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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 83/15

10:00 a.m., January 21, 1983

J. de Larosière, Chairman
W. B. Dale, Deputy Managing Director

Executive Directors	Alternate Executive Directors
	J. K. Orleans-Lindsay, Temporary
	C. Taylor
J. de Groote	H. G. Schneider
B. de Maulde	A. Le Lorier
A. Donoso	J. Delgadillo, Temporary
R. D. Erb	C. Dallara
M. Finaish	T. Alhaimus
A. H. Habib	Jaafar A.
	T. Yamashita
	M. Casey
A. Kafka	C. Robalino
	G. Grosche
	C. P. Caranicas
R. N. Malhotra	
	J. E. Suraisry
J. J. Polak	T. de Vries
	K. G. Morrell
G. Salehkhou	O. Kabbaj
F. Sangare	
	E. Portas, Temporary
J. Tvedt	
	Wang E.

L. Van Houtven, Secretary
B. J. Owen, Assistant

Also Present

Asian Department: D. Burton, W. G. L. Evers. European Department: L. L. Perez. Exchange and Trade Relations Department: W. A. Beveridge, Deputy Director; S. Mookerjee, Deputy Director; D. K. Palmer, Deputy Director; M. Guitian, S. Kanesa-Thasan. External Relations Department: A. F. Mohammed, Director; H. Puentes. Legal Department: G. P. Nicoletopoulos, Director; G. F. Rea, Deputy General Counsel; J. M. Ogoola, J. K. Oh. Middle Eastern Department: A. S. Shaalan, Director; A. K. El Selehdar, Deputy Director; M. Arif, J. R. Dodsworth, F. Drees, S. H. Hitti, B. A. Karamali, D. B. Noursi. Research Department: C. F. Schwartz, Associate Director and Director of Adjustment Studies; A. D. Crockett, Deputy Director; G. I. Brown, K.-Y. Chu, N. M. Kaibni, E. A. Milne. Secretary's Department: J. W. Lang, Jr., Deputy Secretary; A. P. Bhagwat. Treasurer's Department: D. Williams, Deputy Treasurer. Western Hemisphere Department: E. Wiesner, Director; S. T. Beza, Associate Director; C. E. Sansón, Deputy Director; A. Baumgarten, M. Caiola, E. Decarli, J. Ferrán, J. E. Gonzalez, A. S. Linde, J. P. Pujol, F. van Beek, E. V. Zayas. Personal Assistant to the Managing Director: N. Carter. Advisors to Executive Directors: S. R. Abiad, E. A. Ajayi, J. R. N. Almeida, C. J. Batliwalla, S. E. Conrado, A. B. Diao, S. El-Khouri, M. A. Janjua, P. Kohnert, H.-S. Lee. Assistants to Executive Directors: H. Alaoui-Abdallaoui, H. Arias, M. Camara, L. E. J. Coene, T. A. Connors, I. Fridriksson, G. Gomel, A. Halevi, M. J. Kooymans, J. A. K. Munthali, V. K. S. Nair, Y. Okubo, J. G. Pedersen, G. W. K. Pickering, J. Reddy, C. A. Salinas, D. I. S. Shaw, H. Suzuki, J. C. Williams, A. Yasseri, A. A. Yousef, Zhang X.

1. EXECUTIVE DIRECTOR

The Chairman welcomed Mr. John Tvedt, Executive Director for Denmark, Finland, Iceland, Norway, and Sweden, to the Executive Board.

2. REPORT BY MANAGING DIRECTOR - MEETING OF G-10 MINISTERS

The Managing Director reported that the G-10 meetings held in Paris on January 17 and 18, 1983 had led to agreement on a significant increase in the General Arrangements to Borrow (GAB) to SDR 17 billion, from the present SDR 6.4 billion excluding, or SDR 7.2 billion including, Switzerland's contribution. The delicate question of how to distribute the total among the participants had been settled in the most heartening spirit of compromise; in spite of some differences of view on their expected shares, countries had made concessions in order to arrive at a generally acceptable solution.

It was also noteworthy, the Managing Director continued, that Switzerland, which had been associated with the GAB, had asked formally to become a full participant. That request had not been foreseen, and would have to be dealt with first by the Group of Ten, whose representatives had responded with courtesy and openmindedness. It would be up to the Director of the Legal Department to assist the Group of Ten and the Executive Board in finding a way for Switzerland, a nonmember of the Fund, to become a full participant in the GAB. Obviously, a good deal of technical and legal work would be needed. The matter would then be brought before the Executive Board for its consideration.

There had also been a discussion in the Group of Ten on the question of parallel creditors, the Managing Director said. Both he and Sir Geoffrey Howe, Chancellor of the Exchequer of the United Kingdom and Chairman of the Interim Committee, had recently visited Saudi Arabia, and Mr. Jacques Delors, Finance Minister of France, had also previously held talks in Saudi Arabia. Sir Geoffrey and Mr. Delors had both reported to the Group of Ten on the results of their discussions and on the questions raised by the Saudi Arabian authorities. It had subsequently been decided that a small mission should hold further talks with the Saudi Arabian authorities; Mr. Lamberto Dini, Chairman of the G-10 Deputies, one member of the U.K. delegation--to provide continuity--and the Treasurer and the Director of the Legal Department of the Fund would meet in London on January 27 with the Saudi Arabian authorities in order to consider the technical, legal, and financial aspects of the possible association of Saudi Arabia with the GAB as a parallel creditor. It would be recalled that the Saudi Arabian authorities had not yet indicated their intentions, but that they had shown some interest in looking into the matter and had expressed some concerns. The purpose of the mission would be to try to devise a form of association that would meet those concerns and at the same time be compatible with the principles on which the GAB had been founded.

Executive Directors should not be misled by the oversimplified reports in the press, the Managing Director said. The views expressed in the G-10 meetings had been fully in conformity with the work of the Executive Board. He had read erroneous reports to the effect that the activation of the expanded GAB would be contingent upon the exhaustion of the Fund's liquidity; nothing that Ministers had said had in any way changed the idea that a combination of inadequate liquidity and a threat to the functioning of the system could trigger activation of the GAB by the Managing Director.

An interesting discussion on the world economic situation had also taken place, the Managing Director noted; it had been opened by Mr. McMahon, the Chairman of Working Party 3 of the OECD, which had just been meeting. He himself had made a few comments, based on the latest documentation prepared by the Fund staff on the World Economic Outlook. He had stressed the magnitude of the real adjustment that had been taking place in the non-oil developing countries since 1981-82, and its impact on world trade and on economic activity in the OECD area. He had also mentioned that major questions requiring solutions were: how the current account deficits of the non-oil developing countries could be financed in 1983, whether such financing would be compatible with an improvement in their indebtedness, and how official and banking institutions could collaborate in organizing the financing.

In addition, the Managing Director continued, he had observed that the considerable adjustment efforts being made would be strengthened and facilitated if there were a move toward expansion in the world economy. But because the Executive Board would not discuss the World Economic Outlook until January 31, he had limited his remarks to raising certain questions. Among them were: how the major industrial countries individually saw their room for economic policy maneuver in light of the severe economic and financial adjustment that was taking place and in light of the social, human, and political costs of the present transition; how they perceived their economic stance in light of their main anti-inflationary and growth objectives; and how they envisaged that they could contribute to steadier economic growth in the world in the immediate future. The questions that he had posed had elicited little response from Ministers; but, now that the questions had been raised, he looked forward to a more animated discussion of them in the Executive Board in connection with the debate on the World Economic Outlook.

The question of Fund quotas had not been discussed in substance by the Group of Ten, which had concentrated on the General Arrangements to Borrow, apart from some discussion of the World Economic Outlook, the Managing Director reported.

With respect to the schedule for discussion in the Executive Board, the Managing Director proposed that, once the talks with the Swiss and Saudi Arabian authorities had taken place, further amendments to the text of the GAB decision should be issued for consideration by the Board. If the staff paper could be issued by January 31, Executive Directors could hold a preliminary discussion on Thursday, February 3, to be continued if necessary on Saturday, February 5, 1983.

The Director of the Legal Department recalled that the G-10 Deputies had concentrated their discussion largely on the revision and expansion of the GAB, based on the staff memorandum submitted to the Executive Board (SM/82/249, Rev. 1, Cors. 1 and 2, 1/13/83). After considerable discussion, the Deputies had generally endorsed the proposed changes set forth in that memorandum, although they wished to give further consideration to the concept of "parallel creditor" in light of the forthcoming discussions with the Swiss and Saudi Arabian authorities.

The request by the Swiss authorities that Switzerland should become a full participant had been received warmly by the G-10 Deputies, the Director observed. Of course, Switzerland was in fact, if not in law, a participant because the Swiss authorities had been involved in all the deliberations of the Group of Ten. The question would be how to adapt the decision so that a nonmember could be brought formally into an agreement originally based on the concept that the participants would be and would remain members of the Fund. Proposals to that effect would be submitted to the Executive Board. It should be clear that Switzerland, by formally becoming a participant, would not acquire any rights that only members of the Fund could exercise. Switzerland would become a full contributor, but could not obtain the right to have the GAB activated for its benefit. At the very most, it would be possible to have the GAB activated in connection with an early repayment of an obligation by the Fund to Switzerland under the GAB.

With respect to particular aspects of the proposed revisions to the GAB set forth in SM/82/239, Revision 1, the Director continued, Deputies had expressed certain preferences and had also commented briefly on the concerns expressed by members of the Executive Board. Deputies had not considered the concerns expressed to be such as to require them to change their earlier conclusions and proposals. They had reiterated clearly their view that it would be entirely a matter of judgment for the Executive Board to decide whether and when to use other lines of credit. In addition, they had made it clear that it was not the understanding that the Fund would have to exhaust all sources of finance before resorting to the GAB. As for the principle of uniform treatment, many Deputies had felt that the fact that the GAB was being opened up to nonparticipants for the first time was an important step forward, moving the GAB away from the "club" concept that had prevailed at its inception.

Referring to the specific alternatives given in SM/82/239, Revision 1, the Director reported the preferences of the G-10 Deputies as follows. On the question of whether a country could be accepted as a parallel creditor, subject to consultation with the participants or subject to their concurrence, Deputies' preference for the latter should be no surprise; moreover, their feeling was that because a parallel creditor would be like a participant from the point of view of the financial provisions, it should have a say in the matter. On interest payments, Deputies preferred to retain the present quarterly schedule. As for the question of the review, they saw no necessity for a separate provision, like that indicated in square brackets in draft paragraph 19(e). Nevertheless, Deputies wished it to be made clear in the decision that, on the occasion of the first renewal of the expanded GAB, the way in which the amended provisions of the revised decision had functioned would be reviewed.

In paragraph 21, the Director of the Legal Department commented, alternatives put forward for determining whether or not the criteria for activation in respect of nonparticipants were met. Deputies had agreed to accept the broader concept under which the Managing Director, in the first instance, and then the participants, would determine whether or not there was an inadequacy of resources, and whether the Fund had a need to resort to the GAB, on the basis of requests from members for Fund financing in general, not for conditional financing only or for the conditional financing that would be permitted under specific proposals. Deputies also accepted the view that in the course of a consultation, the Managing Director would determine whether or not to approach the participants on the basis not only of requests received by the Fund for use of its resources but of requests that it expected to receive.

Finally, the Director of the Legal Department confirmed that a meeting would take place with the representatives of Saudi Arabia in London on January 27, with the idea of continuing the discussions to find out whether an agreement could be reached on Saudi Arabia's becoming a parallel creditor or accepting some other form of association with the General Arrangements to Borrow.

The Executive Directors took note of the statements by the Chairman and the Director of the Legal Department.

3. DOMINICAN REPUBLIC - 1982 ARTICLE IV CONSULTATION, EXTENDED ARRANGEMENT, AND PURCHASE TRANSACTION - COMPENSATORY FINANCING FACILITY

The Executive Directors considered the report for the 1982 Article IV consultation with the Dominican Republic and a request for an extended arrangement in an amount of SDR 371.25 million (EBS/82/239, 12/29/82; and Cor. 1, 1/20/83), together with a request for a purchase equivalent to SDR 42.75 million under the decision on compensatory financing of export fluctuations (EBS/82/238, 12/28/82; and Sup. 1, 1/19/83). They also had before them a report on recent economic developments in the Dominican Republic (SM/83/1, 1/4/83).

The staff representative from the Western Hemisphere Department made the following statement:

> Preliminary data through the end of 1982 indicate that the net foreign assets and the net domestic assets of the Central Bank were broadly in line with the staff's estimates. However, fiscal performance, at least that of the Central Government, appears to have been better. Preliminary data indicate that

central government revenue collections may have been substantially higher than estimated, a result that appears to reflect improved administration in the collection of import duties and income taxes.

Regarding fiscal measures, the tax package already enacted is expected to yield some RD$100 million of additional revenue. Included in this tax package is the 6 per cent general sales tax, which the authorities had undertaken to have enacted not later than March 31, 1983 as a performance criterion together with others to be tested at that date. The enactment of the sales tax ahead of schedule is a welcome development, not so much for the additional revenue it may yield in 1983, but because it is precisely this tax that is expected to facilitate a widening of the tax base throughout the program period. It should also be noted that the 1983 budget has not been approved yet because of ongoing discussions regarding an increase in expenditure authorization proposed by the House amounting to RD$14 million (or 1.5 per cent) over and above the original government budget proposal. The Senate is to consider the budget as its first order of business when it convenes for the first session of the new legislature on February 27. The delay has been a consequence of the unwillingness of the authorities to go along with increased expenditure authorizations without securing new revenue sources. While the 1983 budget remains unapproved, the expenditure authorizations of the 1982 budget will remain in effect.

Mr. Kafka made the following statement:

I would like to thank the staff for its excellent work and its outstanding papers in connection with the Article IV consultation and requests for a compensatory drawing and for an extended arrangement. My Dominican authorities are in broad agreement with the staff's analysis.

Four specific problems are responsible for the acute difficulties faced by the Dominican Republic at this time, and they are well brought out in the staff paper. The first two refer to the commodity crisis, particularly sugar prices and to public sector finances. The state of the public sector finances has its own causes, but it is partly a reflection of the sugar crisis.

The extent to which the Dominican Republic has been a victim of developments in the sugar market is quite exceptional. The fall of sugar export receipts in 1982 due to the fall of sugar prices, after 1981, was of the order of three percentage points of GDP; and no price recovery is expected in 1983.

The third and fourth problems refer to interest rate policy and to exchange policy.

In the face of these difficulties and their balance of payments repercussions, the authorities have, until recently, relied on credit restraint and increased use of the parallel market. While real growth has declined since 1979/80, it is noticeable that inflation, as measured by consumer prices, has also fallen and was, in 1982, similar to that of the OECD region as a whole.

In all the areas under its control, the Government has acted with courage, dispatch, and discretion. To achieve the objectives of growth and employment creation, while reducing the current account balance of payments deficit, the following measures have already been adopted:

On the revenue side, in addition to other new taxes and administrative improvements, the enactment of the general sales tax before mid-January merits stress; at the time the report was circulated, it had not been expected that the Congress would be able to approve the tax before March. In this way, the Dominican Republic has anticipated by several months the adoption of a measure which is critical to the success of the program. Equally important are the efforts to improve the financial situation of the public sector enterprises. Regarding the Central Government, the Dominican authorities have taken decisive action to reduce current expenditures so as to achieve a one-third reduction in the overall deficit despite a 40 per cent increase in capital expenditure.

It is also part of the program to stimulate savings in the private sector. To this end, interest rates across the board have recently been raised, and a new high-yield financial instrument has been introduced. The taboo against freezing interest rates around traditional levels unrelated to world levels of interest rates has been definitely broken. The Dominican Republic is not one of the poorest countries of this hemisphere. The possibility of a rapid response of domestic savings to increased interest rate incentives must therefore be considered good.

A radical departure has also been undertaken with a respect to the exchange system. Here again it was necessary to break a taboo; this was done by granting an exchange incentive--through exchange certificates--not only to minor exports but also to traditional exports, as well as the transfer of increasing shares of imports to the parallel market. The officialization of the parallel market in which commercial banks have been authorized to operate augurs well for the eventual unification of the two markets at a realistic exchange rate. Equally important is the intention to eliminate all arrears during the program.

The Dominican authorities need to take a series of steps to encourage private investment in sectors that will strengthen the balance of payments and from which a quick pay off can be expected.

The public investment program, as already mentioned, will be expanded within the limits given by the required improvement in public sector finances and with the advice of the World Bank.

The compensatory drawing is based on realistic assumptions about demand and prices as well as production and represents a mere fraction of the compensatory shortfall. It is obvious that it is due to factors beyond the control of the authorities and that the authorities have been cooperating with the Fund in the solution of their balance of payments problems.

This is the first time in nearly 20 years that the Dominican Republic has approached the Fund for an arrangement going into the upper credit tranches rather than for a drawing limited to the first credit tranche. In view of the decisive and rapid action of the Dominican authorities on all fronts, even before the arrangement is submitted to the Board, and because of the nature of the program, I hope my colleagues will have no difficulty in approving the arrangement.

The Deputy Managing Director said that the adoption of a general sales tax of 6 per cent by the end of the first quarter of 1983 as a performance criterion was a most unusual feature but one that had been requested by the Dominican authorities themselves and not by the staff. He had had a meeting with the authorities on December 10, 1982; until that time the view of staff and management had been that the sales tax and a certain number of other fiscal measures were to be adopted as prior conditions. The sales tax was central to the structural fiscal measures involved in the extended arrangement. He had accepted, with considerable reluctance, the proposal of the Dominican authorities that the adoption of the sales tax be made a performance criterion instead of a precondition because he had been deeply impressed with the dedication of the authorities to the program and had felt that they would do their utmost to meet all the conditions, including the implementation of the sales tax, well ahead of March 31, 1983. He therefore took particular pleasure in the authorities' having obtained the enactment of the general sales tax by the legislature very rapidly, so that the performance criterion in question had become unnecessary and inoperative.

Mr. Portas said that he strongly supported the requests by the Dominican Republic for an extended arrangement and a compensatory financing drawing. It was satisfying that the Executive Board was continuing actively to consider requests for programs supported by extended arrangements. In the present circumstances of the world economy, it was clear that adjustment on the demand side alone was not sufficient, and had to be accompanied by structural changes and supply-oriented policies to afford a real chance of lasting economic success.

As revealed by the staff papers, Mr. Portas continued, the Dominican Republic was facing a serious economic and financial situation. In 1982, the rate of growth of GDP had decreased markedly, to an estimated 1.5 per cent, the overall balance of payments deficits had more than doubled, and external payment arrears had continued to accumulate. Notwithstanding those difficulties, inflation had risen at an annual rate of only 7 per cent. Adverse external conditions in particular had been responsible for the economic and financial deterioration. The contraction of foreign trade as well as a sharp decline in the net inflow of capital had produced strong pressures on the external and financial positions. At the same time, deficiencies in the tax base and in the performance of the major state enterprises had worsened the public finances.

The new authorities who had taken office in August 1982 were determined to tackle those problems under a medium-term economic program combining policy measures to achieve greater balance between supply and aggregate demand, Mr. Portas noted. Apart from demand management measures aimed at restoring a better balance in the domestic economy, the adjustment comprised a series of measures aimed at the mobilization and efficient allocation of resources. Thus, the adjustment effort was appropriately designed to tackle the main problem without calling for an undue sacrifice of economic activity and employment. Many of the measures on which the success of the medium-term program depended had already been adopted by the authorities, patently reflecting their determination and practically ensuring the program's success.

Realistic public sector investment program envisaged placing emphasis on the development of infrastructure projects in construction, energy, and agriculture, Mr. Portas observed. At the same time, private investment was to be fostered through appropriate incentives in the agricultural, manufacturing, and tourism sectors so as to expand production and exports. A reordering of the investment program and the promotion of an efficient allocation of resources represented structural adjustment as part of the medium-term strategy.

Fiscal adjustment would clearly play an important role in demand management policies, Mr. Portas stated. The planned reduction in the overall public sector deficit was to be attained by means of a significant increase in public sector savings. Many of the necessary measures were in fact again already in effect. Among them were the introduction of an ad valorem surtax on imports, a capital gains tax on property sales, and a modification of the income tax. The authorities had recognized that further tax revenues were needed and had enacted a 6 per cent general sales tax well in advance of the approval of their request for an extended arrangement. On the expenditure side, the fiscal reform included a comprehensive program to raise the efficiency and improve the financial performance of the state enterprises, an important element of the adjustment effort.

Monetary policy in support of the fiscal adjustment was aimed at promoting and improving the allocation of domestic financial savings, Mr. Portas commented. The authorities had already initiated a flexible interest rate policy and had introduced a new high-yield financial certificate. The continuation of those policies should reverse the disintermediation of recent years.

It would be consistent with the objective of a viable balance of payments position, Mr. Portas agreed with the authorities, to continue the policy of transferring payments from the official to the parallel exchange market as a means of achieving equilibrium in the official market and of bringing about the unification of the exchange market in the medium term. Allowing commercial banks to operate in the parallel market and introducing exchange certificates were two important steps toward those goals.

Finally, Mr. Portas remarked, the request for a compensatory financing drawing clearly met all the requirements set forth in the decision on the compensatory financing of export fluctuations.

Mr. Donoso considered that adverse external conditions, which had directly affected exports and reduced tax collections, increases in the Central Government's current expenditure, and the poor performance of public enterprises, among other factors, explained the difficulties that the Dominican Republic had experienced in recent years. In fact, a growing balance of payments deficit, which had led to an accumulation of payments arrears, had been accompanied by a reduction in the rate of growth of GDP from more than 5 per cent a year in 1979-80 to 1.5 per cent in 1982. In the circumstances, the program designed by the authorities to achieve a viable external payments position and better rates of growth should be supported by the Fund with the extended arrangement requested.

The fiscal policies contemplated in the program seemed well designed to achieve both the balance of payments and the growth objectives, Mr. Donoso commented. A reduction in the overall public sector deficit from 7 per cent of GDP in 1982 to 3 per cent of GDP in 1985 was expected. Current expenditures of the Central Government were planned to fall from almost 10 per cent of GDP in 1982 to 8 per cent of GDP in 1985. Measures to increase central government revenue from 8.4 per cent of GDP in 1982 to 10.2 per cent in 1985 were also under consideration. As a result, the public sector finances should move from a deficit of 3.2 per cent of GDP in 1982 to a surplus of 2.6 per cent of GDP in 1985; that would be achieved despite an increase in public sector capital expenditure from 4.1 per cent of GDP in 1982 to 5.7 per cent of GDP in 1985.

Until the overall public sector deficit was eliminated, it would be financed mainly with foreign resources, Mr. Donoso remarked, thereby making more resources available for the private sector. In that way, the program was consistent with an increase in private investment, which would rise from 17.4 per cent of GDP in 1982 to 19.3 per cent of GDP in 1985. Total investment would increase from 20.8 per cent of GDP in 1982 to 24.6 per cent of GDP in 1985. Part of the increase in investment would be financed from increased private savings, but most of it was expected to come from the increase in public savings, thereby making possible a reduction of the current account deficit of 2.8 per cent of GDP. The authorities' public sector policies were commendable.

The more realistic interest rate policy aimed at promoting the growth of domestic savings was also welcome, Mr. Donoso added. The recently introduced increase in the maximum interest rates payable on some financial instruments and the issue of new high-yield certificates were both important steps in that direction.

As for external policies, the widening of the scope of the parallel foreign exchange market should help to bring about an improvement in the balance of payments position, Mr. Donoso considered. A move toward the unification of the exchange market at a realistic exchange rate should also promote economic efficiency. He emphasized the importance of moving as fast as possible toward unifying the exchange market and eliminating multiple currency practices. He also welcomed the authorities' commitment to the elimination of payments arrears as a priority objective under the extended arrangement.

To conclude, Mr. Donoso observed, the medium-term program and the financial program for 1983 should allow the achievement of a sustainable balance of payments position and stimulate growth. The actions already taken in connection with taxes, interest rates, and exchange transactions were a clear indication of the authorities' determination to achieve those two goals. Therefore, he strongly supported the requests for an extended arrangement and for a compensatory financing drawing.

Mr. Grosche remarked that the authorities of the Dominican Republic were facing a worrisome situation. In 1982, the country had experienced a worsening of its terms of trade on the order of 27 per cent. The overall public sector deficit had grown from 5.5 per cent of GNP in 1981 to 7.1 per cent in 1982. While the current account deficit had been reduced from the record level of 1980, the overall payments deficit had widened to over $300 million in the past year because of reduced net capital inflows. Payments arrears had risen to a level above that of gross official reserves. He was grateful to the staff for providing a table on future external public debt operations (EBS/82/239, Table 7). In 1985, the last year of the program under the extended arrangement, the debt service ratio was expected to peak at 34 per cent, twice as high as in 1981. He invited the staff to elaborate on the underlying assumptions. Exports had declined by one third in 1982 and were expected to grow by only 4.6 per cent in 1983. Did the staff expect continued modest growth in exports in the years ahead?

As to the program, Mr. Grosche continued, the authorities had made a commendable commitment to strengthening public sector finances, as demonstrated by their prompt action. He also commended them for their determination to pursue that action in the framework of a medium-term economic program, although he had some doubts as to whether the program justified an extended arrangement. He had been particularly pleased to learn that a general sales tax would be implemented earlier than had been expected; the staff had considered the tax to be of critical importance for the success of the program. It was also encouraging that the authorities intended to pursue a more active interest rate policy. He was

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Mr. Grosche remarked that the authorities of the Dominican Republic were facing a worrisome situation. In 1982, the country had experienced a worsening of its terms of trade on the order of 27 per cent. The overall public sector deficit had grown from 5.5 per cent of GNP in 1981 to 7.1 per cent in 1982. While the current account deficit had been reduced from the record level of 1980, the overall payments deficit had widened to over $300 million in the past year because of reduced net capital inflows. Payments arrears had risen to a level above that of gross official reserves. He was grateful to the staff for providing a table on future external public debt operations (EBS/82/239, Table 7). In 1985, the last year of the program under the extended arrangement, the debt service ratio was expected to peak at 34 per cent, twice as high as in 1981. He invited the staff to elaborate on the underlying assumptions. Exports had declined by one third in 1982 and were expected to grow by only 4.6 per cent in 1983. Did the staff expect continued modest growth in exports in the years ahead?

As to the program, Mr. Grosche continued, the authorities had made a commendable commitment to strengthening public sector finances, as demonstrated by their prompt action. He also commended them for their determination to pursue that action in the framework of a medium-term economic program, although he had some doubts as to whether the program justified an extended arrangement. He had been particularly pleased to learn that a general sales tax would be implemented earlier than had been expected; the staff had considered the tax to be of critical importance for the success of the program. It was also encouraging that the authorities intended to pursue a more active interest rate policy. He was however worried by developments in the exchange rate and the financial situation of the parastatals, issues that were partly interrelated.

As far as the first of those issues was concerned, Mr. Grosche mentioned his strong support for the view expressed by the staff in the opening sentence of the section in EBS/82/239 on external sector policies, namely, that "adjustment of the effective exchange rate of the peso and reform of the exchange system will be key instruments in the effort to achieve a viable balance of payments situation...." But legal constraints laid down in the Constitution seemed to make changes in the official exchange rate difficult. On the other hand, the authorities had permitted a parallel market to exist and had allowed banks to operate in it. His question was to what extent it would be possible to channel transactions through the parallel market without violating the law. If the scope was limited, the basic objectives of the program could be jeopardized; if not, he would urge the authorities to follow a realistic exchange rate policy more vigorously.

The exchange rate also had an important role to play in limiting central government outlays for subsidies to the parastatals, Mr. Grosche noted. The staff had mentioned in its report that the authorities had already been successful in reducing the operating deficits of the electricity corporation and the Price Stabilization Institute, but that the State Sugar Company still operated with selling prices covering only 70 per cent of production costs. At present, the authorities granted foreign exchange incentives for the export of sugar, from which the State Sugar Company would benefit. It seemed to him that the company would benefit even more if the exchange rate were devalued further in effective terms; it would be interesting to know to what extent its efforts to increase exports were impaired by an unrealistic exchange rate. In that context, he had read with interest in the staff paper on the request for a compensatory drawing that the export shortfall in sugar was to be explained basically as the result of a weakening in world demand. He would appreciate clarification from the staff of the role of the exchange rate in promoting exports.

Finally, Mr. Grosche inquired why the staff had not proposed, in the decision relating to the Dominican Republic's exchange measures, that its multiple exchange rate practices be removed earlier. If he was not mistaken, a stronger view had been taken on that issue in previous decisions. He could however support the three proposed decisions before the Executive Board.

Mr. Casey considered that the economy of the Dominican Republic had been performing quite well for several years past stimulating real growth and holding down inflation. The overall fiscal deficit had recently shown some tendency to widen, to over 7 per cent of GDP in 1982. The current external deficit was running at about 5.5 per cent of GDP, and gross international reserves were equivalent to 2.2 months of imports. On the face of it, those were not the kind of numbers that would normally warrant an extended arrangement in such a large amount. He fully recognized, however, that growing external arrears and foreign indebtedness represented more serious underlying problems. He also accepted the argument that member countries with emerging difficulties should come to the Fund sooner rather than later. But the question nevertheless remained whether a stand-by program might not have been more appropriate than a three-year extended arrangement. He raised that question in a spirit of humility because the answer to it was difficult and depended on the nature of the structural adjustment measures underpinning the program.

On the fiscal side, Mr. Casey noted, a major adjustment was to be made in the first year of the program. The reduction of the overall fiscal deficit to 3.7 per cent of GDP was certainly quite a marked one, although the statement by the staff representative had thrown some doubt on the achievement of the fiscal adjustment in the first year. It was also noteworthy that not much further adjustment was in prospect over the remaining two years of the program. It was also somewhat questionable whether the sales tax--even though it was no longer a performance criterion --would adequately address the structural problems on the fiscal side, or whether the serious difficulties of the state enterprises would be solved in a fundamental way. In that respect, he echoed some of the concerns mentioned by Mr. Grosche, especially concerning the State Sugar Company. Foreign financing of the overall fiscal deficit was expected to increase markedly throughout the program period, reaching the high level of 2.3 per cent of GDP in 1985, when the debt service ratio was expected to increase to about 34 per cent. Although debt rescheduling might improve that situation, it could not alter the fact that the fiscal adjustment would tend to peter out after the first year.

There was a similar development on the external side, Mr. Casey noted. The current external deficit was expected to fall significantly in relation to GDP in the first year of the program, after which there would be little further improvement. Again, it might at least be asked why a three-year extended arrangement had been considered necessary as opposed to a stand-by arrangement. Given the link to the U.S. dollar and the premium in the parallel market, the official exchange rate appeared to be overvalued, although the staff papers were not too clear on that point. The authorities did not however wish to alter the official exchange rate, but would instead make efforts to shift more transactions to the parallel market and to formalize that market. Those were steps in the right direction, but the authorities should perhaps consider a timetable for the unification of the exchange rate system, and perhaps also consider a somewhat faster pace for reducing external arrears, which were quite a serious problem.

On monetary policy, significant improvements had been made with respect to interest rates, Mr. Casey observed, an interest rate taboo having been broken, to use Mr. Kafka's words. Yet the expansion in total domestic credit seemed to have been excessive in the past few years, and the performance criteria might not completely halt that trend because they had been designed to permit the domestic banking system to increase credit to the private sector in a relatively uncontrolled way. It was of course desirable not to crowd out the private sector, but he did not believe that performance criteria could guarantee that total domestic credit would evolve at an acceptable pace; therefore, it would have to be monitored during the course of the program. In passing, he welcomed the limit on short-term foreign borrowing of less than one year, a type of limit that his chair had suggested in the past in other cases.

To conclude, he did not discount the strong adjustment features in the program, but he had nagging doubts whether or not they were sufficiently strong or structural in nature to justify an extended arrangement, Mr. Casey commented. Therefore, the Fund should use the review procedure to strengthen the program under the arrangement over time as developments unfolded. The program--not yet endorsed by the World Bank--predicated a high rate of real GDP growth and development, and a substantial increase in public sector investment. The Grenadian authorities would be interested in the outcome of the present meeting. More generally, he understood that the World Bank was reluctant to pass judgment on the investment programs of small countries, particularly if the Bank had not been actively involved in those countries for a long time. The unfortunate result was likely to be that those small countries might find it difficult to enter into extended arrangements with the Fund. The solution to the problem might be found in part in asking the World Bank for a list of countries in which it felt that it had insufficient involvement to endorse investment programs.

Mr. Taylor, referring to the Dominican Republic's request to draw under the compensatory financing facility, noted that the description in EBS/82/238 was that of an economy where exports were growing quite strongly until 1982. When world commodity prices, particularly for sugar and cocoa, had fallen significantly, and world demand for mineral products had stayed extremely weak, a shortfall had occurred that seemed clearly attributable to factors well beyond the authorities' control. The test of cooperation had also been met since the authorities had been willing to engage in an Article IV consultation and to negotiate an extended arrangement. The export shortfall was believed to be temporary, and the pattern of exports should not have changed greatly by 1984. For all those reasons, the conditions necessary for granting a compensatory financing drawing had been adequately met, and he had no difficulty in supporting the request.

With respect to the request for an extended arrangement, Mr. Taylor stressed first of all that he welcomed the authorities' approach to the Fund. The Dominican Republic had entered into an undertaking in connection with the emergency drawing that it had made in 1979 to frame a suitable adjustment program in due course. At present, the authorities might have sought Fund advice a little sooner. Unfortunately, there had been a deterioration in the external economic situation had gone largely unchecked until recently. On the face of it, an initial stabilization program supported by a stand-by arrangement would appear to have been the best solution for the country's problems, and in that respect he agreed with the remarks made by Mr. Grosche and Mr. Casey.

Fuller consideration of the details of the case, however, raised doubts about the suitability of an extended arrangement, Mr. Taylor remarked. Section I of the decision establishing the extended facility specified that the facility could be applicable in two main kinds of situations. One was where a slow-growing economy was in an inherently weak balance of payments position preventing pursuit of a more active development policy. The rate of growth of GDP in the Dominican Republic had been quite respectable, averaging well over 4 per cent a year in the three years up to 1982, and real per capita GDP had also grown at a reasonable rate of nearly 2 per cent a year. Thus, it could not be said that the economy was either slow growing or stagnant, except when it came to 1982, rather an unusual year, as the request for a compensatory drawing indicated. The second type of situation in which an extended arrangement could be envisaged was where an economy was suffering serious balance of payments problems associated with important structural maladjustments in production and trade, and where price and cost distortions had also been widespread. The recent payments imbalances of the Dominican Republic, it was suggested in the staff paper on the request for a compensatory drawing, were largely related to the emergency imports to an apparently reversible reduction in exports, and to expansionary fiscal policies as well.

In his statement, Mr. Kafka had suggested that one major structural maladjustment had been excessive dependence on sugar exports, Mr. Taylor continued, and the authorities' commendable efforts to improve the management and efficiency of the State Sugar Company had been described in the staff paper. But he had been unable to find a section in the paper dealing with a medium-term plan by the authorities to consider the structure of industrial production or of exports on a broader front, and it also appeared that the World Bank had not yet become closely involved in devising a comprehensive investment program, although he gathered that early consultations with the Bank were planned. The guidelines governing the extended Fund facility called for a description of policies that the authorities would pursue to correct structural imbalances, but the staff paper on the Dominican Republic's request for an extended arrangement did not seem to reflect the necessary depth of coverage. Quite a lot was said about the broad objectives in the medium term, but there was little indication of the actual measures that the authorities proposed to undertake in the second and third years of the program, although under the guidelines, the program should set forth "policies for the whole period of the extended arrangement." Even the description in the staff report of the program for the first year of the extended arrangement, which immediately preceded the staff appraisal, was somewhat brief, although perhaps because many of the initial measures had already been taken.

Nevertheless, the program had a number of good features, Mr. Taylor considered. Foremost among them would be the agreement on the need to restrain domestic demand by tightening the fiscal stance, and in particular by increasing taxes. The Legislature's enactment of the general sales tax two months earlier than expected augured well for the rest of the program. He also welcomed the measures to rationalize the activities of public sector agencies, to centralize budgetary control, and to prune the public sector wage bill, as well as the steps taken to raise interest rates and to introduce new financial instruments. He was particularly glad to note that deposit rates at their uppermost level were close to U.S. money market rates. But if the rate of inflation accelerated during 1983, as the staff expected, further adjustment would be necessary to preserve a real interest rate incentive to domestic savers.

The rapid rise in external debt was obviously a cause for concern, Mr. Taylor said, and he welcomed the authorities' intention to seek longer-term multilateral loans. He had noted with interest and, like Mr. Casey, warmly endorsed the limit on short-term public sector external borrowing delineated in Table 8 of EBS/82/239. As was well known, his chair had been uneasy for some time about the impact of partial performance criteria in that area, and hoped to see more frequent use of a short-term ceiling where circumstances warranted it. Since provision had been made for a mid-term performance review, he would look forward to learning at that time how that criterion had been functioning. There was perhaps a danger that the accumulation of private short-term debt might also get out of hand, and that was of course a more difficult element to monitor. In passing, he wondered whether the staff could put a figure on the accumulation of unregistered private sector debt; according to the rough calculations of his authorities, the stock of that debt might be of the order of $300 million by the end of 1983.

As for the reduction of external arrears, which had amounted to about $450 million at the end of December 1982, Mr. Taylor expressed appreciation for the authorities' intention to eliminate them within the program. However, the initial pace of reduction seemed rather gentle, given the size of the task, the aim being to reduce them by $100 million during 1983. Could either the staff or Mr. Kafka indicate whether or not there was a prospect of reducing arrears slightly faster so that they could be eliminated, say, by the end of the second year of the program? At any rate, a further assessment of the progress in reducing arrears at the time of the mid-term review would be welcome.

He shared the kinds of concern expressed by both Mr. Grosche and Mr. Casey relating to the exchange system, Mr. Taylor noted. He also had some difficulty with the decision on the approval of the Dominican Republic's exchange measures subject to Article VIII, Sections 2 and 3. Officially, the Dominican peso had been pegged to the U.S. dollar in a one-to-one ratio since 1948. In practice, a parallel market had existed for many years, which constituted a multiple currency practice; thus, the Dominican Republic had been in breach of its Article VIII obligations. In the past, the Fund had not approved the exchange restrictions, but the staff had proposed in the decision put forward in EBS/82/239 that the Fund should no more than encourage the Dominican Republic to continue the simplification of its multiple currency practices with a view to the early unification of the exchange rate; moreover, approval of the restrictions and multiple currency practices was to be granted until the end of the first year of the extended arrangement or until the next Article VIII consultation, whichever was earlier.

The authorities might well have adopted the right strategy for reunifying the exchange rate by transferring payments from the official market to the parallel market, Mr. Taylor remarked. In that respect, he was glad to note the performance criterion requiring certain minimum transfers of import payments through the parallel market during 1983. As with payments arrears, however, he would ideally have liked to see a definite commitment under the extended arrangement to introduce a single exchange rate before the end of the program. Progress in that respect was probably not likely to be made at the present meeting, and he would therefore prefer approval of the exchange restrictions and the multiple currency practices to be granted only until the mandatory mid-term review. In that way, the Fund would give the right signal concerning the need for careful monitoring and further action relating to the exchange rate system.

It would be apparent from his remarks, Mr. Taylor said, that his authorities had quite strong reservations about the need for an extended arrangement. The prime need was for stabilization, and the staff had not made a really good case for a medium-term program. Nevertheless, he could go along with the proposed decision, and he would be helped in doing so if the approval of the exchange restrictions and the multiple currency practices were given for only six months, until the time of the mid-term review.

Mr. de Vries said that he could support the proposed extended arrangement. He had noted that the amounts involved were large in relation to quota--450 per cent of quota under the extended arrangement and up to 100 per cent of quota under the compensatory financing facility--almost reaching the limit applicable earlier of 600 per cent of quota. He had also noted that the program, while it clearly went in the right direction, had much further to go. Without discussing the issue of whether or not the arrangement should have been a stand-by or an extended one, the proposed program was, he considered, one dimensional; little indication was given of what would happen in the second or third years except that the estimates for those two years suggested that additional action would be necessary, yet the intentions of the authorities in that respect were at the moment vague. As Mr. Casey in particular had pointed out, the current account deficit, after the improvement in 1983, would not show much further improvement, and the debt service ratio would continue to rise throughout the program period.

The exchange system was complicated, Mr. de Vries observed, and the ability of the private sector to cope with the resulting uncertainties was unclear. If the exchange markets were not unified, there might or might not be large leakages, but all the disadvantages and arbitrariness of the dual system would be present. Indubitably, therefore, the authorities would have to address themselves to that problem.

Mr. Erb considered that the Dominican Republic authorities were to be commended for undertaking the significant adjustment measures to which they had agreed for the first year of the program. He was also pleased by the Deputy Managing Director's statement conveying the strong sense of commitment on the part of the authorities to making the necessary economic adjustments. At the same time, he wished to return to some of the questions posed by others, the first being whether or not the extended facility was the appropriate vehicle for use of the Fund's resources by the Dominican Republic, as opposed to a one-year or two-year stand-by arrangement. He agreed with the staff that, in the current situation, the immediate focus of the adjustment program should be on strengthening public sector finances. But looking to the medium-term aspects of the economic program, he also agreed that although the central elements were appropriate--including sound fiscal and monetary policies, adequate public investment, and enhanced incentives for private investment--the structural aspects were not well spelled out in the staff paper. Thus, he was concerned over the lack of further specific adjustment measures for the second and third years of the program.

His second major point, Mr. Erb noted, which had been mentioned by Mr. Casey, concerned the role of the World Bank and of the Inter-American Development Bank in helping to identify the structural adjustments that were necessary and the supporting private and public investment. Much greater efforts to cooperate with both those institutions would need to be made in the coming months.

As for the amount of the extended arrangement, Mr. Erb observed, like others, that he doubted whether the balance of payments flows, either on current account or overall, were such as to justify enlarged access in the full amount that could be made available. During the three-year period of the arrangement, the Fund would be providing $400 million, whereas total debt outstanding to the World Bank would be $125 million as of mid-1982, and to the Inter-American Development Bank $300 million, pursuant moreover to lending programs covering a much longer period. The Fund was indeed making a significant commitment of resources, and for the success of the program under the extended arrangement it would be important for the economy to record a significant movement toward continued high real rates of economic growth and perhaps a higher degree of diversification over time, thus becoming less subject to external shifts in demand.

If the policies adopted for 1983 were an indication of the direction in which the Government was moving, the enactment of the 6 per cent general sales tax should be welcomed, Mr. Erb agreed. With that element approved, all the measures keyed to the success of the first year of the program were in place. He encouraged the authorities to continue to pursue with equal vigor their decision to undertake a major overhaul in the expenditure control mechanism of the Central Government. The gains resulting from measures to improve expenditure control accounted for almost 84 per cent of the combined public sector deficit of 3.7 per cent of GDP. It was appropriate that the improvement was due entirely to reductions in current expenditures and, as pointed out by Mr. Kafka, that there would in fact be an increase in capital expenditures. In the monetary sector, and with respect to credit policy, the decision to raise interest rates was welcome, but he emphasized the need for the Government to keep following a more realistic and responsive interest rate policy in order to encourage domestic savings.

Referring to the external sector, Mr. Erb said that he shared some of the concerns expressed by Directors about exchange rate policies, and that he agreed with the staff appraisal. Mr. Grosche had asked about the impact of exchange rate adjustments on sugar exports. He himself would be interested in the potential impact of further exchange rate changes on other exports and on imports as well. In other words, would the effect be to induce greater diversification within the domestic economy? It seemed to him that exchange rate policy, other domestic structural adjustments, and an appropriate investment program might well contribute to diversification. He understood that the intention of the authorities was to unify the exchange markets; in the pursuit of that objective, they should make flexible use of the parallel market and be prepared to channel additional import payments through that market, over and above the agreed performance targets.

He would support Mr. Taylor's proposal to amend the decision with respect to the period of approval for the multiple currency practices, Mr. Erb remarked.

In spite of the general concerns and qualifications that he had expressed with respect to the program under the extended arrangement, Mr. Erb said, he could support the request. But in the remaining years of the program, a considerable amount of effort would have to be made on the structural side, and it would be important for the Fund and the development banks to have a good working relationship.

Mr. de Groote said that, in supporting the Dominican Republic's requests for financing under the compensatory financing and extended Fund facilities, he wished to make four points of some importance. First, the member was entering into an arrangement with the Fund after a long interval, and its intentions should be consolidated in a fundamental program, the more so since there was no reason to doubt the sincerity of those intentions. Second, significant measures had already been taken with respect to taxes, the financial situation of public enterprises, the public deficit itself, interest rates, reintermediation through the banking system, and the exchange system.

Third, referring to the issue of whether or not the measures already taken and those envisaged were such as to justify an extended arrangement, Mr. de Groote stated that they seemed to him to be of a structural nature. To use Mr. Kafka's expression, taboos had been broken and the domestic economy oriented in a fundamentally new direction. There was always a great degree of judgment involved in making the determination, but he felt that the staff had been fully justified in recommending the decision before the Executive Board. He had listened with great attention to Mr. Taylor's pertinent analysis of the requirements for making use of the extended facility, but that the accent should be placed instead on the nature of the measures being taken and envisaged, as had been done in the case of Turkey, for instance. The Dominican Republic was dealing with fundamental distortions in the very fields that fell within the province of the Fund, namely, public finance, public enterprises, the intermediation functions of the banking system, and the exchange rate system. For a member to be entitled to have access to the extended Fund facility, it did not have to take measures acting directly on the structure of production or on the nature of investment. It might be useful for the member to do so, and for the Fund to recommend that it should; in fact, the staff had recommended such action in its report on the Dominican Republic, and in the case of Turkey as well.

Fourth, in the framework of an extended arrangement, Mr. de Groote commented, the Fund had an excellent opportunity to monitor the adoption of further measures, but it might be difficult at the present stage to describe all of them at the beginning of the three-year period. Again, the situation was analogous to that in Turkey, where it had also been difficult to prejudge the extent of the necessary measures. The authorities of the Dominican Republic had demonstrated their intention to take quite far-reaching measures, but exactly how they would carry them out remained to be judged, in consultation with the Fund. The authorities in the Dominican Republic were surely well aware that if the necessary measures were not taken, they would lose their access to the Fund's facilities. In his view, the extended arrangement with the Dominican Republic would give the authorities the time and scope for completely reorienting the economy from a rather dirigistic system into a more market-oriented one, specifically one that would give greater incentives to private production.

Miss Le Lorier said that she also fully supported the requests for a compensatory drawing and an extended arrangement. She had little to add to the pertinent comments made by Mr. de Groote, with which she agreed. On the matter of the use of the extended Fund facility, as she understood it, the policy was not to require from the very outset a specific and quantified medium-term scenario for the whole period of the arrangement, even though it was necessary to dwell on the medium-term prospects.

The staff representative from the Western Hemisphere Department said that in agreeing with the Dominican Republic on an extended arrangement rather than a two-year stand-by arrangement, the staff had had to take various factors into account, including first of all the entry into office of a new administration. The new authorities had had to face the prospect of a large balance of payments deficit for 1982, which had nearly depleted gross international reserves, and the accumulation of large external payments arrears of the order of $400-$450 million. The staff believed that that the highest priority should be given to restoring a viable balance of payments position and the international creditworthiness of the Dominican Republic. In those circumstances, the staff had also considered that any financial arrangement with the Fund would need to be in support of an adjustment program of sufficient strength to lead as quickly as possible to overall balance of payments equilibrium. The view of the staff had been that adjustment should be made in three important areas, relating to fiscal performance, interest rates, and the exchange system. Simultaneous adjustment in those three areas would satisfy the requirements for a medium-term adjustment program. A one-year stand-by arrangement would not have provided the necessary amount of resources to bring under control the problem of external payments arrears in particular.

The fiscal adjustment that the Dominican Republic was being required to make was a large one in the circumstances, the staff representative noted. The revenue structure had been geared almost completely to the external sector, which had been subject to frequent changes in the prices of export commodities. Therefore, the introduction of the sales tax, which had in effect been vetoed in the past by Congress, was of the utmost importance in enabling the Government to rely more on internal economic activity as a source of revenue. The sales tax and the other important tax measures approved by the Government between August and December could have been implemented over the three-year period; but in order to bring the balance of payments under control in the first year, it had been judged important that the Government approve those measures at the earliest possible time.

Government expenditures had not been the cause of the fiscal problem, the staff representative considered, and the program had thus not emphasized the need for their reduction. Public spending had been growing more or less in line with the increase in GDP. Once prices of the main export commodities began to increase, and economic activity began to pick up, it should be possible to restore the ratio of government revenue to GDP that had prevailed in the four years preceding 1982. The staff attached importance to the restoration of that ratio to more normal levels by 1984/85 as possibly the only way to enable the new Government to carry out its ambitious investment program and to reduce the high unemployment in the Dominican Republic.

Interest rates had been an important matter for discussion with the authorities for a number of years, the staff representative noted. The changes agreed, especially the introduction of the new financial certificates, would bring domestic interest rates into line with international rates, and would ensure an increase in resources in the future. One of the largest problems faced by the Dominican Republic in the past had been the extent of short-term capital outflow, which had deprived both the Government and the private sector of the ability to increase the use of loanable funds at a faster rate than in the past.

The staff representative from the Exchange and Trade Relations Department noted that the first of the three main general policy issues that had been raised was whether the extended Fund facility was the right vehicle for providing Fund assistance in support of the Dominican Republic's economic policy program, and if so, whether the amount of the extended arrangement was warranted. If he had anything to add to what Mr. de Groote had had to say on the subject, it would be to stress that lack of willingness by the Fund to acknowledge the structural adjustment aspects of a substantial effort to redress a large imbalance by means of a strict fiscal program would represent a derogation from some very precise and important areas of its responsibility. Interest rate and exchange rate policy were of course also important for structural adjustment purposes, and he could not improve on Mr. Kafka's description of the actions taken by the Dominican authorities in those two areas as having broken long-standing taboos. Exchange rate and interest rate adjustments could be classified, of course, as demand measures, but he would argue that they belonged just as importantly on the supply side and that, as such, they had a place in the framework of an extended arrangement. It was however true that a sort of no-man's land existed between stabilization or demand management on one side, and supply or structural adjustment on the other, in which the appropriateness of an extended arrangement could be either reasonably questioned or justified.

The staff had considered many of those issues from the general point of view of Fund policies and in the interest of uniformity of treatment, the staff representative continued, and had concluded that an extended arrangement would be the right instrument to provide assistance to the Dominican Republic. Among other reasons, it had not seemed to be in the interest of the Fund to allow its financial operations with members to be based on an interpretation of structural adjustment that could be perceived as unduly narrow, particularly since a large adjustment on the demand side could in itself be an important element of the structural adjustment of an economy.

The significance of the fiscal effort and of the balance of payments adjustment envisaged for 1984 and 1985 had been questioned by Mr. Casey, the staff representative noted, because the deficit in the current account of the balance of payments would remain approximately at the same level for the three years of the extended arrangement and because the overall public sector deficit would not change greatly over that period. In order to view the matter in perspective, it was necessary to make a comparison with the dramatic improvement that was to take place between 1982 and 1983. As for the public sector finances, the question was whether the adjustment effort would be measured on the basis of the overall balance, or whether consideration would also be given to its composition. If the structure of the accounts was characteristic of adjustment, the envisaged evolution of public savings over the coming three years could provide grounds for drawing precisely the opposite conclusion to that of Mr. Casey.

The amount of assistance was the maximum that could be made available under present policies on access to the Fund's resources in the framework of a three-year extended arrangement, the staff representative noted, namely, 450 per cent of quota. The Government was engaging in a medium-term adjustment effort, the elements of which had been detailed for the first full year of the program. As Mr. de Groote and Miss Le Lorier had pointed out, the extended Fund facility decision did not require, at the time of the request, a detailed description of the measures for the second and third years of an extended arrangement, but referred exclusively to a detailed statement of the policies and measures for the first twelve months.

There were several reasons for the size of the arrangement with the Dominican Republic, the first being the need to demonstrate strong support for the Government's program, the staff representative went on. It was clear that there was a direct relationship between the amount of resources the Fund as an institution was willing to commit and the strength of its support for a member's adjustment. The second reason was the constrained liquid reserve position of the authorities; gross official international reserves were critically low, and the Fund had recognized the need to provide large up-front financial support to alleviate potential liquidity squeezes. Third, it was important to note that only a small overall balance of payments deficit was envisaged in 1983, and that surpluses were forecast thereafter; thus, the arrangement entailed a large commitment of Fund resources but envisioned virtually no use of them. For the most part, purchases by the Dominican Republic from the Fund under the arrangement would improve its international reserve position.

The second set of main issues that had been raised concerned the exchange system, the staff representative remarked. Faster movement toward the final objective of a unification of the exchange rates or exchange markets would have been welcomed by the staff also. Nevertheless, apart from the particular difficulties that were attached to such action in the Dominican Republic, an argument of a more general nature against moving at an unduly fast pace was the prior need to ensure that unification proceeded in line with the implementation of appropriate policies. If the exchange rates were unified too rapidly, the probability was that the single rate would be set at a level that was inappropriate from the medium-term to long-term point of view. Thus, it made sense to put in place first the macroeconomic policies required to restore a measure of balance to the economy and only then to move toward unification; that was the approach that the Government proposed to follow.

There was an element of semantics, the staff representative commented, in the authorities' statement in their letter that they would seek as an objective the attainment of equilibrium in the official exchange market during the period of the arrangement. A proper definition of exchange market equilibrium implied unification of the exchange rates: there would be no excess demand for foreign exchange in the official market, indicating that the price in that market was at the correct level. The authorities had been reluctant to make too open a statement about exchange rate unification for various reasons, including the constitutional constraint on adjustment of the official exchange rate. If the constraint in the Dominican Republic was comparable to that in other member countries, the constitutional requirement that the official exchange rate could not be changed could be satisfied--perhaps not in spirit but in letter--if the transactions conducted through the official market were limited to an almost negligible amount.

With regard to exchange practices, in the past the staff had not recommended that the Executive Board approve the restrictions and multiple currency practices maintained by the Dominican Republic, the staff representative said. The staff had recommended Board approval in connection with the request for an extended arrangement because the program would put the economy on a sustainable and balanced path that would make resort to restrictions unnecessary. Approval of the restrictions for one year had been recommended in line with normal practice under the consultation procedures, according to which approval, when deemed justified, was granted for one year or until the next consultation, whichever came first. A more limited period of approval had been proposed in several recent cases, by linking that period to the mid-term review of an arrangement.

In deciding whether or not to shorten the period of approval of the restrictions maintained by the Dominican Republic, the Executive Board might wish to consider the substantive implications, the staff representative commented. The authorities might understand that the Fund was trying to convey the idea that the unification of the exchange rates should take place faster. Yet, as he had already argued, it was more important at the present stage to ensure that the fiscal program was carried out; that exchange rate policy moved in the right direction; that interest rates were raised; and that the other policies under the arrangement proceeded as agreed. In addition, there was the important consideration of cooperation with a country that had not for a long time entered into any arrangement in the higher credit tranches. Finally, shortening the length of time for which approval was granted might lead to complications because the envisaged period of one year was also intended to apply to the scheduled reduction of payments arrears.

The third main issue related to cooperation with the World Bank, the staff representative observed. The data on outstanding credit to the Dominican Republic from the World Bank and the Inter-American Development Bank cited by Mr. Erb were accurate but excluded the undisbursed amounts. It was necessary to include in the comparison not only the outstanding credits but also the commitments of those institutions. As of mid-1982, the total stock of IBRD credits, including the undisbursed portion, amounted to $257 million, and the equivalent amount for the IDB was $610 million. The Fund was only committing resources to the Dominican Republic, because their potential use was linked to performance under the extended arrangement. The Fund was a revolving source of financial assistance; it was precisely because of its temporariness that substantial use of the Fund's resources at any particular time might be appropriate, even if it appeared large in relation to financing of a more permanent nature by other institutions.

Detailed statistical information on unregistered private debt transactions was not available to the staff, so that the figure mentioned by Mr. Taylor of $300 million could not immediately be verified, the staff representative said. Such transactions normally took place through the parallel market, which had been in operation for a long time, but on which information was not readily available.

A query had also been raised on the scope of the domestic credit criterion in the program; net domestic asset ceilings were typically intended to control the expansion of credit by the Monetary Authority, the staff representative from the Exchange and Trade Relations Department explained, to ensure the achievement of the desired balance of payments outcome. But with respect to credit flows to the private sector, if the expansion of bank credit was a reflection of the resources that the private sector was itself willing to channel to the banking system, there would be no reason to control it by making it subject to a performance criterion. The issue was one of wider interest that might call for a general discussion on a more suitable occasion.

The staff representative from the Research Department noted that the question had been raised of the effect of the exchange rate on the export shortfall, in particular as related to sugar. The production of sugar in the Dominican Republic, as in many other countries, varied from year to year due to weather conditions and lagged responses to fluctuations in international prices. The acreage allotted to sugar cane in the Dominican Republic had been increased in response to the high international prices for sugar in 1979 and 1980. The decline in the volume of exports in the shortfall year to September 1982 had reflected bad weather, but it had also reflected, perhaps more importantly, the dislocations in marketing caused by depressed prices and especially by the introduction of an import quota system in the United States. The Dominican Republic, which had traditionally exported virtually all its sugar to the United States, had been limited to exporting about one half of the usual quantity after May 1982. It had had difficulty in finding ready markets to which it could redirect its exports of available sugar, but he understood that that problem had recently been solved. The Dominican Republic had also had to accumulate stocks in connection with its obligations under the International Sugar Agreement. Based on recent information, the supply of sugar from the 1982 crop, available for export in the first postshortfall year ending September 1983, had reached record levels, so that a recovery in the volume of exports was predicted for 1983. In sum, the variations in the volume of sugar exports, which had contributed to the shortfall in earnings for the period under discussion, had been related to natural as well as to institutional factors, and not directly to any exchange rate considerations.

The Deputy Managing Director remarked that taboos, and in particular exchange rate taboos, grew out of historical experience, as the relationship of the Dominican Republic with the Fund illustrated. In negotiating the most recent stand-by arrangement that the Dominican Republic had had with the Fund, from 1964 to 1965, the staff had made the judgment that the defense of the exchange rate would require intolerably severe domestic adjustment measures. But the Dominican Republic authorities had nontheless chosen to defend the exchange rate. The official one-to-one relationship between the Dominican peso and the U.S. dollar actually went back to 1934, and had been among the oldest such relationships in the world ever since the link between the Irish pound and the pound sterling had been broken. Only after the negotiation of the stand-by arrangement with the Fund had the Dominican Republic written that relationship of the peso with the U.S. dollar into the Constitution. The history of that relationship and the uncertain situation in the Dominican Republic in the years following the most recent stand-by arrangement no doubt explained the reluctance of the member to change the stable one-to-one ratio of its currency with the U.S. dollar.

Mr. Erb said that he felt reassured by the staff's explanation of the use of enlarged access and commitment of resources. As he understood it, the Dominican authorities were treating the resources made available by the Fund as a stand-by, and were thus in effect strengthening their reserve position and not expecting to finance the current account deficit per se unless that deficit proved to be worse than expected. In that circumstance, assuming that the necessary adjustment was being made, the resources available under the extended arrangement would give the authorities additional room for maneuver. He found that to be a sensible approach because many countries having programs supported by the Fund, after they had drawn the resources committed to them in order to finance their current account deficits, then found themselves without additional sources of Fund financing should developments turn out to be worse than expected, as often happened.

The remaining question was the magnitude of the extended arrangement for the Dominican Republic, Mr. Erb noted. The staff representative had suggested that it might be more appropriate to compare the commitment of the Fund's resources with commitments by the IBRD or the Inter-American Development Bank. Although he had indeed compared the amount of the extended arrangement with the outstanding stock of credit from the World Bank and the IDB to the Dominican Republic, he believed that the figures cited by the staff representative included outstanding credit plus commitments; thus, for comparability, the outstanding credit would have to be subtracted. In point of fact, the difference would be minimal or nonexistent: in terms of commitments, \$133 million versus \$124 million; and in terms of credit outstanding, \$300 million for both the World Bank and the IDB. In comparison, the magnitude of the support being extended by the Fund was still quite large and significant.

He had raised two questions that had perhaps not been fully answered, Mr. Erb remarked, one on the role, and progress if any, on the side of the investment program, and the other on the possibility of inducing greater diversification of the economy by means of a change in the exchange rate. In thinking of structural adjustment, he did not so much have in mind major fiscal or monetary policy changes, although, as the staff representative had suggested, those changes could be viewed as structural. Traditionally, structural adjustment had been considered as affecting the supply side more directly, inter alia, by shifts in relative prices in order to produce a reallocation of resources. He wondered whether such measures would be part of the Dominican Republic's adjustment program in order to put the economy on a stronger footing.

The staff representative from the Exchange and Trade Relations Department said that he had indeed given data for outstanding and undisbursed credits from the World Bank and the IDB, but the fact that the Dominican Republic had not completely drawn those lines of credit did not detract from the importance of the total amounts, including the undrawn portions, for purposes of comparison with the proposed Fund assistance. That being said, it was nevertheless true that the Fund was committing large amounts relative to the other two institutions.

There had been of course an important measure of collaboration with the World Bank, the staff representative continued. An IBRD staff member had participated in the mission to the Dominican Republic. As mentioned in the letter of the Government, negotiations were also under way between the Dominican Republic and the IBRD on a plan to modernize and to improve the management of the State Sugar Board. A number of other projects, with which he was not directly familiar, were also under way. Yet it seemed necessary for the Fund to take a balanced approach in the area of collaboration with the World Bank; although in principle the appropriate position would be for the World Bank to endorse the investment program of the public sector wherever a member's structural adjustment program was supported by an extended arrangement, the decision establishing the extended Fund facility had not made such an endorsement a condition of three-year arrangements; inter alia, that had reflected a desire to avoid what at times had been called "cross conditionality." The need to balance the two requirements obviously called for a careful exercise of judgment.

The suggestion made by Mr. Casey of a list of countries where the World Bank felt that it had insufficient involvement to endorse investment programs did not seem to be a satisfactory solution because it could give the false impression that a seal of approval was being given to some countries and denied to others, the staff representative remarked. Mention had been made of Grenada in that context, but it should be noted that there the problem had been different. The bulk of the public investment program in Grenada was represented by a development project that was very large relative to the size of the economy. Without the view of the World Bank on that development project, the Executive Board of the Fund would have been asked to make an assessment on the basis of insufficient information. Certainly, the staff was in contact with the World Bank, and as Mr. Erb had remarked, there was always room for further collaboration. However, it would not, in his opinion, be advisable to convey the general impression that, without a clear endorsement by the World Bank of a member's investment program, the Fund would not be willing to go ahead with a program under an extended arrangement under any circumstances.

As for the relationship between exchange rate policy and diversification of the economy, the staff representative from the Exchange and Trade Relations Department said that, on a general level, appropriate use of the exchange rate instrument to ensure a proper structure of relative prices among the various sectors in the economy would promote diversification, simply because the resources would be priced correctly, so that those resources that were overpriced in some sectors would shift to sectors where they could earn the appropriate rate of return. The exchange rate in itself affected the relative price of domestic versus international products, but it could not guarantee that an appropriate relative price structure would always be within reach. In short, an appropriate exchange rate was a necessary but not a sufficient condition for economic diversification.

Mr. Taylor remarked that the issues that had been raised were of great interest. There was some force in the argument that a major reduction in the fiscal deficit could have some of the characteristics of a structural measure, if it encompassed policies affecting the structure of industry and production in the economy. The decision on the extended Fund facility did refer to the need for adjustments in the structure of production and trade; in a sense, the source of the difficulty might lie in the past, in requiring the Fund to look into areas that had traditionally not fallen within its ambit. Consequently, it seemed necessary to take the size of the adjustment into consideration. In that respect, and on the face of it at least, the increase in public savings in the Dominican Republic did not look all that large in relation to what had happened in previous years, or in comparison to what had been expected in other countries entering into an extended arrangement with the Fund. Furthermore, there did not seem to be any particular emphasis on structural measures in the authorities' fiscal proposals. For instance, little reference had been made to the level of the tariffs of public sector enterprises, whereas he would have thought that the adequacy of those tariffs should be in the forefront of consideration in a structural analysis.

The Chairman commented that the increase in public sector savings would by no means be negligible. As shown in Table 6 of EBS/82/239, the improvement between 1982, the year preceding the program, and 1985, the last year of the program, would be 5.8 per cent of GDP. The matter was of course one for judgment; in that context, the question of the tariffs of the public sector enterprises was of considerable importance, and he asked the staff to indicate what role the tariffs of goods and services provided by public enterprises would play in the process of increasing the savings of the public sector.

The staff representative from the Western Hemisphere Department noted that the World Bank would play an important role in that respect in the months to come. According to the latest information received from the Government and the World Bank, a great effort would be made to overhaul the state enterprises, including the State Sugar Board and especially the 12 mills that it managed. With respect to the Electricity Corporation, tariffs had been adjusted at a rate of 2 per cent per month until June 1982, and he understood that a further tariff adjustment would take place in the months ahead. The size of the tariff adjustment suggested that the Electricity Corporation, a large enterprise, would no longer have an operational deficit. The Government was therefore clearly carrying out an ambitious program to bring the overall large deficit of the public enterprises under control.

The staff representative from the Exchange and Trade Relations Department added that it could also be seen from Table 4 of EBS/82/239 that the Central Government was making a substantial effort and that in fact the deficit in the current account had been eliminated for the entire public sector, which also covered the state enterprises. A surplus was expected to be generated toward the end of the program period; if it materialized, the pricing policy being followed would be shown, broadly speaking, not to be too far out of line.

In response to Mr. Taylor's remarks, the staff representative noted that in referring to the structural adjustment effort, he had in mind not only the fiscal adjustment but the overall package of fiscal adjustment, together with interest rate and exchange rate policy as well as the measures already adopted.

Mr. Taylor wondered whether, in judging the structural aspects of the fiscal change, it was right to compare future developments with developments in what was an exceptional year. The better comparison would be with the average of the past; on that basis, the size of the adjustment would appear to be smaller.

Mr. Kafka said that he wished to make a strong appeal to Executive Directors not to change the period of approval of the restrictions. Apart from the argument advanced by the staff representative, because of the remaining taboo on exchange rate adjustment, the only practical way of proceeding to exchange rate unification was by means of the parallel market. Under the circumstances, shortening the period of approval would not advance the argument in substance, but might be misunderstood by the Dominican public, which could be led to foresee, at least as a possibility, a major change in the official rate at the time of expiration of Fund approval, thereby leading to speculation or other developments that would be deeply detrimental to the program.

The Chairman asked Executive Directors for their views on the proposal by Mr. Taylor, which would limit the approval of the restrictions and multiple currency practices to a period of six months or, in other words, until the next review.

Mr. Casey said that he sympathized with Mr. Taylor and Mr. Erb in their desire to amend the proposed decision. He recalled that a similar change had been made in the decision on Jamaica's restrictions. The standard period of approval was one year, however. Furthermore, the Executive Board had already drawn attention to the issue of the unification of the exchange rate. The Deputy Managing Director and Mr. Kafka had given convincing arguments and explanations, and the staff representative had made a reassuring distinction between the commitment and the use of Fund resources. For all of those reasons, he tended to be reinforced in his view that there was no need to amend the language of the proposed decision. Nevertheless, the authorities should perhaps be urged to adopt a faster pace of reduction of external arrears, if possible. However, he understood that the decision in that respect was linked to the decision on the multiple currency practices; if that link could be broken, he would support Mr. Kafka's plea for an approval period of one year for the multiple currency practices.

The staff representative from the Exchange and Trade Relations Department, in response to the Chairman's question as to whether the external arrears could be eliminated by the end of 1984, noted that the Government of the Dominican Republic was currently discussing the issues relating to its arrears with its creditors. To the extent that agreement was reached, a much faster elimination of the existing stock of arrears would take place. It was worth noting that the commitment on the part of the authorities to reduce arrears by about $100 million was certainly a minimum. He would argue for giving the authorities the flexibility needed to proceed with the current negotiations, because if agreement was reached on a refinancing loan, the payments arrears would disappear, whereas if no agreement on a rescheduling materialized, the undertaking to reduce arrears by $100 million would stand, and the authorities would have to use their own resources to meet that commitment.

The Chairman commented that Mr. Taylor had perhaps had in mind the possibility of an increased effort on the part of the Dominican authorities themselves to accelerate the pace of reduction of arrears over and above the $100 million commitment, and irrespective of a rescheduling operation.

The staff representative from the Exchange and Trade Relations Department remarked that while it would certainly be possible to offer encouragement to the authorities to reduce arrears at a faster rate, it might not be advisable to try to change the commitment that had been negotiated in that area, because it had been based on what seemed feasible given the foreign exchange flows in prospect. Furthermore, on the occasion of the review to be held within the coming six months, the situation with respect to arrears could be assessed. It was the commitment to eliminate the arrears that was essential; the pace at which they would be eliminated, though important, was not a major element of the program but represented rather a technical feature of it.

Mr. de Vries noted that there was clearly agreement on the objective of exchange rate unification; the manner in which it was achieved should be left to the authorities. He had taken note of Mr. Kafka's view that the only way to unify the exchange rates and to achieve a realistic rate was through the parallel market.

Mr. Finaish said that he supported Mr. Kafka's position on the proposed decision.

Mr. Erb commented that, in light of Mr. Kafka's statement and the explanation of the staff representative, and because it was the first year of the program that was under discussion, in contrast to the case of Jamaica where the program had been nearing an end, he would be willing to accept the proposed decision without amendment and to see how the authorities succeeded in meeting the objectives that had been set.

Mr. Delgadillo and Mr. Portas also said that they could accept the proposed decision without amendment.

The Chairman made the following summing up:

There was broad agreement with the thrust of the views expressed in the staff appraisal of the report for the 1982 Article IV consultation with the Dominican Republic. Directors emphasized the need to strengthen the public sector finances, to generate savings in order to finance the planned increase in public investment expenditure, and to reduce the overall public sector deficit to a manageable level. Directors warmly welcomed the determination of the authorities in carrying out the package of tax measures included in the program for the first year of the extended arrangement with the Fund, and particularly the enactment of the 6 per cent general sales tax earlier than had previously been considered feasible. They also strongly supported the emphasis put by the authorities on the reduction in current expenditures. Directors noted with concern, however, that a large proportion of the public sector deficit originates in the public enterprises, including the State Sugar Company, and stressed the importance both of the rationalization of expenditures in these enterprises and of the adjustment of public sector tariffs and prices.

Directors welcomed the increased flexibility in interest rate policy, and in particular the recent action to introduce a new high-yield financial instrument. They noted the intention of the authorities to keep under review the adequacy of this instrument and that of the entire interest rate structure.

Directors also welcomed the increased flexibility in the management of the exchange rate. However, some Directors referred to the operation of the recently introduced exchange certificate and wondered about the extent of the incentive granted to the exporters. Several Directors regretted the lack of a specific commitment on the part of the authorities to unify the foreign exchange markets, and urged them to undertake such a commitment with a firm timetable as soon as possible. In this context, the Board attached great importance to the authorities' stated objective of attaining equilibrium in the official exchange market by the end of the program period. This aim should be accompanied by a substantial simplification of the exchange system, including the timely elimination of the existing multiple currency practices. The need to reduce and eliminate arrears in external payments at a faster pace than foreseen in the program was also stressed, and some concern was expressed on the buildup of external debt and the level of the debt service in the latter years of the program.

Finally, several Directors discussed the medium-term policy approach adopted by the Dominican authorities to stimulate investment and growth and to restore external equilibrium. They stressed that the structural, suppy-side policies should be spelled out in greater detail, and noted that the World Bank and the IDB had not yet appraised the country's public investment program. Some Directors believed that a one-year or two-year stand-by arrangement might have been more appropriate, but could go along with the extended arrangement on the specific understanding that detailed policies and measures for the second and the third years of the program would be worked out as soon as possible between the Dominican authorities and the Fund with the collaboration of the World Bank.

The Executive Board then took the following decisions:

Exchange Measures Subject to Article VIII

1. The Fund takes this decision relating to the Dominican Republic's exchange measures subject to Article VIII, Sections 2 and 3, and in concluding the 1982 Article VIII consultation with the Dominican Republic, in the light of the 1982 Article IV consultation with the Dominican Republic conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. The Dominican Republic maintains restrictions on the making of payments and transfers for current international transactions, and multiple currency practices, as described in EBS/82/239. The Fund encourages the Dominican Republic to continue the simplification of its multiple currency practices with a view to the early unification of its exchange rate, and approves the restrictions and multiple currency practices until the end of the first year of the extended arrangement, or the next Article VIII consultation, whichever is the earlier.

Decision No. 7305-(83/15), adopted
January 21, 1983

Extended Arrangement

1. The Government of the Dominican Republic has requested an extended arrangement for a period of three years from January 21, 1983 in an amount equivalent to SDR 371.25 million.

2. The Fund approves the extended arrangement set forth in EBS/82/239, Supplement 1 (1/26/83).

3. The Fund waives the limitation in Article V, Section 3(b)(iii) of the Articles of Agreement.

Decision No. 7306-(83/15), adopted
January 21, 1983

Purchase Transaction - Compensatory Financing Facility

1. The Fund has received a request from the Government of the Dominican Republic for a purchase of SDR 42.75 million under the Decision on Compensatory Financing of Export Fluctuations (Executive Board Decision No. 6224-(79/135), adopted August 2, 1979).

2. The Fund approves the purchase in accordance with the request.

3. The Fund waives the limitation in Article V, Section 3(b)(iii).

Decision No. 7307-(83/15), adopted
January 21, 1983

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/83/14 (1/14/83) and EBM/83/15 (1/21/83).

4. ACCESS TO FUND ARCHIVES

The Executive Board approves the proposal set forth in EBD/83/13 (1/13/83).

Decision No. 7308-(83/15), adopted
January 18, 1983

5. APPROVAL OF MINUTES

The minutes of Executive Board Meetings 82/98 through 82/101 are approved. (EBD/83/15, 1/14/83)

Adopted January 20, 1983

6. EXECUTIVE BOARD TRAVEL

Travel by Executive Directors as set forth in EBAP/83/18 (1/14/83), EBAP/83/20 (1/14/83), EBAP/83/21 (1/14/83) and Cor. 1 (1/17/83), EBAP/83/22 (1/17/83), EBAP/83/23 (1/17/83), EBAP/83/24 (1/18/83), EBAP/83/25 (1/19/83), and EBAP/83/27 (1/19/83) is approved.

7. STAFF TRAVEL

Travel by the Managing Director as set forth in EBAP/83/19 (1/14/83) is approved.

APPROVED: June 24, 1983

LEO VAN HOUTVEN
Secretary