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ROOM C-120

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EBD/84/197

July 18, 1984

To: Members of the Executive Board
From: The Acting Secretary
Subject: Grenada - Extension of Approval of Multiple Currency Practice

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by noon on Monday, July 23, 1984. In the absence of such a request, the draft decision will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Att: (1)

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Department Heads

INTERNATIONAL MONETARY FUND

GRENADA

Extension of Approval of Multiple Currency Practice

Prepared by the Western Hemisphere and Exchange and
Trade Relations Departments

(In consultation with the Legal Department)

Approved by E. Wiesner and W. A. Beveridge

July 18, 1984

At the conclusion of the 1980 Article IV consultation discussions with Grenada, the Fund granted approval until May 10, 1982 for the maintenance by Grenada of a multiple currency practice arising from the imposition of a 5 percent tax on all sales of foreign exchange by commercial banks except for payments for imports of some basic foods and drugs (Executive Board Decision No. 6855-(81/79), adopted May 11, 1981). Approval for maintenance of the multiple currency practice was subsequently extended until July 31, 1984 (Executive Board Decisions No. 7113-(82/68), adopted May 7, 1982, and No. 7498-(83/122), adopted August 24, 1983). The tax, which was introduced for fiscal reasons at a rate of 2.5 percent in April 1977 and doubled to its current rate of 5 percent in February 1978, is considered a temporary measure by the authorities pending a reform of Grenada's tax system. A staff team is scheduled to visit Grenada next month for the 1984 Article IV consultation discussions with Grenada. The staff will review on that occasion the need for the continued maintenance of the exchange tax. In the meantime, it is proposed to extend approval of the resulting multiple currency practice until December 31, 1984 or the completion of the next Article IV consultation discussions with Grenada, whichever is the earlier.

Accordingly, the following draft decision is proposed for adoption by the Executive Board:

The approval of Grenada's multiple currency practice under Decision No. 7498-(83/122), adopted August 24, 1983, is extended until December 31, 1984 or the completion of the next Article IV consultation with Grenada, whichever is the earlier.