away from excessive reliance on sugar production toward textiles and other manufacturing

activities. Restrictive trade policies on Mauritian manufactured exports would obviously further hamper diversification. He welcomed the intention of the authorities to conclude a new stand-by arrangement with the Fund, and he supported the proposed decision.

Mr. Hassan commended the Mauritian authorities for continuing their adjustment program and for the progress made in restoring equilibrium in both the domestic and external sectors of the economy. The budget deficit in 1983/84 relative to GDP had declined by more than 6 percentage points, compared with two years earlier, and there had been a dramatic turnaround in the external current account deficit from 15.5 percent of GDP in 1980/81 to 2.6 percent in 1983/84. The policies being implemented appeared to be in the right direction, including the move to liberalize prices, the steps to improve tax administration, the flexible exchange rate policy, and the diversification program aimed at reducing the economy's dependence on the sugar industry. If the authorities continued that pragmatic course, a further improvement in the overall economic picture of Mauritius could be expected in the years to come.

He welcomed the efforts of the authorities to encourage investment in export-oriented activities, particularly in view of the small size of the domestic market, Mr. Hassan said. However, he was troubled by the rise in protectionism that was likely to minimize the gains that could accrue to Mauritius from that forward-looking policy. He fully shared Mr. Alfidja's views in that regard; quota restrictions and the complicated rules of origin with respect to textiles in the major markets were a case in point. The need for access to foreign markets was also important to Mauritius because of its large debt service payments for the remainder of the decade, including sizable repurchases from the Fund in 1984/85 and 1985/86.

With regard to the staff's medium-term balance of payments scenario, Mr. Hassan continued, it was clear not only that Mauritius needed to earn more foreign exchange but that its adjustment and development efforts would benefit greatly from an increased flow of concessional aid to help close the financing gap projected for each year up to 1989/90. Borrowing entirely on commercial terms to finance the resource gap would aggravate the country's debt service burden, with adverse consequences for economic growth and development. Finally, regarding the authorities' decision to seek further assistance from the Fund under a stand-by arrangement, he hoped that agreement on a program would soon be reached.

Mr. Malhotra said that he supported the proposed decision. Mauritius had drawn the first tranche of the World Bank's structural adjustment loan of $20 million and had utilized the full amount under a stand-by arrangement ended August 17, 1984. All the performance criteria had been observed, and virtually all major policy actions under the program had been implemented: liberalization of price controls; increases in the subsidized prices of wheat flour and rice, in the domestic prices of sugar, and in the prices of cooking oil; wage increases below the inflation rate;

liberal trade policies; and a flexible exchange rate policy. In addition, institutional changes had been initiated to improve tax administration and to bring about structural changes in its major industry--sugar.

The current success should be viewed in part as a result of the adjustment efforts begun in early 1980, Mr. Malhotra recalled. External current account deficits had declined, as a percent of GDP, from 15.5 percent in 1980/81 to 2.6 percent in 1983/84, while overall fiscal deficits as a percent of GDP had been reduced from 14 percent in 1980/81 to 7.7 percent in 1983/84. Two major parameters illustrating the commendable success of the adjustment process during the past four years were the savings and inflation rates. The ratio of gross domestic savings to GDP had increased from 12.6 percent in 1980/81 to 17.5 percent in 1983/84. The inflation rate, which had risen by 26.5 percent in 1980/81, had been reduced to 5.6 percent in 1983/84. The 1984/85 budget would allow for a further reduction in the deficit, bringing it down by about 1 percentage point to 6.7 percent of GDP. Monetary policy had been restrained, interest rates were positive, and a liberal trade and payments policy continued to be pursued.

In spite of those significant gains, several problem areas needed attention, Mr. Malhotra remarked. The sugar industry had suffered during recent years, partly due to poor crops, weak world prices, and increased taxation and costs. Some of the sugar firms would need financial relief; to alleviate the strain, the domestic prices of sugar had been raised on average by 22 percent during 1983/84. It was important that the industry should become financially viable and efficient so that it would continue to provide an important element of stability to output, employment, and fiscal and external positions. The Government had established a Sugar Authority in June 1984, which would submit proposals for restructuring the industry. The staff had indicated that those proposals would be discussed with the World Bank before they were implemented.

The most worrisome feature of the Mauritian economy continued to be the high rate of unemployment of about 20 percent, Mr. Malhotra remarked. In addition, 90 percent of the land under cultivation continued to be dedicated to sugar, a commodity that had suffered periodic setbacks due to bad weather and developments in international prices. Therefore, unemployment in Mauritius should be studied in depth and its reduction should be a target over a period of time. Although determining land usage was a difficult process when so much acreage was planted with a cash crop, unless some part of that land could be devoted to other crops, the unemployment rate could not be brought down. It was appropriate that the Mauritian authorities and the World Bank study the issue in depth to achieve some progress in reducing unemployment.

He agreed with Mr. Blandin's comments on the need for industrial diversification and export orientation, Mr. Malhotra said. The entire nonsugar manufacturing industrial sector, whose apparent contribution of about 14 percent to GDP was slightly more important than that of the

sugar industry, was heavily dependent on imports, and its net contribution to the balance of payments was very small. It would be important to study the possibility of meaningful diversification of industry in the island economy.

The debt service ratio of Mauritius had inceased substantially from 15 percent in 1981/82 to 20 percent in 1982/83 and to 25 percent in 1983/84, Mr. Malhotra commented. After a small decline in 1986/87, it was projected to increase again, according to the staff's medium-term balance of payments outlook. On the basis of reasonable assumptions about the growth of trade and movements in invisibles and other capital flows, the staff had projected gaps in external financing in 1984/85 and the rest of the 1980s. He would warmly support the request of Mauritius for another stand-by arrangement, considering the determination with which the authorities had pursued adjustment.

While the projected external financing gap should be closed and adjustment efforts pursued simultaneously, there was a need to reconstitute reserves, Mr. Malhotra stated. He endorsed the staff view that reserves should be increased from the equivalent of one week's to one month's imports as soon as possible.

He regretted that protectionist measures were inhibiting exports of textiles and garments, Mr. Malhotra remarked. The very low quota for sugar in a principal market was also a constraint. Protectionism in textiles was affecting many developing countries due to restrictions under the Multifiber Arrangement, which had been introduced as a temporary measure in the mid-1960s but never rescinded. Protectionism was becoming more entrenched, and the search for a remedy deserved high priority.

With regard to the budget, Mr. Malhotra recalled that the staff had suggested that there might be a need to contain current expenditure. He believed that as long as wages were kept under control, as in Mauritius, there was limited scope for further containment of current expenditure; rather, the best that could be hoped for was that future increases should be minimized. He regretted that capital expenditure had been reduced substantially. Since 1980/81, the overall increase in GDP had been slight; in fact, the economy had merely been recovering lost ground; therefore, further reductions in capital expenditure could inhibit future growth. He questioned the pursuit of a further decrease in the budget deficit to 6.7 percent in 1984/85; it was important to remember that there were limits to adjustment and that Mauritius needed to stimulate growth and to reduce unemployment. Otherwise, serious problems could arise in that small island economy.

The staff representative from the African Department explained that the basic theme of the Mauritian authorities' economic policy was not to interfere to a great extent in the economy; the public sector wished to limit its role to providing the basic infrastructure, letting the private sector carry the burden of investment. Therefore, investment in the public sector had declined gradually in recent years while investment in the

private sector had increased sharply. The Government's role, in addition to providing the basic infrastructure, was to improve the allocation of resources and demand management through fiscal, interest rate, and credit policies.

The sugar sector was indeed deteriorating and several commissions had studied the industry over the past two years, the staff representative continued. The issue had intense political ramifications. Because the sugar industry was dominated by a few mills, most of them of foreign origin, most Mauritians would not easily accept the provision of relief to the industry.

The Government was therefore tackling the problem in a low-key manner; it had established the Sugar Authority, representing the public and private sectors, to chart policies for the sector. A reduction in export taxes amounting to about Mau Rs 100 million was being actively considered; the World Bank would monitor the situation over the next few years and would advise the authorities if additional relief was required. Meanwhile, the substantial exchange rate depreciation of the past year and the increase in the domestic sugar prices had already provided the sugar industry with considerable financial relief.

The diversification of the economy was another important issue raised by Directors, the staff representative recalled. In addition to the release of land used for sugar cane to other sectors, the Export Processing Zone (EPZ) and tourism would contribute significantly to diversification. The performance of the EPZ had picked up recently because of the improved competitiveness of the Mauritian economy, mainly as a result of the adoption of a flexible exchange rate policy. The influx of investors, owing to developments in Hong Kong and elsewhere, and investments from Europe and to a small extent from the United States, had also played a part in the Zone's expansion.

EPZ exports exceeded imports by 40 percent, the staff representative said. In fact, exports had increased in the past year by 14 percent, whereas imports had increased by only 6 percent. Employment in the EPZ had been high during the year and was expected to increase further from 5,000 to 8,000 persons. The Mauritius Export Development and Investment Authority was well established and should be an important factor in encouraging further private sector investment.

Mauritius had certain handicaps to overcome in the tourism sector, the staff representative stated. One was the country's location at some distance from the major markets for tourism; South Africa was the closest, whereas Europe and the United States were distant. In addition, the policy on air access to Mauritius had not yet been agreed, although Air Mauritius had been negotiating, in particular with Switzerland and Germany, for access to and increased traffic from those countries. Another handicap was the infrastructure, which had centered on large, expensive hotels. Nevertheless, there had been a substantial increase in tourists since the adoption of the flexible exchange rate policy.

With regard to the medium-term balance of payments outlook, there would be a financing gap through 1990, the staff representative remarked. However, the forecast did not allow for any further adjustment that would be undertaken under Fund-supported programs. Also, it assumed that the financing gap would be fully covered by borrowing on the Euromarket at commercial terms, which would not be the case. The authorities viewed the debt service ratio as high and wished to reduce it gradually to about 20 percent. The recent Eurocurrency loan of $40 million followed two years in which no commercial borrowing had been undertaken and during which Mauritius had repaid about SDR 80 million to the Euromarket.

Capital expenditure had taken the brunt of fiscal adjustment, with the agreement of the World Bank, the staff representative commented. The decline in the fiscal deficit had been the result of a curtailment of make-work projects that were not contributing significantly to actual capital formation, but were classified in the capital budget. At present, however, the budget was more representative of actual investment in the economy by the public sector rather than of current outlays classified in the capital budget. The introduction of important tax measures during the present year would contribute to the reduction of 1 percentage point in the deficit in 1984/85; a further decrease would not be feasible because of the relief provided to the sugar industry, amounting to about Mau Rs 100 million.

On credit policy, the staff representative continued, the authorities had introduced in August 1984 a more flexible approach compared with the previous policy of a direct ceiling on credit expansion for each commercial bank. The change had occurred after the Article IV consultation discussions, and the staff had no more details at present.

The unemployment rate was too high, the staff representative stated. However, the statistics, derived from social security data, included people who had jobs but were seeking better positions or higher pay. Nevertheless, following the adjustment that had taken place and the reduction in the financial imbalances, more attention should be devoted to the restructuring of the economy and less to demand management and economic constraint.

The recent Eurodollar borrowing was necessary, the staff representative considered, otherwise adjustment would have been extremely severe. A combination of borrowing, even on the Euromarket, and adjustment was necessary to tackle the country's problems over the medium term. The fact that Mauritius had been able to borrow without having a stand-by arrangement with the Fund attested to its good performance.

The basic premise of the staff's approach to future economic policies was market liberalization, the staff representative from the African Department said. Import controls should be gradually dismantled, price controls should be liberalized, and the flexible exchange rate policy

should be continued. Those were the main instruments to improve the competitiveness of the economy and its attractiveness to foreign investment. He hoped that additional concessional nonproject assistance would be raised at the Consultative Group Meeting on Mauritius that would take place in May 1985. Finally, since the previous consultation, the authorities, in pursuing their policy of flexible exchange rate management, had depreciated the Mauritian rupee by 1.5 percentage points with respect to the basket of currencies to which it was pegged.

Mr. Alfidja said that it would be wise for the authorities to continue to move cautiously in restructuring the sugar industry. The process would be time-consuming and would have to take place in a medium-term framework. In addition to present relief measures, a package was being negotiated with the World Bank that should form a realistic basis for the coming negotiations between Mauritius and the Fund for a new stand-by arrangement. Even though Mauritius had made prolonged use of Fund resources, its successful adjustment was a factor to be kept in mind in applying the guidelines on access for the use of Fund resources in support of further adjustment in Mauritius.

Adjustment had been achieved to some extent at the expense of growth and employment, Mr. Alfidja stated. The staff had amply explained the factors contributing to the relatively high level of unemployment. However, his authorities believed that during the forthcoming negotiations with the Fund, growth and ways to increase employment should be given serious consideration.

The staff representative from the African Department explained that the staff had been authorized to negotiate a stand-by arrangement during the consultation but had not done so because it believed that improvement in the sugar industry should be a prerequisite for such negotiations. The Mauritian authorities had at present put forward proposals for relief to the sugar industry that would not be finalized before the spring of 1985. Negotiations for the stand-by arrangement would continue, and a condition for the satisfactory completion of the first review would be agreement with the World Bank on restructuring the sugar sector. The nonsugar sector of the economy had grown by about 4 percent in 1983/84, but overall growth remained low, mainly due to the poor performance of the sugar sector and the effect of unfavorable weather conditions.

The Chairman added that the Minister of Finance of Mauritius had stated that he fully agreed with the timing of the stand-by negotiations.

The Chairman then made the following summing up:

> Executive Directors were in broad agreement with the staff appraisal for the 1984 Article IV consultation with Mauritius. They noted that the comprehensive program of adjustment pursued with continued strong determination by the Mauritian authorities

and supported by four stand-by arrangements had led to a significant improvement in the country's economic and financial situation, although GDP growth in 1983/84 had been held down by climatic factors. The reduction in the external current account deficit to a level that could be financed fully by net concessionary capital inflows, the decline in the rate of inflation, and the fiscal adjustment that had occurred should markedly strengthen the basis for sustainable growth. Directors remarked that inflation had receded from 26.5 percent to 5.6 percent over the period 1980/81 to 1983/84. During that same period the external current account deficit had fallen from 15.5 percent to 2.6 percent of GDP and the fiscal deficit from 14 percent to 7.7 percent of GDP.

Notwithstanding this remarkable progress, the bulge in debt service payments over the next two years, the low level of foreign exchange reserves, the forecast external financing gaps in the remaining years of the 1980s, and the weak and deteriorating position of the sugar industry required perseverance in the adjustment effort over the medium term. In this regard, there was a need to continue with tight demand management, cautious wage policies, market liberalization, and flexible exchange rate policy. Directors cautioned against excessive reliance by Mauritius on external borrowing on commercial terms. Directors also noted Mauritius's announced intention to request a further stand-by arrangement with the Fund, and they added that Mauritius needed larger inflows of concessional aid and direct investment to promote growth.

Despite the fiscal adjustment that had taken place, Directors felt that the overall budget deficit was still too high, and regretted that capital expenditures had borne a disproportionate share of the adjustment burden. They welcomed the initiatives that had been taken in tax administration, which, together with further restraint on recurrent expenditures, including subsidies and wages, should bring about the necessary fiscal adjustment. As a result, credit could be directed to other sectors, particularly the rapidly expanding Export Processing Zone which, together with tourism, constituted a promising avenue for economic diversification. This structural reorientation was all the more important in view of the high and worrying unemployment situation.

The sugar industry was an area where major reforms were urgently required. Directors emphasized the importance of close and expeditious collaboration between Mauritius and the World Bank on the sugar sector plan, and urged the authorities to complete work on structural reform and rationalization as well as financial relief to the industry as soon as possible.

Directors observed that protectionist measures in some major markets for Mauritius's exports had rendered the country's adjustment effort more difficult, the more so as it was based on liberalization and export-led growth. While urging the Mauritian authorities to continue with their outward-looking policy, they regretted that protectionist policies might complicate Mauritius's growth prospects and its ability to service its debt.

It is expected that the next Article IV consultation with Mauritius will be held on the standard 12-month cycle.

The Executive Board then took the following decision:

Decision Concluding 1984 Article XIV Consultation

1. The Fund takes this decision in concluding the 1984 Article XIV consultation with Mauritius, in light of the 1984 Article IV consultation with Mauritius conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. The Fund notes with satisfaction that Mauritius continues to maintain an exchange system that is virtually free of restrictions on payments and transfers for current international transactions.

Decision No. 7815-(84/146), adopted
October 5, 1984

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/84/145 (10/1/84) and EBM/84/146 (10/5/84).

3. CHAD - OVERDUE FINANCIAL OBLIGATIONS - REPORT AND COMPLAINT UNDER RULE K-1 AND NOTICE OF FAILURE TO REPAY TRUST FUND LOANS

1. The Managing Director has reported to the Executive Board, under Rule K-1 of the Fund's Rules and Regulations, the facts on the basis of which it appeared to him at the dates of these reports that Chad was not fulfilling obligations under the Articles of Agreement relating to repurchases and charges in the General Department, and submitted a complaint on June 29, 1984 in accordance with that Rule. The complaint, as amended on July 25, 1984, was that Chad was not fulfilling its obligations relating to repurchases in the General Department in a total amount equivalent to SDR 1,775,000 and the payment of charges in the General Department in a total amount of SDR 223,234. The

complaint included a notice to the Executive Board of the facts on the basis of which it appeared to the Managing Director that Chad was not fulfilling its obligations under Decision No. 5069-(76/72) on the Trust Fund to repay disbursements and to pay interest in a total amount equivalent to SDR 551,655 as of July 24, 1984. These facts and the complaint and notice of the Managing Director in EBS/84/141, Supplement 1, have been communicated to the authorities of Chad.

2. Taking into account the further obligations of Chad that have become overdue to the Fund since July 24, 1984, Chad's overdue obligations to the Fund have increased to the equivalent of SDR 2,133,164 in the General Department and to the equivalent of SDR 1,090,472 under the Trust Fund.

3. While understanding the serious difficulties facing Chad, the Fund confirms the overriding importance it attaches to the settlement by Chad of all its overdue obligations to the Fund and regrets that Chad has not yet completed arrangements for such settlement. However, the Fund takes note of the statement of the Minister of Finance and Procurement of Chad at the Executive Board Meeting on October 1, 1984, in which the Minister (a) explained the progress of the efforts being made by Chad to obtain approval of the Board of Directors of the Banque des Etats de l'Afrique Centrale (BEAC) for arrangements that will permit full payment of Chad's overdue obligations, as well as other obligations accruing in 1984, (b) expressed the confidence of the authorities of Chad that these arrangements will be approved on November 2, 1984 and that full payment of the overdue obligations will be effected immediately thereafter, and (c) requested deferral of a decision on the Managing Director's complaint and notice until after November 2, 1984. The Minister also undertook to send a communication to the Fund confirming the specific intentions of his authorities regarding the arrangements referred to in his statement and other steps being taken by Chad to enable the necessary payments to be made if these arrangements are not approved.

4. In view of the Minister's statement, the Fund agrees to defer a decision on the complaint and notice until November 9, 1984, in the expectation that by that date Chad will have become current in its financial obligations to the Fund.

5. The Managing Director shall convey to the Minister of Finance and Procurement of Chad a summary of the discussion in the Executive Board on October 1, 1984 leading to the adoption of this decision.

Decision No. 7816-(84/146), adopted
October 3, 1984

4. SOCIALIST PEOPLE'S LIBYAN ARAB JAMAHIRIYA - EXCHANGE SYSTEM

The approval of the Socialist People's Libyan Arab Jamahiriya's exchange restriction arising from limits on the access to foreign exchange for certain travel abroad is extended until March 31, 1985 or the completion of the next Article IV consultation with the Socialist People's Libyan Arab Jamahiriya, whichever is earlier.

Decision No. 7817-(84/146), adopted
October 3, 1984

5. UGANDA - TECHNICAL ASSISTANCE

In response to a request from the Ugandan authorities for further technical assistance, the Executive Board approves the proposal set forth in EBD/84/259 (10/3/84).

Adopted October 4, 1984

6. APPROVAL OF MINUTES

The minutes of Executive Board Meetings 84/62 through 84/66 are approved. (EBD/84/252, 9/25/84)

Adopted October 1, 1984

7. EXECUTIVE BOARD TRAVEL

Travel by Executive Directors as set forth in EBAP/84/205 (10/2/84) and by an Assistant to Executive Director as set forth in EBAP/84/202 (9/28/84) is approved.

8. STAFF TRAVEL

Travel by the Managing Director as set forth in EBAP/84/206 (10/3/84) is approved.

APPROVED: July 10, 1985

LEO VAN HOUTVEN
Secretary