

## INTERNATIONAL MONETARY FUND

## Minutes of Executive Board Meeting 84/173

3:00 p.m., December 3, 1984

J. de Larosière, Chairman  
R. D. Erb, Deputy Managing Director

Executive Directors

A. Alfidja  
C. H. Dallara  
J. de Groote

G. Grosche  
J. E. Ismael

R. N. Malhotra

F. L. Nebbia  
Y. A. Nimatallah  
P. Pérez  
J. J. Polak

G. Salehkhoul  
J. Tvedt

S. Zecchini  
Zhang Z.

Alternate Executive Directors

H. G. Schneider  
X. Blandin  
M. B. Chatah, Temporary  
T. Yamashita

Jaafar A.  
L. Leonard  
C. Robalino  
A. S. Jayawardena  
J. A. K. Munthali, Temporary

J. E. Suraisry

T. de Vries  
A. V. Romuáldez  
O. Kabbaj

T. A. Clark  
N. Coumbis  
Wang E.

L. Van Houtven, Secretary  
R. S. Franklin, Assistant

1. Guyana - Overdue Financial Obligations - Second Review  
of Decision on Complaint Under Rule K-1 . . . . . Page 3
2. Viet Nam - Overdue Financial Obligations - Review of  
Decision on Complaints Under Rules K-1 and S-1 and  
Notice of Failure to Settle Trust Fund Obligations . . . Page 11
3. Saudi Arabia - Technical Assistance . . . . . Page 22

Also Present

E. C. Grant, Ambassador of Guyana to the United States; J. Tyndall, Executive Director, IDB; L. Robinson, Embassy of Guyana. African Department: C. J. Hoban. Asian Department: W. J. L. Evers, S. Kohsaka, D. A. Scott, G. Szapary. Exchange and Trade Relations Department: W. A. Beveridge, Deputy Director; M. Guitián, Deputy Director; E. H. Brau, K. M. Huh, C. Puckahtikom. External Relations Department: C. S. Gardner, Deputy Director. Fiscal Affairs Department: G. Blöndal. Legal Department: G. P. Nicoletopoulos, Director; W. E. Holder, Ph. Lachman, A. O. Liuksila, S. A. Silard. Middle Eastern Department: M. Schulze-Ghattas. Research Department: T. Gudac. Treasurer's Department: W. O. Habermeier, Counsellor and Treasurer; D. Williams, Deputy Treasurer; D. Berthet, W. L. Coats, D. Gupta, W. E. Hermann, A. W. Lake, T. Leddy, P. van den Boogaerde, G. Wittich. Western Hemisphere Department: E. Wiesner, Director; S. T. Beza, Associate Director; M. Caiola, J. Ferrán, C. M. Loser, L. L. Pérez, F. van Beek. Personal Assistant to the Managing Director: S. P. Collins. Advisors to Executive Directors: H. A. Arias, G. E. L. Nguyen, P. Péterfalvy, G. W. K. Pickering, T. Sirivedhin, D. C. Templeman, A. Vasudevan. Assistants to Executive Directors: E. M. Ainley, W.-R. Bengs, J. Bulloch, L. E. J. M. Coene, J. de la Herrán, C. Flamant, G. D. Hodgson, A. K. Juusela, S. Kolb, A. Koné M. Lundsager, R. Msadek, K. Murakami, T. Ramtoolah, M. Rasyid, J. Reddy, J. E. Rodríguez, C. A. Salinas, A. A. Scholten, L. Tornetta, A. J. Tregilgas, A. H. van Ee, E. L. Walker, B. D. White.

1. GUYANA - OVERDUE FINANCIAL OBLIGATIONS - SECOND REVIEW OF DECISION ON COMPLAINT UNDER RULE K-1

The Executive Directors continued from the previous meeting (EBM/84/172, 12/3/84) their consideration of a staff paper on the second review of the decision and complaint under Rule K-1 with respect to Guyana's overdue obligations to the Fund (EBS/84/244, 11/28/84).

Mr. Zecchini remarked that, although Guyana had been in arrears to the Fund for more than 18 months, the authorities were making a commendable effort to reduce the overdue financial obligations. For example, nearly one third of Guyana's foreign currency receipts had been directed toward repaying arrears to the Fund. While adverse weather conditions had negatively affected sugar production and exports and, consequently, Guyana's ability to repay its debt, those negative factors should not be viewed as recurrent and should not lead Directors to accept Guyana's plan for eliminating all overdue obligations to the Fund no sooner than 1986. The authorities should take further measures to strengthen the balance of payments position--perhaps with Fund technical assistance--with a view to settling all overdue obligations much sooner than 1986; indeed, they should try to demonstrate progress toward that end by the time of the next review. In conclusion, he could support the proposed decision.

Mr. de Groote stated that he too could support the proposed decision. While he had been impressed by the serious measures adopted by the authorities to resolve the arrears problem, he could not justify making an exception to the essential principle of the revolving use of Fund resources. Hence, he urged Guyana to find ways of accelerating its repayment schedule. He was convinced that the Fund could provide assistance to Guyana in devising appropriate corrective measures; and, if it were made known in some circles that proper adjustments might lead to a standby arrangement--even though the Fund could not commit itself to such an arrangement as long as arrears were outstanding--he was certain that resources would be made available that would enable Guyana to reimburse the Fund and then to begin adjusting anew in the framework of a Fund-supported program. He would have difficulty supporting Mr. Robalino's request for a further extension of the review period, Mr. de Groote continued. In a situation like that of Guyana, the "normal" step at the present stage would be to declare the member ineligible to use the Fund's resources, and Guyana had adopted a number of adjustment measures. It was not being considered an effort to repay that the question of eligibility was not being considered at the present meeting. However, any further lengthening of the period for repayment beyond February 15, 1985 would be inappropriate.

Mr. Nimatallah said that, like Guyana, he welcomed the effort Guyana was making to repay the Fund. It was only because the Fund had repaid SDR 7.6 million since the authorities had adopted adjustment measures designed, inter alia, to reduce the Fund's arrears that he had remained obligated to support Guyana's request. However, Guyana's arrears had remained sizable; and it was disappointing that the authorities had not replaced that "intention" to become current with a concrete plan.

undertaking with the "hope" that they would be current by mid-1986. Such an extension was not acceptable. He therefore agreed with the staff that Guyana should be urged substantially to accelerate its repayments to the Fund or at least to return to its original timetable. Indeed, within the next 2-3 weeks, the authorities should make an effort to draw up a specific payment schedule, in consultation with the Fund staff, aimed at ensuring that Guyana was current in its obligations to the Fund on or before the end of June 1985.

The Executive Board should review Guyana's position once again in mid-February, Mr. Nimatallah considered. By that time, Guyana should have made substantial progress toward settling its arrears under an agreed schedule. If it had not done so, or if it appeared by the time of the review that Guyana would not become current by mid-1985, the Executive Board should consider tougher sanctions, including the possibility of declaring the member ineligible to use the Fund's resources.

Mr. Leonard observed that, since early September, Guyana's arrears to the Fund had fallen from SDR 19 million to SDR 13.75 million on November 28. Unfortunately, even taking into account the payments yet to be made, arrears outstanding at the end of December would be only slightly below the level of arrears in March 1984. Moreover, the pace of repayment that the authorities were currently proposing for the amounts still outstanding was too slow; he found it difficult to accept that they could not address the arrears problem with greater urgency, especially since it was damaging to their own interests not to do so and damaging to the interests of other member states as well. In his view, only a much more rapid rate of reduction would be acceptable.

On a number of occasions, his chair had indicated that the basic point to be considered in the Fund's relations with a member in arrears was the extent of adjustment being undertaken by the member to put its affairs in order, Mr. Leonard continued. He took note of the authorities' indication that economic adjustment in Guyana was difficult; however, in his view, the responsibility of a member to discharge its obligations to the Fund was a serious matter, and a member in arrears should take all action possible to meet its obligations. The management of the Fund stood ready to offer assistance to Guyana in formulating adjustment measures, and the authorities of Guyana should take all necessary steps to implement the proposed decision should encourage them in the next review to take the appropriate action to settle their arrears. In the circumstances, he could support the proposed

Guyana's external debt was equivalent to exports, and that the steady economic growth had been aggravated of late by unseasonal drought and exports. However, such circumstances did not justify special treatment to Guyana on the arrears question, particularly in view of the fact that other countries in similar situations had been attempting to keep current with the Fund.

Mr. Romualdez noted that the three times GDP and two times exports had been deteriorating of late by unseasonal drought and exports. However, such circumstances did not justify special treatment to Guyana on the arrears question, particularly in view of the fact that other countries in similar situations had been attempting to keep current with the Fund.

1. GUYANA - OVERDUE FINANCIAL OBLIGATIONS - SECOND REVIEW OF DECISION ON COMPLAINT UNDER RULE K-1

The Executive Directors continued from the previous meeting (EBM/84/172, 12/3/84) their consideration of a staff paper on the second review of the decision and complaint under Rule K-1 with respect to Guyana's overdue obligations to the Fund (EBS/84/244, 11/28/84).

Mr. Zecchini remarked that, although Guyana had been in arrears to the Fund for more than 18 months, the authorities were making a commendable effort to reduce the overdue financial obligations. For example, nearly one third of Guyana's foreign currency receipts had been directed toward repaying arrears to the Fund. While adverse weather conditions had negatively affected sugar production and exports and, consequently, Guyana's ability to repay its debt, those negative factors should not be viewed as recurrent and should not lead Directors to accept Guyana's plan for eliminating all overdue obligations to the Fund no sooner than 1986. The authorities should take further measures to strengthen the balance of payments position--perhaps with Fund technical assistance--with a view to settling all overdue obligations much sooner than 1986; indeed, they should try to demonstrate progress toward that end by the time of the next review. In conclusion, he could support the proposed decision.

Mr. de Groote stated that he too could support the proposed decision. While he had been impressed by the serious measures adopted by the authorities to resolve the arrears problem, he could not justify making an exception to the essential principle of the revolving use of Fund resources. Hence, he urged Guyana to find ways of accelerating its repayment schedule. He was convinced that the Fund could provide assistance to Guyana in devising appropriate corrective measures; and, if it were made known in some circles that proper adjustments might lead to a standby arrangement--even though the Fund could not commit itself to such an arrangement as long as arrears were outstanding--he was certain that resources would be made available that would enable Guyana to reimburse the Fund and then to begin adjusting anew in the framework of a Fund-supported program. He would have difficulty supporting Mr. Robalino's request for a further extension of the review period, Mr. de Groote continued. In a situation like that of Guyana, the "normal" step at the present stage would be to declare the member ineligible to use the Fund's resources, and it was only because Guyana had adopted a number of adjustment measures and had been making an effort to repay that the question of eligibility was not being considered at the present meeting. However, any further lengthening of the period for repayment beyond February 15, 1985 would be inappropriate.

Mr. Nimatallah said that, like others, he welcomed the effort Guyana was making to repay the Fund. It was encouraging that the authorities had repaid SDR 7.6 million since August and that they had adopted adjustment measures designed, inter alia, to eliminate overdue obligations to the Fund. However, Guyana's arrears to the Fund remained sizable; and it was disappointing that the authorities had abandoned their earlier "intention" to become current with the Fund by mid-1985 and had replaced that

undertaking with the "hope" that they would be current by mid-1986. Such an extension was not acceptable. He therefore agreed with the staff that Guyana should be urged substantially to accelerate its repayments to the Fund or at least to return to its original timetable. Indeed, within the next 2-3 weeks, the authorities should make an effort to draw up a specific payment schedule, in consultation with the Fund staff, aimed at ensuring that Guyana was current in its obligations to the Fund on or before the end of June 1985.

The Executive Board should review Guyana's position once again in mid-February, Mr. Nimatallah considered. By that time, Guyana should have made substantial progress toward settling its arrears under an agreed schedule. If it had not done so, or if it appeared by the time of the review that Guyana would not become current by mid-1985, the Executive Board should consider tougher sanctions, including the possibility of declaring the member ineligible to use the Fund's resources.

Mr. Leonard observed that, since early September, Guyana's arrears to the Fund had fallen from SDR 19 million to SDR 13.75 million on November 28. Unfortunately, even taking into account the payments yet to be made, arrears outstanding at the end of December would be only slightly below the level of arrears in March 1984. Moreover, the pace of repayment that the authorities were currently proposing for the amounts still outstanding was too slow; he found it difficult to accept that they could not address the arrears problem with greater urgency, especially since it was damaging to their own interests not to do so and damaging to the interests of other member states as well. In his view, only a much more rapid rate of reduction would be acceptable.

On a number of occasions, his chair had indicated that the basic point to be considered in the Fund's relations with a member in arrears to it was the extent of adjustment being undertaken by the member to put its affairs in order, Mr. Leonard continued. He took note of the authorities' indication that economic adjustment in Guyana was difficult; however, in his view, the responsibility of a member to discharge its obligations to the Fund was a serious matter, and a member in arrears should take all action possible to meet its obligations. The management and staff of the Fund stood ready to offer assistance to Guyana in formulating the necessary adjustment measures, and the authorities of Guyana should take up that offer. The proposed decision should encourage them in the period before the next review to take the appropriate action to settle their arrears. In the circumstances, he could support the proposed decision.

Mr. Romuáldez noted that Guyana's external debt was equivalent to three times GDP and two years of exports, and that the steady economic deterioration of recent years had been aggravated of late by unseasonal rains that had affected sugar production and exports. However, such circumstances did not justify giving special treatment to Guyana on the arrears question, particularly since other countries in similar situations had been attempting, and in some cases managing, to keep current with the Fund.

The circumstances he had mentioned did indicate the need for fundamental adjustments in the Guyanese economy, Mr. Romuáldez continued. While the Fund had been urging such adjustment for some time, there was little evidence that its message had been heeded. The exchange rate had of course been depreciated by 9 percent, but that had been insufficient even to offset the increase in the real rate since the previous depreciation in January 1984, let alone the substantial appreciation in the real rate prior to that date.

The slow pace of reduction in arrears to the Fund was worrying, Mr. Romuáldez remarked. Arrears outstanding in June 1984 had amounted to SDR 16 million; by end-November, they had been reduced only marginally to just under SDR 15 million and, on the basis of Guyana's stated intentions, would still be about SDR 9 million at the end of 1985. Eliminating arrears at such a pace was inadequate. It was important for the Fund to highlight the seriousness of the arrears situation. Given Guyana's stated intention of restoring normal financial relations with the Fund, the Fund would be doing Guyana a disservice if it were not to adopt the staff's recommended approach.

The lack of progress since the previous review could argue for some intensification of the review procedures at the present stage, Mr. Romuáldez said. However, since the Guyanese authorities would be establishing a budget before the end of the year, it might be appropriate not to take further action at present, but to review the matter again early in the new year in light of policies announced in the budget. In any event, he would certainly wish to see Guyana's case brought back to the Board no later than February 15, 1985, at which time, in the absence of more positive progress in reducing arrears, the Board could consider what further action should be taken. He could not support the amendment to the draft decision put forward by Mr. Robalino.

Mr. Dallara, observing that the Board was meeting for a second time to review its decision on Guyana's overdue payments to the Fund, said that he was troubled by several factors. First, repayments since the previous review were less than had been anticipated and were not adequate to bring Guyana current in its obligations to the Fund. Second, the repayment schedule proposed by the authorities was tantamount to a request for rescheduling, which was not acceptable. Third, the decision proposed for adoption by the staff was virtually identical to the one adopted in August 1984 and did not in any substantive way go beyond the Executive Board decision of June 6, 1984. Fourth, in spite of the obvious efforts of the authorities to address their economic problems, no comprehensive plans for adjustment or for settling Guyana's arrears to the Fund appeared to be forthcoming. He had some sympathy for the Guyanese authorities, who had made some payments to the Fund in spite of difficult circumstances; but his sympathy would not allow him to continue to participate in Board meetings every three months without seeing any hint of a satisfactory solution to Guyana's arrears problem. Indeed, the latest word from the

authorities was not to expect Guyana to be current in its obligations to the Fund before early 1986, and that sort of unilateral rescheduling was simply unacceptable.

There was a limit to how many times the Board could extend itself in such cases and go on simply urging the implementation of a strong adjustment program, Mr. Dallara considered. Some two years previously, on the occasion of the Board's approval of a purchase by Guyana under the compensatory financing facility (EBM/82/142, 11/5/82), quite a few Directors had urged the authorities to adopt a comprehensive program of economic adjustment very much along the lines of what was being recommended in the latest draft decision. In that context, he proposed that an additional sentence be added to paragraph 3 of the draft decision. The sentence could read:

Unless at that time Guyana is current in its obligations to the Fund, the Fund will consider the appropriateness of further steps, including the possibility of declaring Guyana ineligible to use the general resources of the Fund pursuant to Article XXVI, Section 2.

Mr. Clark remarked that the difficulties facing the Guyanese economy in recent years had been compounded of late by additional adverse exogenous factors, notably poor climatic conditions. In spite of those developments, the authorities had made some payments to the Fund that had checked or slightly reversed the buildup of arrears. On the other hand, an appreciable sum remained outstanding, and even though the authorities had indicated a general commitment to eliminate the arrears, he could find no indication in the staff paper or in Ambassador Grant's remarks of how precisely that commitment would be effected. Moreover, he failed to see how the Fund could continue to operate effectively if the existence of economic difficulties came to be regarded as an adequate reason for indefinitely postponing the settlement of obligations to the Fund. As his chair had emphasized on a number of occasions, the utmost importance should be attached to the prompt settlement of arrears. If each member did not fulfill its obligations according to the terms of the Articles of Agreement or of any program agreement into which it had entered, the position of the membership as a whole would be damaged and, over the longer term, the resources available to support adjustment programs would be jeopardized.

In the case of Guyana, Mr. Clark joined others in expressing concern about the authorities' rather open-ended undertakings to eliminate the arrears problem. Strong measures needed to be taken immediately to ensure that the arrears were discharged without delay. Moreover, and to help ensure that similar difficulties were avoided in future, the authorities should take steps to bring the parallel economy back within the official sector. Data in the staff paper suggested that, at present, Guyana's repayments to the Fund constituted one third of gross official foreign exchange receipts, but it should be noted that those receipts were themselves only a part--and perhaps not a large part--of the total foreign



exchange earned by the Guyanese economy. He supported Mr. Dallara's proposed amendment to the draft decision. Finally, and in general, he suggested that, when a further review was proposed, it should be accompanied by a clear statement of action which would effect the elimination of the arrears before the date of the further review.

Mr. de Vries, noting that the Fund was an institution in which member countries kept part of their monetary reserves, remarked that members would no doubt be concerned if the Fund were to prevent them from using their reserves until debtors repaid what they owed. In simplified form, such a development was possible because of the revolving nature of the Fund's resources; and members should thus be very concerned about the arrears problem. If the Fund could not be certain of prompt repayment, then its members would not keep their monetary reserves on deposit with the Fund, which would then not be able to engage in operations to help all members. It was in that respect that the Fund must insist that Guyana settle its arrears to the institution.

Ambassador Grant had indicated that circumstances in Guyana were so difficult that the authorities could do no more than use 20-25 percent of gross receipts to repay the Fund, Mr. de Vries continued. If that was true, it was imperative that Guyana change its economic circumstances, which was precisely what the Fund had been advising for some time. Time was running out, and it was vital for the authorities to engage immediately in discussions with the Fund aimed at changing Guyana's economic policy and circumstances. Of course, as a matter of policy, the Fund was prevented from offering financial assistance to support such changes, but it was not prevented from offering advice, which it was to be hoped Guyana would accept.

Guyana had not been fulfilling its financial obligations to the Fund for some time, and a reasonable reaction by the Fund would be to declare the member ineligible to use the resources of the institution, Mr. de Vries added. The authorities had made a considerable effort to make payments to the Fund, which was why the Board was not considering ineligibility at the present meeting; at the same time, however, he would have difficulty approving any extension of the period of review such as that proposed by Mr. Robalino. His preference, indeed, was to support an amendment to the decision along the lines of the suggestion put forward by Mr. Dallara.

Mr. Pérez considered that Guyana's efforts to become current with the Fund had been impressive. Repayments in 1984 had been less than projected; however, the payment of SDR 7.6 million since the previous review by the Executive Board should be considered a good performance. Moreover, the proposed schedule for repayment showed an indebtedness totaling SDR 30 million by December 1984 that would fall to SDR 9 million by the end of 1985. He understood that it was difficult for Directors to accept that schedule of repayment as adequate; nevertheless, the nature of the factors that

had contributed to create the prevailing arrears should be taken into account. While the authorities had been doing their best to settle the arrears, unseasonal rains and hurricanes had caused delays in the shipment of exports, thus producing lower export receipts in 1984 than expected. That dramatic situation had been difficult to predict and impossible to avoid. In spite of the difficulties, however, authorities had succeeded in setting aside more than 32 percent of total hard currency receipts for repaying their obligations to the Fund, and it was encouraging to note that they would continue with policy adjustments in the current year and would introduce additional measures during the next fiscal year as needed. On balance, therefore, his chair could support Mr. Robalino's proposal to change the date of the next review until April 1985.

Mr. Nebbia observed that, since the previous review on August 31, several positive developments had taken place toward the settlement of Guyana's overdue obligations to the Fund. First, the authorities had adopted a number of adjustment measures that had made it possible to reduce their current overdue position to the Fund in spite of the impact that difficult weather conditions had had on the economy. Second, it was encouraging to observe the determination of the authorities to continue to meet their obligations within the context of what was considered feasible. In that respect, he noted that, while overdue obligations to the Fund were not expected to be fully eliminated until 1986, payments scheduled to be made to the Fund accounted for almost one third of total hard currency receipts between November 1984 and December 1985, representing more than 150 percent of the total value of imports during the period. In his view, those scheduled payments were a clear indication of the commitment of the authorities to settle their arrears to the Fund.

In the absence of a comprehensive adjustment program including specific measures for repaying the Fund, the Fund should offer assistance to the authorities in formulating measures that could contribute to a strengthening of the external position and thus facilitate payment on Guyana's obligations, Mr. Nebbia said. Such assistance might also be useful in assessing the extent to which Guyana could accelerate payments to the Fund. In that context, he could support the proposed decision, including the modification put forward by Mr. Robalino, in the hope that it would lead to a settlement of Guyana's arrears to the Fund.

Mr. Tvedt stated that he could support the decision as originally proposed by the staff. Despite adverse economic developments, Guyana had made an effort to make some payments to the Fund, and a decline in total arrears--albeit a small one--had recently taken place. Like previous speakers, he urged the authorities to accelerate repayments to the Fund. A definitive solution to the arrears problem would of course help to further comprehensive adjustment measures, and he strongly supported management's intention to offer further technical assistance in the formulation of such measures.

Mr. Grosche stated that he too had taken note of Guyana's effort, since the previous review, to reduce slightly the total amount of its overdue obligations to the Fund. However, he had been disappointed that payments had been smaller than planned; and, despite the indication that the pace of repayments would quicken during the remainder of 1984, he had the impression that more could and should be done. In that context, he particularly welcomed paragraph 2 of the proposed decision, which urged the authorities to adopt a strong and comprehensive program of economic adjustment and to take steps to accelerate the pace of settling arrears. He was convinced that, by taking appropriate adjustment measures, Guyana could make better use of its potential, thus increasing income and growth and generating more revenues. For the short run, the authorities should stick to their own intentions and make larger payments to the Fund during the remainder of 1984, an idea not appropriately reflected in the decision proposed by the staff. In order to reflect both the Board's concern and its expectations, the decision should perhaps contain language along the lines proposed by Mr. Dallara; however, he would reserve his final position on the language of the decision until he had heard comments from the staff.

Mr. Blandin remarked that, as his chair had indicated on a number of occasions, the Fund's attitude toward arrears should be made clear through firm rules that could be applied flexibly if warranted. The flexible approach had been judiciously applied to the Guyanese case but had not thus far produced fully satisfying results. Guyana's efforts to reduce arrears to the Fund were welcome, but the authorities must find a way to accelerate payments and should at the very least return to the timetable initially envisaged. Finally, he could support the decision as proposed by the staff.

Mr. Zhang and Mr. Malhotra remarked that they could support the proposed decision with the amendment put forward by Mr. Robalino.

Mr. Romuáldez and Mr. Nimatallah said that they could go along with the decision including the amendment suggested by Mr. Dallara.

Ambassador Grant remarked that it was clear from the discussion that Executive Directors considered it important for Guyana to discharge its obligations to the Fund; indeed, for the Fund to countenance other than a full settlement of arrears would be inimical to the integrity of the institution itself. The Guyanese authorities were certainly conscious of the full implications of remaining in default.

Guyana stood ready, as it had in the past, to benefit from any views the staff might express on the proposals put forward in September, Ambassador Grant continued. The authorities were aware that further adjustment of the economy was an integral part of the solution to Guyana's problems that would allow a full discharge of the obligations to the Fund and the continuation of a good and fruitful relationship with the institution. It should be noted that the budget, which would be presented later in the month, would incorporate proposals or other elements that should lead to a more substantial adjustment than had taken place thus far.

Mr. Robalino, focusing on the proposed decision, considered that the amendment suggested by Mr. Dallara was tantamount to an additional penalty. Apparently, some members of the Board did not realize how great an effort the authorities had made to meet their obligations. In the circumstances of the the economy, the amount of repayment made in recent weeks represented a great sacrifice to which appropriate recognition must be given. He hoped the Executive Board would reject Mr. Dallara's amendment and would approve a decision that would give the authorities time to meet with the staff with a view to resolving the arrears problem.

The Secretary, at the request of the Chairman, noted that seven Executive Directors holding somewhat less than one half of the voting power had expressed a preference for the proposed decision as amended by Mr. Dallara. Five Executive Directors holding some 15.5 percent of the voting power had expressed themselves in favor of the decision as amended by Mr. Robalino; the remainder of those who had spoken, holding some 17 percent of the voting power, had indicated that they could support the decision as originally proposed by the staff without amendment. Since no special majority was required to adopt the review decision, it was understood that, if a vote were to be taken, the decision would be adopted on the basis of a simple majority of the votes cast. In that respect, those Directors who had expressed a preference for the decision as amended by Mr. Dallara held a majority of the voting power of all those who had taken a position on the matter.

Mr. Robalino said that, while the voting requirement was clear, it did seem unfortunate that such an important decision could be adopted without the support of a majority of the voting power in the Fund.

Mr. Yamashita said that he had arrived at the meeting prepared to support the text originally put forward by the staff. However, after listening carefully to arguments on both sides, he was willing to support Mr. Dallara's amended version of the decision.

The Chairman observed that, with Mr. Yamashita's support, a majority of the voting power--as well as of the votes "cast"--had taken a position in favor of the decision as amended by Mr. Dallara.

The Executive Board then adopted the following decision:

1. The Fund has reviewed Decision No. 7719-(84/88), adopted June 6, 1984, in light of recent developments, including the payments made and proposed to be made, as described in EBS/84/244 (11/28/84).

2. The Fund calls on Guyana to adopt urgently a strong and comprehensive program of economic adjustment. Guyana is urged to take steps to achieve a substantial acceleration of payments to the Fund, with the objective of prompt and full settlement of its overdue obligations to the Fund, and to advise the Fund of its plans as a matter of urgency.

3. The Fund shall review further Decision No. 7719-(84/88) not later than February 15, 1985, taking into account further developments and the authorities' reply. Unless at that time Guyana is current in its financial obligations to the Fund, the Fund will consider the appropriateness of further steps, including the possibility of declaring Guyana ineligible to use the general resources of the Fund pursuant to Article XXVI, Section 2.

4. Guyana shall be informed of this decision by rapid means of communication.

Decision No. 7854-(84/173), adopted  
December 3, 1984

*The Chairman remarked that it seemed fair to say that, in spite of the efforts made by the authorities to make some payments in difficult circumstances, the Executive Board had in its majority been disappointed at the magnitude of the effort to settle Guyana's arrears to the Fund and by the fact that the reduction in the overdue obligations since the previous discussion in August had been very modest. Given that a number of Directors had attached crucial importance to maintaining the Fund's liquidity and to ensuring that all its members discharged their obligations to the Fund in accordance with the Articles of Agreement, the authorities should work toward convincing the Executive Board that Guyana's arrears to the Fund would be settled promptly. In that context, he urged the authorities to take action in the period before February 15, 1985 aimed at meeting their obligations to the Fund.*

The staff and management stood ready to help the authorities in devising the necessary policies or measures to improve the economic situation so that it would be possible for them to discharge their obligations in a more convincing fashion, the Chairman continued. He sensed that the Executive Board would be particularly attentive on February 15, 1985 in evaluating what action, if any, had been taken by the authorities.

2. VIET NAM - OVERDUE FINANCIAL OBLIGATIONS - REVIEW OF DECISION  
ON COMPLAINTS UNDER RULES K-1 AND S-1 AND NOTICE OF  
FAILURE TO SETTLE TRUST FUND OBLIGATIONS

The Executive Directors considered a staff paper describing recent developments with respect to Viet Nam's overdue obligations to the Fund (EBS/84/245, 11/28/84) as the basis for a review of the Executive Board's decision, taken August 29, 1984, regarding Viet Nam's overdue obligations to the General Department, the SDR Department, and the Trust Fund.

The staff representative from the Asian Department observed that an examination of the data reported by members of the Fund to the Bureau of Statistics suggested that Viet Nam's exports to members of the Fund had increased significantly during the first half of 1984. Specifically,

earnings from exports to Fund members in the first half of 1984 had been \$118 million as against only \$96 million in the first half of 1983. For the six countries accounting for 80 percent of Viet Nam's total exports, the increase in exports was even greater on a percentage basis for the first eight months of the year. Information provided to the staff by the authorities during the Annual Meetings--noted on page 4 of EBS/84/245--was to the effect that exports had declined by 30-40 percent during the first nine months of 1984. Other information available to the staff did not enable it to substantiate the negative picture of exports that had been conveyed by the authorities.

Mr. Ismael remarked that, in the view of his Vietnamese authorities, Viet Nam's financial and economic difficulties had remained unchanged since the previous review in August 1984. In the circumstances, they were regretfully not in a position to settle all their outstanding obligations to the Fund; instead, they renewed their plea for understanding and accommodation of the difficult circumstances facing the economy, which they believed justified the use of the remedies provided under Article V of the Articles of Agreement. Financial relations between the Fund and Viet Nam should not be viewed as beyond redemption, Mr. Ismael continued. There were at least three developments providing cause for optimism. First, as explained in the November 17 telex from Governor Gia (Attachment II to EBS/84/245), the Vietnamese authorities had introduced a number of economic reform measures, which they hoped would strengthen the economy and help Viet Nam settle its overdue obligations to the Fund. The authorities were proposing to review those measures with the Fund staff during the forthcoming Article IV consultation discussions. In that context, Fund management might wish to consider the possibility of bringing forward the next Article IV consultation. Second, the authorities had expressed an interest in a medium-term adjustment program with financial assistance from the Fund, an option that should not be ruled out, especially as it would give the Fund an opportunity to contribute positively to shaping the economic and financial policy of Viet Nam. Third, in the latest telex sent to his office on November 28, the authorities had indicated that they might in early December 1984 be in a position to make a modest beginning toward settling their overdue obligations by paying some \$500,000 to cover overdue charges in the General Resources Account.

The second sentence of paragraph 5 of the proposed decision would require Viet Nam to become current in its financial obligations to the Fund before January 15, 1985, Mr. Ismael noted. And, if Viet Nam did not become current in its obligations, the Board would be bound under the proposed decision to consider declaring Viet Nam ineligible to use the general resources of the Fund and suspending its right to use SDRs. A shortcoming of such a formulation was that, if Viet Nam made some progress toward eliminating its arrears but did not eliminate them altogether, the Board would still be bound to consider a declaration of ineligibility. In view of the willingness of the authorities to make some progress toward eventual elimination of arrears, the proposed decision seemed to be inflexible. If Viet Nam made progress in settling its overdue obligations to the Fund, it would only seem fair and reasonable for it to be accorded

equal treatment with other members that continued to have overdue obligations to the Fund but had made progress in settling them. In the circumstances, he would suggest changing the language of paragraph 5 of the proposed decision to read:

The Fund shall review further Decision No. 7791-(84/129) not later than February 15, 1985, taking into account further developments. Unless progress is made by Viet Nam in settling its overdue obligations to the Fund, the Fund will, at that time, consider declaring Viet Nam ineligible to use the general resources of the Fund pursuant to Article XXVI, Section 2, and suspending the right of Viet Nam to use SDRs it acquires after the suspension pursuant to Article XXIII, Section 2(b).

Mr. de Groote considered that the case of Viet Nam was a particularly serious one that even called into consideration the good faith of the member. Export proceeds had increased beyond expectations and, while the obligations to the Fund amounted to something less than 1.5 percent of Viet Nam's total import expenditure, the country had used the proceeds from a recent sale of gold to finance its imports rather than to meet its obligations to the Fund. In the circumstances, he could with great reluctance support the staff's recommendations. While he could easily appreciate Mr. Ismael's desire to ensure the maintenance of a dialogue with Viet Nam, he would have difficulty agreeing to Mr. Ismael's proposed amendment.

He hoped that it was clear to the Vietnamese authorities that it was to their advantage to settle their arrears quickly and that the Fund was available to assist them in finding ways and means of accomplishing that goal, Mr. de Groote continued. In that sense, he was particularly concerned about Viet Nam's position on the matter of its arrears to the Fund, and he wondered whether that position was not the result of some misunderstanding between the authorities and the Fund that had arisen over the years. He was among those who had participated in an important meeting in which the Executive Board had shown exceptional understanding for the case of Viet Nam. A few hours before the fall of Saigon and the unification of the country, a cable had been sent to the Fund requesting a transfer overseas of the gold and other reserves held by the Fund in Viet Nam's account. The Fund had taken an important step in attempting to ensure that the request from Viet Nam had been made on the proper authority; before that matter had been clarified, the unification of Viet Nam had taken place. As a result of its concern for its members, Viet Nam's gold and reserves had been safeguarded for use by Viet Nam under its new regime. Considering what the Fund had done for Viet Nam, it was unfortunate that the authorities were not taking a more positive attitude toward the fulfillment of their obligations to the Fund.

Mr. Yamashita welcomed Mr. Ismael's indication that the Vietnamese authorities might shortly be taking a modest step toward repaying their arrears to the Fund. At the same time it was disappointing that no

payments had yet been made since the adoption of Decision No. 7791-(84/129) on August 29, 1984. In the circumstances, and in light of the general policy guidelines on overdue financial obligations to the Fund discussed at EBM/84/166 and EBM/84/167 (11/19/84), he could support the decision proposed by the staff. It was to be hoped that the Vietnamese authorities would make a decisive and concrete move toward solving the serious arrears situation by the time the Board reviewed its decision on January 15, 1985.

Mr. Nimatallah remarked that the continuing failure of the Vietnamese authorities to meet their obligations to the Fund was a matter of serious concern to all Fund members. It was in the interest of all members to protect the revolving nature of the Fund's resources and to ensure that the institution remained financially strong.

There were certain aspects of the Vietnamese case that he found particularly disturbing, Mr. Nimatallah continued. First, Viet Nam apparently had the resources to repay the Fund but had shown no intention of doing so. Indeed, as he understood it, the authorities had used their gold and foreign exchange reserves for other purposes and had allowed further arrears to the Fund to accumulate. There was no indication in either Mr. Ismael's latest statement or in the staff paper that the Vietnamese authorities would be taking specific steps in the near future to settle any of their overdue obligations, even though they had been given ample time and opportunity to do so. Based on that evidence, he saw little point in the staff's proposal to give Viet Nam additional time before the Fund imposed further sanctions. In his view, the Executive Board should adopt a decision at the present meeting declaring Viet Nam ineligible to use the Fund's resources. Such a declaration would be a concrete demonstration of the Fund's concern for the arrears problem and would leave the Vietnamese authorities in no doubt about the Fund's determination to safeguard its resources. The Board could then review that decision in mid-January, at which time, if Viet Nam had still made no effort to settle its obligations, other sanctions would be considered. Viet Nam was the sort of case in which, on the basis of flexibility that the Executive Board might have granted itself, a series of graduated sanctions could have been imposed to show at each step of the way that the Fund could effectively recover resources owed it. However, until it was agreed that penalty charges or the "active" publication of information on members' arrears should be formally adopted as sanctions, there was little more that the Fund could do to retrieve its resources from Viet Nam other than to compel the country to withdraw from membership in the Fund if, by mid-January, no action was taken to settle its obligations. Before considering such a serious step, the Board should perhaps give thought to adopting one or both of the other sanctions he had mentioned if Viet Nam had not by mid-January taken positive steps to meet its obligations to the Fund.

Mr. Dallara agreed with Mr. Nimatallah and others that the Vietnamese situation was a serious one. The heart of the matter seemed to be a question of the priority, or lack of it, given by the Vietnamese authorities to fulfilling the obligations of membership. It was clear from information



in the staff paper that Viet Nam's foreign reserves were comparable to those of a number of Fund debtors that were discharging their obligations to the Fund; moreover, the staff had indicated that the level of Viet Nam's exports to other Fund members was not unimpressive. The amount of arrears to the Fund was equivalent to only about 1.4 percent of annual imports by Viet Nam, and no part of the recent sale of gold--equivalent to \$140 million--had been used to make any payments to the Fund. In fact, the authorities were again asking for a postponement of those payments and were requesting that payments be accepted in local currency for certain of their obligations where that was permissible under the Articles of Agreement.

He fully agreed with the staff that a sufficient case had not been made to justify either of the requests by the Vietnamese authorities, Mr. Dallara continued. Indeed, he believed that it would be grossly unfair to other members of the Fund that had made serious efforts to stay current in their obligations to the Fund in the face of difficult circumstances. For the Fund to agree to a rescheduling of overdue payments in the absence of an overwhelmingly convincing case would be inconsistent with the basic purposes and the financial integrity of the institution. Like Mr. de Groote, he was forced to conclude that, either there was a serious misunderstanding on the part of the Vietnamese authorities regarding the nature of their obligations to the Fund or they were simply not willing fully to accept the obligations of membership, Mr. Dallara said. He seriously hoped that the case was one of misunderstanding; however, based on his reading of the extensive communications that had taken place between the Vietnamese authorities and the Fund staff and management, and in light of the lack of progress made toward the elimination of Viet Nam's arrears to the Fund, he believed that the time was fast approaching when the Board would need to declare Viet Nam formally ineligible to draw on the Fund's general resources and to suspend its rights to use SDRs that it might acquire after such a declaration. In that context, he was leaning toward Mr. Nimatallah's latest proposal, although he would reserve his final position until he had heard other views. Whatever his final position, it would incorporate his feeling that the proposed decision as drafted was not sufficient to send a clear and unequivocal signal to the Vietnamese authorities about what was expected of them. Based on Mr. Ismael's opening comments, it was evident that a substantial gap existed between the approach taken by the Vietnamese authorities to the arrears problem and the approach that was in his view necessary to deal with it.

Mr. Alfidja stated that he could support the proposed decision as amended by Mr. Ismael.

Mr. de Vries agreed with Mr. de Groote and others that the case of Viet Nam raised questions about whether or not the member was acting in good faith. According to available information, Viet Nam's exports and imports were increasing; and, while sufficient gold had recently been sold for an amount that would have fully eliminated all Viet Nam's arrears to the Fund, not one payment had been made from the resources generated

by that sale. Since the totality of arrears was equivalent to only 1.4 percent of annual imports, Viet Nam should be able to fulfill its obligations without undue hardship.

He continued to cling to the hope that the failure of the Vietnamese authorities to fulfill their financial obligations to the Fund was based on some misunderstanding rather than bad faith, Mr. de Vries continued. Without repeating the history of the Fund's relationship with Viet Nam, he felt it necessary to highlight Mr. de Groote's point that the concern of the Fund for the welfare of its members had, in the case of Viet Nam, served to safeguard Viet Nam's reserve assets and to prevent their misuse. The authorities should perhaps be reminded of the service that the institution had rendered to Viet Nam some years previously as a way of helping to eliminate any misunderstanding with respect to the Fund's attitude toward Viet Nam.

It was to be hoped that a dialogue could be maintained with the Vietnamese authorities to ensure that they understood that they were receiving equal treatment under the Fund's rules, Mr. de Vries remarked. However, equal treatment worked both ways. He could agree with those who felt that it was time to send a clear message to the Vietnamese authorities indicating that, if no meaningful action was taken toward settling Viet Nam's arrears to the Fund, the Executive Board would consider declaring Viet Nam ineligible to use the resources of the Fund; however, in considering what approach to take, it should be remembered that the Executive Board had earlier adopted a decision that mentioned the possibility of a declaration of ineligibility in the case of a country already applying 25-30 percent of its exports to repaying the Fund. Payment of a much smaller percentage of Viet Nam's exports would eliminate that country's arrears entirely.

Mr. Romuáldez stated that he could support the proposed decision. It appeared that the Vietnamese authorities were still not giving the highest priority to fulfilling their obligations to the Fund, as evidenced by their decision to use the proceeds from the sale of unpledged gold reserves to maintain import levels rather than to reduce, even in part, arrears to the Fund. And policy measures recently introduced were no more comforting; like the staff, he was in no position to assess the adequacy of those measures or to conclude that they might make a contribution to a prompt settlement of the overdue obligations.

The developments he had mentioned provided further evidence that the Vietnamese authorities had not fully appreciated the Fund's policies in respect of overdue obligations or the serious attitude that the Board took toward them, Mr. Romuáldez continued. It was clear from Fund policy, reaffirmed by the Board at a recent meeting, that discussions between the Fund and the member regarding the use of Fund resources could take place only when the member was current with the Fund. Viet Nam's latest overtures were clearly inconsistent with that policy. Of course, that was not to say that the staff should not continue to discuss with Viet Nam any proposals aimed at resolving the arrears problem.

The Vietnamese authorities had not presented any additional information sufficient to reverse the Board's previous decision, Mr. Romuáldez considered. While Viet Nam clearly faced serious economic and financial difficulties, the authorities had not shown that the fulfillment of obligations to the Fund would in itself result in exceptional hardship. Total obligations due in 1984 amounted to only 1.4 percent of projected imports, so that their elimination would not adversely affect the economy to any great extent. Also, over the past two years, Viet Nam had been experiencing relatively favorable trends in domestic output; and the level of foreign exchange reserves, while low, was comparable to the holdings of a number of Fund debtors that were nonetheless discharging their obligations to the institution. Against that background, the proposed decision seemed appropriate. He hoped that it would convey an increased sense of urgency to the authorities and provide them with an additional incentive to become current in their obligations to the Fund.

Mr. Grosche agreed with Mr. de Vries that the case of Viet Nam differed markedly from that of Guyana and thus demanded somewhat different treatment. The steady increase in amounts due to the Fund and the lack of any effort to reduce those amounts were cause for serious concern. The authorities were not even attempting seriously to make their case for exceptional hardship, as the information provided by them in support of their case was quite thin.

He was particularly disappointed that receipts from the reported sale of gold had not been used to pay at least a portion of Viet Nam's overdue obligations to the Fund, especially since those obligations amounted to only 1.4 percent of projected imports, Mr. Grosche continued. In the circumstances, he tended to agree with those who felt that the proposed decision might need some strengthening, perhaps along the lines suggested by Mr. Nimatallah.

Mr. Zecchini, echoing the concerns of his colleagues, noted that no payments had been made by Viet Nam since the previous review and that the obligations to the Fund had naturally increased. Moreover, the authorities apparently gave rather low priority to settling their obligations to the Fund, as evidenced by the fact that the total of those obligations could have easily been settled by using only part of the proceeds from the recent sale of gold. The obligations due to the Fund represented only a small proportion--1.4 percent--of Viet Nam's projected imports for 1984, so that the arrears could easily be eliminated without great hardship on the economy. Yet the nature and extent of the measures recently introduced by the Vietnamese authorities did not appear sufficient to ensure a rapid reduction in those arrears.

Despite the claims of the authorities, he believed that Viet Nam was capable of remaining current with the Fund, Mr. Zecchini continued. A number of other countries facing even greater hardships than Viet Nam had managed to fulfill their obligations to the Fund; and a firm attitude toward the authorities was thus called for. On balance, he was led to

support a decision at least as stringent as the one put forward by the staff, although he could also go along with an immediate declaration of ineligibility.

Mr. Clark stated that, in general, his views were similar to those put forward by Mr. de Groote. In the face of the decision only recently adopted with respect to Guyana, it seemed odd to be considering a proposed decision for a second review without benefit of a real plan of action by the authorities for eliminating or substantially reducing arrears in the period before that review. He wondered, in the circumstances, whether there was any basis for deciding to delay any further steps and whether an immediate formal declaration of ineligibility might not be preferable.

Mr. Blandin said that he could go along with the staff's proposed decision, which seemed to send the appropriate signal to the Vietnamese authorities.

Mr. Leonard said that he too could support the proposed decision, although he had great sympathy with Mr. Nimatallah's proposed amendment.

Mr. Tvedt remarked that his support of the proposed decision was based on his disappointment at the fact that Viet Nam, despite having been given ample opportunities to repay its obligations to the Fund, had shown no serious intentions of doing so.

Mr. Nimatallah noted that the decision of the Vietnamese authorities to liquidate gold in order to pay certain debts was clearly at odds with their stated intention not to do so, as reported in the previous review by Mr. Ismael. Other inconsistencies were equally troubling. The authorities had said that they were facing hardship, yet the staff had noted that exports had been on the rise and that, in general, more resources were available to the authorities. In the circumstances, he failed to see any justification for the authorities not to fulfill their obligations to the Fund. In his view, the Fund would be wasting its time in adopting a decision that was no more stringent than that adopted in the case of Guyana, which was at least making an effort to pay its debts to the Fund.

Mr. Dallara agreed with Mr. Nimatallah that the decision proposed by the staff was not sufficiently strong in the circumstances. At the same time, he recognized the concern of those who felt that an immediate formal declaration of ineligibility would not give the authorities one last opportunity to reconsider the implications of their failure to act. Perhaps Directors would be willing to support a decision on Viet Nam's ineligibility that would become effective on January 15, 1985 if Viet Nam was not current by that time in its financial obligations to the Fund. If his colleagues agreed, paragraph 5 of the staff's proposed decision could be changed so as to provide for no further review. The paragraph would then read:

Unless by January 15, 1985, Viet Nam is current in its financial obligations to the Fund, the Fund will at that time declare Viet Nam ineligible to use the general resources of the

Fund pursuant to Article XXVI, Section 2, and suspend the right of Viet Nam to use SDRs it acquires after the suspension pursuant to Article XXIII, Section 2(b).

If Directors could not go along with that formulation, he himself would feel obligated to support a decision to declare Viet Nam ineligible to use the general resources of the Fund, effective immediately.

Mr. Malhotra said that he could go along with the decision originally proposed by the staff. To take a final decision on ineligibility at the present stage might not be appropriate. Certainly, Mr. Ismael would convey the sense of the Board meeting to his authorities and make it plain to them that Directors were serious about giving Viet Nam only one more opportunity to fulfill its financial obligations to the Fund.

Mr. Ismael remarked in response to those who had referred to an alleged sale of gold by Viet Nam that such a sale had never been officially confirmed by the authorities; the report of the sale had been based on a conversation between Governor Gia and the staff held through an interpreter. In the circumstances, the possibility of misunderstanding should not be precluded.

Mr. de Vries remarked that a declaration of ineligibility was an important sanction, which could be applied on the basis of the nonobservance of financial obligations after allowing the relevant member to make its views known through a special representative. In his view, the majority of the Executive Board was prepared to declare Viet Nam ineligible at the present meeting, but he wanted to ensure that proper procedures were followed. In the draft decision as amended by Mr. Dallara, there did not appear to be any interim date before January 15, 1985 on which the situation could be reviewed before the declaration of ineligibility became effective, and he wondered whether such an approach was acceptable from a legal point of view.

The Director of the Legal Department remarked that, when the Vietnamese authorities had been informed of the action taken by the Executive Board three months previously to limit their right to use the Fund's general resources, it had been pointed out to them that the occasion of the review--which the Executive Board was carrying out at its present meeting--would provide an opportunity for the Board to consider the need to take further action to safeguard its resources, including the possibility of declaring the member ineligible. Also, some time before the present meeting, the Secretary of the Fund had informed the Vietnamese authorities of the date of the scheduled review and of the actions that could be considered and had pointed out that they were entitled to send a special representative or to be represented by their Executive Director. Hence, as a purely legal matter, the Board could certainly go ahead at the present meeting and adopt a decision to declare Viet Nam ineligible to use the Fund's resources effective immediately, or it could proceed along the lines of Mr. Dallara's amendment. At the same time, there was no legal obstacle

to following the sort of interim approach outlined by Mr. de Vries. However, as he understood it, the amendment introduced by Mr. Dallara would, as phrased, only express the Board's intention to declare Viet Nam ineligible on January 15, 1985 if Viet Nam was not by that date current in its financial obligations to the Fund; the declaration of ineligibility would not be automatic and would require a separate decision by the Board on January 15, 1985.

Mr. Nimatallah wondered whether it would not be preferable to write the decision in such a way that the declaration of ineligibility would be effective on January 15 without a further meeting or decision by the Board, unless it was obvious at that time that the authorities were taking positive steps toward the resolution of arrears.

Mr. Dallara said that he could support the approach taken in Mr. Nimatallah's latest suggestion but would prefer a tougher "trigger" mechanism. In his view, it was not sufficient for Viet Nam to be taking "positive steps" toward the fulfillment of financial obligations to the Fund; it must, instead, be current by the relevant date. With that in mind, he suggested a new paragraph 5 to the draft decision that would read:

Unless by January 15, 1985, Viet Nam is current in its financial obligations to the Fund, with effect on that date, Viet Nam will be ineligible to use the general resources of the Fund pursuant to Article XXVI, Section 2, and its right to use SDRs it acquires after that date will be suspended pursuant to Article XXIII, Section 2(b).

Mr. de Vries wondered whether, assuming the declaration of ineligibility became effective on January 15, 1985, the Fund would publish a press release to that effect. He himself considered such "active" publicity an important part of the decision.

Mr. Dallara remarked that the publicity issue merited serious consideration by the Board. However, before coming to a firm view on whether or not a decision declaring a particular member ineligible should be publicized, he would want to hold a much broader policy discussion on the question of whether and to what extent "active" publicity should be employed in cases involving arrears to the Fund. While he might end up supporting Mr. de Vries's proposal, he would not wish to declare his position on the matter without looking at other possibilities, particularly in light of the very high visibility that any such announcement would have and its impact on the member and on the Fund itself.

Mr. Zecchini stated that he could support the draft decision with the latest amendment by Mr. Dallara. The question of whether or not to publicize a decision--assuming it became effective--declaring Viet Nam ineligible to use the Fund's resources should be looked at as part of a review of general policy on publicity.

Mr. Salehkhrou stated that he could support the draft decision in EBS/84/245 without amendment.

Mr. Leonard indicated that, rather than declaring Viet Nam ineligible at the present meeting, he would prefer a decision along the lines of those put forward by Mr. Dallara and Mr. de Vries, although he tended toward that of Mr. de Vries, which had the merit of allowing the Board additional time to look at the form that any publicity of the decision on Viet Nam might take.

Mr. Clark said that he could support the proposed decision as most recently amended by Mr. Dallara. It was somewhat too early to take a view on the question of whether or not to publicize a decision declaring Viet Nam ineligible to use the resources of the Fund, especially since the question of "active" publicity would be discussed in greater detail on December 17. He would be content to leave the publicity issue in Viet Nam's case until January 15, 1985.

The Executive Board then adopted the following decision:

1. The Fund has reviewed Decision No. 7791-(84/129), adopted August 29, 1984, regarding the nonobservance by Viet Nam of its financial obligations to the Fund, in the light of recent developments, including the increasing amount of these obligations and the recent contacts and communications between the Fund and Viet Nam, as set forth in EBS/84/245 (11/28/84).
2. The Fund regrets the continuing nonobservance by Viet Nam of its financial obligations to the Fund and again urges Viet Nam to settle the overdue obligations promptly.
3. The Fund, having considered the proposals of Viet Nam to postpone the date of discharge of repurchase and repayment obligations and to pay charges in the General Department in its own currency, does not accept the proposals.
4. In accordance with its policy with respect to discussions with members having overdue obligations to the Fund, the Fund is not in a position to agree to the request of Viet Nam to send a mission to help establish a program involving the Fund's financial assistance.
5. Unless by January 15, 1985 Viet Nam is current in its financial obligations to the Fund, with effect on that date, Viet Nam will be ineligible to use the general resources of the Fund pursuant to Article XXVI, Section 2, and its right to use SDRs it acquires after that date will be suspended pursuant to Article XXIII, Section 2(b).

6. Viet Nam shall be informed of this decision by rapid means of communication.

Decision No. 7855-(84/173), adopted  
December 3, 1984

The Executive Directors also agreed that the decision would be communicated by the Managing Director to the Vietnamese authorities together with a short summing up of the thrust of the Board discussion and an indication that the Executive Board would be considering further steps, including the question of publicity.

DECISION TAKEN SINCE PREVIOUS BOARD MEETING

The following decision was adopted by the Executive Board without meeting in the period between EBM/84/172 (12/3/84) and EBM/84/173 (12/3/84).

3. SAUDI ARABIA - TECHNICAL ASSISTANCE

In response to a request from Saudi Arabia for technical assistance, the Executive Board approves the proposal set forth in EBD/84/305 (11/27/84).

Adopted December 3, 1984

APPROVED: August 28, 1985

JOSEPH W. LANG, JR.  
Acting Secretary