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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 83/149

10:00 a.m., October 24, 1983

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

Executive Directors	Alternate Executive Directors
A. Alfidja	J. K. Orleans-Lindsay, Temporary
	L. E. J. M. Coene, Temporary
	X. Blandin
	J. Delgadillo, Temporary
R. D. Erb	
M. Finaish	
	T. Yamashita
J. E. Ismael	Jaafar A.
	L. Leonard
	D. I. S. Shaw, Temporary
	C. Robalino
	G. Grosche
	C. P. Caranicas
	A. S. Jayawardena
	J. E. Suraisry
	A. A. Agah, Temporary
	T. de Vries
	K. G. Morell
	O. Kabbaj
F. Sangare	E. I. M. Mtei
M. A. Senior	
J. Tvedt	
N. Wicks	T. A. Clark
Zhang Z.	Wang E.

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

Also Present

B. Legarda, Consultant. African Department: O. B. Makalou, Deputy Director; D. S. Ballali, E. L. Bornemann, J. A. J. Bove, E. S. Calamitsis, N. Calika, F. d'A. Collings, S. E. Cronquist, C. N. Egwim, Y. Fassassi, J. M. Jimenez, J. W. Kratz, R. P. Kronenberg, B. A. Sarr, J. D. Simpson, A. C. Woodward. Exchange and Trade Relations Department: W. A. Beveridge, Deputy Director; S. J. Anjaria, K. M. Huh, S. Kanesa-Thasan, D. A. Lipton. Fiscal Affairs Department: J. Diamond, W. R. Mahler. IMF Institute: C. Adjei-Yeboah, Participant. Legal Department: Ph. Lachman, J. V. Surr. Personal Assistant to the Managing Director: S. P. Collins. Advisors to Executive Directors: S. R. Abiad, E. A. Ajayi, C. J. Batliwalla, L. K. Doe, S. El-Khouri, H.-S. Lee, W. Moerke, Y. Okubo. Assistants to Executive Directors: H. Alaoui-Abdallaoui, H. A. Arias, R. Bernardo, M. Camara, M. B. Chatah, R. J. J. Costa, M. Eran, C. Flamant, I. Fridriksson, G. Gomel, V. Govindarajan, D. Hammann, C. M. Hull, J. M. Jones, H. Kobayashi, J. A. K. Munthali, G. W. K. Pickering, E. Portas, M. Rasyid, A. A. Scholten, Shao, Z., N. Toe, J. C. Williams.

1. SEYCHELLES - 1983 ARTICLE IV CONSULTATION

Executive Directors considered the staff report for the 1983 Article IV consultation with Seychelles (SM/83/175, 8/5/83; and Sup. 1, 10/11/83). They also had before them a report on recent economic developments in Seychelles (SM/83/176, 8/15/83).

Mr. Morrell made the following statement:

The Seychelles is a small island economy with a population of only 65,000 living on 443 square kilometers, of which only half is arable. It has a climate and geography ideal for tourism, an industry that it has promoted and developed following construction of an international airport back in 1971. Tourism and related activities account for two thirds of GDP and one third of formal employment, but tourism has been suffering as a result of factors largely beyond the authorities' control.

My authorities have welcomed the opportunity provided by the consultations to discuss recent developments in the Seychelles economy, and have been looking forward to receiving the views of the staff and the Board. Regrettably, my authorities feel that the reports do not reflect fairly their responses to recent economic developments in the Seychelles, and they are unsure of the specific guidance being offered by the staff on some points. I hope that our discussion today will clarify some of these issues.

The report carefully documents the constraints facing the tourist industry, but does not always appear to take them fully into account when making its judgments. In this and other areas, my authorities are concerned that the Board is not being given a correct picture either of the difficulties that they are confronting, or of the measures, faltering as a few of them may well have been, taken to correct these problems. They find particularly unfortunate the use of strong statements and expressions of judgment which convey to the reader an incorrect assessment of the situation.

By way of example, my authorities consider that they did not adopt a program of diversification away from the tourist sector (page 2, line 17) which was certainly not in a "state of virtual collapse" (bottom of page 8). To contend that the public sector "appeared out of control" is, in their view, far too sweeping a statement to be applied to the operations of the Government. I have noted and am heartened that the supplement to the staff report goes some way toward clarifying the situation. Nonetheless I am bound to say that I share some of my authorities' concerns about the tone of the staff report. The language used tends to detract from rather than enhance the effectiveness of the staff's analysis.

My authorities believe that, in comparing Seychelles with "many competing tourist destinations" (page 18, lines 1-13), the staff has accorded less than due weight to the unfortunate events of November 1981 and August 1982 and to the near-crisis that faced them when two major carriers, British Airways and Lufthansa, decided to terminate their flights from major tourist markets in Europe. These had to be contended with over and above the impact of world recession and the rapid rise in long-distance air fares. The Report has characterized the expansion of the service of Air Seychelles as a "risky approach," especially given the expected continuance of a weak balance of payments and low foreign reserves (page 18, lines 20-24). At the same time, the report sounds skeptical of the use of charter services, which are described as unlikely to bring about an increase in tourist income (page 18, lines 9-11). In the present situation, my authorities wonder what alternatives the Government has, given the large weight of tourism-related activities in the economy. In their view, the Government has taken a calculated but necessary risk with the Air Seychelles venture. This move was taken only after the second international carrier had decided to withdraw from Seychelles, thereby improving the prospects of Air Seychelles becoming viable. To allow the industry and a large part of the economy to come to a standstill before taking any action would have entailed immense costs, including those of restarting the sector.

Observations on page 3 (lines 1-9), page 18 (second paragraph) and page 19 (third paragraph) relating to the costs in the tourist industry and the rate of exchange, and the brief discussion of the real effective exchange rate of the rupee (last paragraph on page 5) have left my authorities with little idea of the recommended direction of policy in this area. Exchange rate action, which appears to be hinted at, can hardly be of singular import in turning around tourism performance when almost half the inputs into the Seychelles tourism sector are imported. Such action should, of course, have a beneficial impact on the level of imports not related to tourism.

With reference to costs the report (page 2, second paragraph) states that the "...Government promoted a rapid increase in wages (leading to a rise of 245 percent between 1978 and 1981)." Later (at page 19, paragraph 1), the staff notes that the success in containing wages since 1981 "...has offset, to some degree, the very high increases that were granted previously." Yet reference to SM/83/176 on pages 15 and 16 indicates that the wage increase referred to was for the statutory pay levels for the lowest-paid workers. Average earnings for all workers in formal employment increased by 97 percent between 1977 and 1982, with that for government workers rising by 54 percent. While these increases were certainly in excess of the rise in the cost of living, they are not as extreme as the report implies.

There is reference on page 3 to the overall deficits of the parastatals rising rapidly from SR 22 million in 1979 to SR 98 million in 1982. This deficit, however, represents a financing gap for both capital and current purposes, and, to some extent, has been caused by the conversion of certain loss-making departmental enterprises into parastatals. For electricity and water, tariffs were raised in 1981 and 1982, respectively. As noted in the supplement to SM/83/175 (page 2, second paragraph), bus fares have recently been raised steeply. The authorities accept fully the suggestion of the need for a continuous review of prices charged by parastatals and will implement this. The exercise of including the parastatals in the overall financial framework of the pubic sector, obviously a necessary step, awaits the arrival of a fiscal affairs expert from the Fund. Although overall supervision and control of the parastatals has not been all it could be, it is clear that access to bank and budgetary finance has been tightly controlled for at least the past 12 months.

In recent months, the Government has taken several measures aimed at reducing the deficit of the public sector while at the same time strengthening the balance of payments as set out in SM/83/175, Supplement 1 (page 2, paragraph 2). Measures taken in June-August alone will bring down the deficits a further 0.4 percent to 12.7 percent of GDP in 1983 from 16.3 percent in 1982. The effect of the various revenue measures taken will be even more significant in their first full year of operation.

As pointed out in the supplement, this adjustment is expected to lead to a significant fall in required bank financing. This was already evident by the end of July when growth of NDA of the banking system fell to 3 percent of the initial money stock for the 12 months ended July 1983, compared with an expansion of nearly 8 percent at the end of March 1983. In August 1983, the cash reserve ratio was raised from 7 percent to 10 percent.

With respect to earlier monetary developments, my authorities are concerned that references in the staff report give a false impression of their readiness to act. For example, on page 15 in the final paragraph, it is said the "...monetary policy has been largely accommodating until the end of 1982...." Later, on page 16, in the first paragraph, there is a reference to "The November 1982 credit measures." However, as is confirmed in the first paragraph on page 48, in SM/83/176, the authorities took a number of actions in August and September 1982, including suspension of a priority sector refinance scheme, strict supervision of all bank credit to the parastatals, and increases in the reserve requirement ratio applied to banks. By March 1983, these measures had already had a significant impact on constraining the growth in credit to the parastatals.

It is noteworthy that interest rates remain substantially positive in real terms, and that inflation is running at extremely low rates. Thanks to a high degree of concessional loan finance, the debt service ratio is low, but is rising quite rapidly.

In sum, the Seychelles appears to be a country traditionally (but by its own making) reliant on tourism that has been seriously affected by developments in the world economy and exacerbated by particular local incidents. On the strength of the tourist boom in the late 1970s, the authorities embarked on a program of social and structural reform, which, with the benefit of hindsight, was more than the country could afford. However, the Government has recently made concerted efforts to revitalize the tourist industry, and has also taken significant steps in the fiscal and monetary field. It is said that it is willing to take further measures if they prove necessary, and, judging by the degree of remaining imbalances in the economy, this may well prove to be the case.

Although unfortunately lacking the benefit of first-hand experience, I believe that the report of the 1983 Article IV consultation with the Seychelles does not give adequate credit for the efforts made by my authorities in addressing the problems that they face. The effectiveness of the staff analysis of the difficulties being encountered by my authorities would have been enhanced, in my view, by more careful use of language. This is not to deny, however, that imbalances remain to be corrected.

Mr. Leonard noted that the staff report on the small island economy of Seychelles was of interest to his chair both for its own sake and for the sake of points of relevance to similar economies in the Caribbean. Obvious similarities were the high degree of economic dependence on a single activity or a few major ones, high exposure to world economic trends, and the understandable temptation for governments to go as far and as fast as possible in the direction of economic development and social advance, often with insufficient attention to the inevitable strains on the fabric and the underlying strength of the economy.

Points made by Mr. Morrell in his statement had helped to offset some of the comments in the staff report, Mr. Leonard observed. Nevertheless, it was clear that the development of the Seychelles economy, undertaken for good and sufficient reasons and in directions to which there were few if any realistic alternatives at present, had run into serious problems. They were manifest in the mounting public sector deficits experienced for some years past, adverse balance of payments trends, a dwindling capacity to earn foreign exchange, a swollen public sector, and--not least--a high rate of unemployment. The staff report was at some pains to make it clear that the authorities were aware that action was needed to put the economy to rights. Efforts were being made to put tourism on a firmer basis; to expand agriculture and curb the trend toward the general consumption of imported foodstuffs that had marked the growth of tourism; to bring about a modest expansion of the industrial base; to get the public finances back on track; to put the parastatal sector into better shape by reducing overmanning, adopting sounder pricing policies, and improving management; and to move to a more sustainable current external deficit. Those efforts were all steps in the right direction. They could be supported as elements of the required policy response to Seychelles' difficulties.

Moreover, Mr. Leonard continued, the action taken was already showing some results as recorded in the supplement to the staff report. Regrettably, progress so far had been modest as, for instance, in the recovery of tourism and in the revenues derived from it, and in the reduction of the overall budget deficit. The large element of official grants and private capital in inflows of external funds, and a debt service ratio that was consequently low, could add to confidence in the ability of the economy to recover from the present imbalances and move toward positive and sustainable growth.

It seemed likely that growth in the future would be less marked than in the 1970s, Mr. Leonard remarked. Even discounting the element of risk involved in what was being done to bring in more tourists, the structural, management, and training changes necessary to put the sector on a strong competitive footing would take time to effect. It was also inevitable that tourism receipts would vary with world economic conditions. As correctly pointed out in the staff report, therefore, the pace of economic progress was in large part outside the scope of the authorities' influence. It was right that they should seek to redress that weakness by trying to turn around the decline in agriculture and to develop fishing, manufacturing, and mining. It was advances in those and other fields of production that would determine the future well-being of the islands. It was not clear from the staff report whether or not enough was being done by way of incentives to producers to bring about those advances. But, without them, and even if fiscal and financial balance were restored, it would be possible to claim only partial success in the overall management of the economy.

Mr. Blandin mentioned that, as pointed out in the staff report, the tourist sector in Seychelles accounted for about half of GDP, over two thirds of foreign exchange receipts, and one third of total employment. The opening of the international airport in 1971 had somewhat reduced the islands' isolation and given rise to a rapid growth of the tourist sector, but the narrowness of the market remained the major disadvantage because it entailed higher transportation costs and higher input costs than in other competing tourist destinations. When account was taken of the high import content, which could reach 60-70 percent, it was not surprising that tourism in Seychelles was expensive. Nevertheless, the useful comparison in Table 7 of Appendix I to SM/83/176 showed that Seychelles' price competitiveness was better than could be expected. As for tour packages, Seychelles had a competitive edge with respect to Mauritius, and, if it was a little more expensive than Sri Lanka and Kenya, that was to a great extent due to differences in air fares.

The decline in tourist arrivals following the peak reached in 1979 had therefore to be related to factors other than price competitiveness, Mr. Blandin considered. The first factor was the world economic crisis, compounded by the rapid increase in air fares, which had also affected tourism in Mauritius and Kenya. Another factor, more specific to Seychelles, was the lack of trained personnel, resulting in a low standard of service, and poor management by some foreign owners. Finally, the attempted mercenary invasion in 1981 had beyond any doubt had a negative impact on tourism, as reflected in the poor results in 1982. Since then, the Government had implemented a number of measures, which had already had some effect, as illustrated in SM/83/175, Supplement 1, with tourist arrivals expected to reach 60,000-65,000 in 1983, about 30 percent more than in 1982.

Consequently, Mr. Blandin commented, there was some room to doubt whether it was still necessary to review the exchange rate further, as advocated by the staff, in order to improve the performance of the tourist sector. In his view, the revaluation of the Seychelles rupee in 1981 had had positive effects in bringing down the inflation rate to negative levels in 1982 and 1983. A devaluation would be damaging, since imports represented more than 50 percent of GDP and about 70 percent of costs in the tourist sector. The immediate effect would be to rekindle inflation. Foreign tour operators might not pass on to their clients the very small reduction that would occur in purely local costs. It would be more appropriate to raise the productivity of workers in the tourism sector rather than try to reduce real wages, which were in fact rather low, taking into account the high cost of living.

As for the fiscal situation, Mr. Blandin continued, it was true that the financing requirements of public sector enterprises were responsible for a major part of the central government deficit--about 60 percent--but he wondered to what extent those requirements were the counterpart of productive and well-selected investments carried out by some of the public enterprises. If that was in part the case, there should be less reason for concern about the financing requirements, at least to the extent that transfers to public enterprises were equal to the amount of net foreign financing. He was, of course, convinced of the need for reducing the budget deficit and for improving the financial performance of public enterprises. He therefore welcomed the measures, detailed in the supplement, that had recently been put into place by the Government and that went in the right direction, even though the overall budget deficit would be reduced only marginally. Further action would certainly prove necessary to improve the performance of parastatals, including better accounting and budgetary practices, and adequate pricing policies.

The medium-term prospects of the Seychelles economy seemed rather encouraging, Mr. Blandin noted. Apart from tourism, there was still great scope for development, agricultural production was increasing steadily, and self-sufficiency in fruit and vegetables could be achieved soon. The potential for fishing was enormous, and experience had shown the best ways of exploiting the resources of the sea. Furthermore, exploration for oil might prove successful. Consequently, the future was not dim, even though a few years of relative austerity and a slowing down of the investment effort might prove necessary in order to narrow the external financing gap and the balance of payments deficit to more manageable and more financeable levels, pending the full exploitation of Seychelles' potential.

Mr. Orleans-Lindsay considered that it was generally recognized that the economy of Seychelles was highly dependent on tourism, which accounted for about 50 percent of GDP, about 20 percent of employment, and contributed at least a quarter of government revenue and approximately 50 percent of foreign exchange earnings. The economy was thus greatly influenced by exogenous developments over which the authorities had no control. The global recession and the sharp increases in air fares had been major factors in that respect. The unfortunate events of 1981 and 1982, to which Mr. Morrell had referred, had also taken their toll; economic performance had deteriorated in both those years, when real growth had been negative and the balance of payments had come under severe pressure.

It appeared from the supplement to the staff report, as well as from Mr. Morrell's statement, that the Seychelles authorities were responding positively to the domestic financial disequilibria and balance of payments pressures that the developing island economy had been facing, Mr. Orleans-Lindsay continued. In that connection, the immediate policy objectives of the authorities--to revitalize the tourist industry, to promote exports, to reduce the financial imbalances of the public sector, and to solve the unemployment problem--were quite appropriate. He endorsed the view that the revival of the tourist industry was the key element in any program for economic recovery in Seychelles. The progress made by the authorities in reducing costs in the industry, and the effect on the number of tourist arrivals, was thus commendable. But in view of the weakness in the balance of payments position and the overall financial imbalances in the public sector, the authorities should be encouraged to direct their efforts at implementing policies that would generate more tourist income. The recent action to lower the turnover tax on tourism-related activities and the abolition of the airport tax should help to strengthen the competitive position of the tourist industry.

In the nontourist sector, the authorities had made some progress in aiming for an expansion of agricultural output, which had resulted in the demand for certain food items being virtually met, Mr. Orleans-Lindsay noted. Positive steps had also been taken, especially relating to producer pricing policies, to stimulate the growth of the main agricultural exports, copra and cinnamon. Measures to create the necessary incentives for increased production in the agricultural sector should therefore form part of the price reviews that were urgently required in order to eliminate price distortions in the economy.

In conclusion, Mr. Orleans-Lindsay considered, the Seychelles authorities had fully recognized the dangers of the high dependence of their economy on tourism and the problems created by the rapid expansion of the public sector. They had made courageous attempts to reverse the deteriorating situation, but they should persevere in their attempts to adopt further comprehensive measures in order to reduce financial imbalances in the public sector and to eliminate further pressure on the balance of payments.

Mr. Agah observed that the general structure of Seychelles' economy, with its heavy dependence on tourism, made the country highly vulnerable to adverse fluctuations in the world economy. While Seychelles had recorded extremely high rates of real economic growth in the 1970s, in parallel with the expansion of tourist activities, it had perhaps been more affected by the world recession than other competing destinations for tourists, considering the long distance to the islands and the substantial increase in air fares in 1979-80. The situation had been further exacerbated by serious political disturbances in Seychelles, largely in the exogenous form of mercenary invasions, and the termination by two major carriers of flights from important tourist markets.

The rapid expansion of tourist activities had in addition resulted in the emergence and intensification of various economic distortions, the adverse effects of which had to some extent been offset by high real rates of growth in the 1970s and a relatively comfortable external position, Mr. Agah went on. Those distortions included in particular a significant transfer of labor from the agricultural sector, greater dependence on imports, the expansion of the demand for labor, goods, and services, and a decline in agricultural activity and exports. Consequently, the fall in receipts from tourism, which had started in 1979-80, had resulted in large public sector and balance of payments deficits. More important, the need for a deep-seated structural adjustment had become clear, going beyond the scope of the reforms implemented by the authorities shortly after taking power in 1977. Those reforms had been directed mainly toward social equity and had aimed--appropriately--at economic diversification in order to limit the dependence of the economy on tourism. The authorities had had little success however in achieving domestic and external adjustment, and had been unable to prevent the general deterioration of the economy, with a considerable contraction of real GDP, an overall public sector deficit of 16.3 percent of GDP in 1982, and an unsustainable deficit on current account of 30 percent of GDP in 1982.

In that connection, a number of structural weaknesses and the scope of the economy had limited the authorities' room for maneuver, Mr. Agah noted. A good example of structural weakness seemed to be the large and inefficient public enterprise sector, whose considerable expansion had had somewhat less to do with the authorities' socially oriented policies than with the need to supply services and maintain businesses abandoned by the private sector. Parastatal organizations had become so dependent on support from the government budget, and had so increased their recourse to bank financing, that no sustainable adjustment effort would seem to be possible in Seychelles without a major streamlining of public enterprises and an improvement of their financial position.

With more specific reference to the authorities' adjustment efforts in the past 12 months, Mr. Agah expressed understanding of Mr. Morrell's feelings about the tone of the staff report, which had only partly been balanced by the supplement circulated more recently. Indeed, the imbalances in Seychelles' economy remained great and were perhaps hardly sustainable in the medium term. However, despite tremendous social, economic, and political constraints, the authorities' adjustment measures had recently resulted in commendable progress in revitalizing the tourist industry, in reducing the current account deficit on the balance of payments and public sector imbalances, in improving the financial position of many parastatal organizations, and in significantly reducing the needed bank financing.

It was encouraging to note from Mr. Morrell's pertinent statement that the authorities in Seychelles were aware of the enormous adjustment effort that had to be made and that they were in fact implementing, within the real constraints on the country, important measures and policies that were not inconsistent with the staff recommendations, Mr. Agah concluded. It was particularly encouraging to note that the authorities considered their recent action as only an initial step, and that they were willing to take additional measures if necessary. But it was clear that the correction of present imbalances depended as much on economic recovery in Seychelles' main tourist markets as on the authorities' adjustment efforts, while stabilization in the longer term could be ensured only through greater diversification of economic activity and exports. To that end, it was the responsibility of both the staff and the Executive Board to be constructively critical of the shortcomings of any member country and to consider all factors, including external ones beyond the control of authorities, especially those of smaller countries.

Mr. Jayawardena noted that Seychelles offered an example of an economy heavily dependent on one sector, and one of recent origin, namely, tourism. But the world recession and political instability arising from external invasions had seriously affected the economy. More balanced development, or economic diversification, was called for, not in any extravagant manner but simply to prevent serious distortions. There seemed to be scope for expansion in agriculture, fishing, and other fields of domestic production.

In that connection, he had been interested in the statement at the beginning of the staff report that the new Administration had adopted, since 1977, an ambitious program for diversifying the economy away from tourism, and of establishing greater social equity, Mr. Jayawardena observed. It would be helpful to learn how important the need for social equity was, especially when per capita income was about SDR 1,000 a year. In particular, he would like to know what constraint the emphasis on social equity had imposed on the diversification of the economy.

Finally, in commenting on Mr. Morrell's interesting statement, Mr. Jayawardena noted that it was indeed quite possible to be carried away into making sweeping statements that were neither appropriate in the fields of economics and finance nor conducive to smooth relations between a member's authorities and the Fund. Therefore, it was important that a cooperative institution of nearly 150 member countries should take care to show sympathy and understanding in the judgments that it made, particularly those dealing with small economies.

The staff representative from the African Department, commenting on Mr. Morrell's remarks on the staff report for the 1983 Article IV consultation with Seychelles, explained that the language used in the report expressed the staff's concern at the economic and financial trends in Seychelles as exemplified by large public sector and balance of payments deficits, and the perception that the policy response had been delayed and had been inadequate to deal with the disequilibria in the economy. As Mr. Morrell had recognized, an effort had been made in the report to document the constraints faced by the tourist industry. In comparing trends in Seychelles with those in competing destinations, the staff had concluded that many other destinations had done better in absorbing external shocks. Comparisons had also been made to check the trends in the purchasing power of foreign exchange in those competing destinations. All of the countries compared were similar to Seychelles in that they imported a significant proportion of the inputs needed for the tourist industry, and that they were long-haul tourist destinations. The analysis showed that, whereas competing destinations had faced moderate reductions in tourist arrivals and financial difficulties in the tourist sector, the decline in tourism activities in Seychelles had been far greater, with a fall in the number of visitors of 40 percent and in hotel occupancy rates of 42 percent between 1979 and 1982. The extent of the disinvestment in Seychelles also stood out, with the Government's taking over an important part of the infrastructure as a last resort. The cutback in access by air to Seychelles had reinforced the perception of the situation by the tourist industry.

The expansion of air services by Air Seychelles was of concern to the staff because the Government of Seychelles was being required to provide a guarantee in the form of a bond to cover the cost of each flight prior to its departure, the staff representative added. The cost of the guarantee would be about the equivalent of 0.5 percent of estimated government revenues per flight in 1983. Had the venture appeared profitable, such a financial requirement would probably not have been requested by the partner airline, which moreover was deriving considerable benefits from being allowed to service the East African market, an objective that the airline in question had sought for a number of years. The staff's judgment was also based on the fact that, although a considerable number of large and reputable European tour companies were prepared to accept seat allocations in the Air Seychelles flights, none of them was prepared to guarantee the allocations, a common practice. Thus, it had appeared to the staff that the conditions of the arrangement resulted in the Seychelles Government's taking all of the financial risks at a time when it was facing large overall public sector deficits. Although the charter arrangement in effect had not yielded high expenditures per tourist, in part because of the present inadequacies of ancillary tourist services, the risks in charter ventures were considerably smaller because they were borne by the tour operators.

During the 1983 consultation mission, as well as in previous consultation missions, the staff had held the view that the exchange rate policy followed was having a detrimental impact on the tourist industry, the staff representative recalled. The extent of any adjustments would however need to take into account the fall in the real effective exchange rate since the 1981 revaluation and the impact of price controls on the trend of prices. In the staff report for the 1982 Article IV consultation, it had been pointed out that, upon coming to power in 1977, the Government had sought to diversify the economic base. As late as 1982, the National Development Plan had had the objective of arresting the current downward trend in income by diversifying the economy through placing greater emphasis on agriculture and fisheries, while at the same time rationalizing the traditional income-generating sectors, particularly tourism. The staff's comments on the diversification of the economy away from tourism had been made in an historical perspective. But it should be noted that the policy had been reassessed, and, as reported on page 9 of SM/83/175, the Government's immediate policy objectives included the revitalization of the tourist industry.

It had also been pointed out in the staff report for the 1982 Article IV consultation that wages had increased by 245 percent between 1978 and 1981, the staff representative said. As in the staff report under discussion, the lowest wage indicator had been used to measure wages because the overwhelming proportion of workers, in the tourist sector and in export industries, were paid on the basis of the minimum wage. The statistics on average earnings for all workers, to which Mr. Morrell had referred, were heavily influenced by an increase in part-time employment in recent years and were based on surveys using questionable data collection procedures.

In reviewing the public sector accounts, the staff representative continued, the staff mission had had access to the files on the public enterprises maintained by the Treasury and to some of the files of the public enterprises themselves. The mission had noted that the accounts of enterprises were not available on a comparable basis, that those accounts that had been submitted were incomplete, that many were preliminary, and that final accounts in many instances differed markedly from the preliminary accounts. Therefore, the staff view was that the available information on overall developments in the public sector was not only not readily available but also could not be assembled. Without such information, the question inevitably was how the Central Government could control developments in public enterprises. As a proxy, the mission had developed below-the-line accounts for the public sector, since most of the financing flows were identifiable. It was those accounts that had provided for the first time in Seychelles a record of the financing of the overall deficit in the public sector. The accounts were reproduced in Table 2 of the staff report, and they indicated that in 1982 the public sector deficit had risen to the equivalent of more than 16 percent of GDP, compared with less than 8 percent in 1979.

The rapid growth in the deficit could not be accounted for by the conversion of certain loss-making enterprises into parastatals, as the accounts were a consolidation of the government budget with the public enterprises, and an improvement in the Government's budget would offset the losses of the rest of the public sector, the staff representative explained. The Seychelles authorities had expressed the view that an important part of the deficit was the result of increased capitalization of public enterprises, an issue raised by Mr. Blandin. The amount of the investment however could not be isolated, nor were there any indications of the rate of return generated on investment in public enterprises. The staff's view was that an overall deficit of the size sustained in the period from 1981 through 1983 was unsustainable; it also felt that the measures undertaken recently by the authorities, although they represented a step in the right direction, would not bring about the necessary adjustment because their net impact on the public sector on a yearly basis would represent less than 1 percent of GDP. It should also be noted that a fiscal expert provided by the Fund had been stationed in Seychelles during part of that period, but his warnings about the trend of public finance had not always been heeded.

In response to Mr. Blandin's questions about the possibility of further exchange rate action, the staff representative said that, according to the information received by the staff, companies offering tours to long-haul destinations like Seychelles operated on small profit margins, out of which they financed their promotional budgets. In fact, discussions with representatives of the tour companies had revealed that the meager profits generated in Seychelles, because of the domestic cost component, had prevented the generation of the necessary promotional budgets. Although wage rates might appear to be low in relation to the high cost of living, they had risen rapidly from 1978 to 1981, and the staff view was that real wage rates were out of line.

The public sector deficits and the financing requirement of public enterprises had reached levels that were unsustainable, the staff representative commented, particularly with the constraints on the balance of payments that had become tighter every year since the decline of the tourist industry.

The policy of social equity had been largely one of rapidly increasing the minimum wage rate, the staff representative explained. The authorities had sought to minimize the difference between those parts of the population with the lowest and the highest earnings. As shown in the report on recent economic developments, there had also been a major increase in social security benefits beginning in 1981.

As for incentives to agricultural producers, the staff representative from the African Department concluded, many of the efforts of the authorities to promote production were on the institutional side. To a large degree, producer prices had not been altered and in many cases remained low in comparison to the wages that could be earned in other activities.

Mr. Morrell remarked that he was not denying the existence of real problems in Seychelles; while some action had been taken, more measures were probably necessary. His concern had simply been that the tone of the staff report had made it more difficult than necessary to impart that message.

The Air Seychelles venture, despite the possibly heavy risks, was nevertheless understandable for a country so dependent on tourism that it had no alternative but to protect its livelihood, Mr. Morrell considered. Moreover, Seychelles represented only a small part of the tourist world, and international carriers could not be expected to take on too great a risk themselves. In comparing the number of tourists visiting Seychelles with those going elsewhere during the recession, Directors should note that external factors, such as the mercenary invasion, had not affected the performance of the other countries.

It was unusually interesting to note the well-developed social security system of a country of the size and with the income level of Seychelles, Mr. Morrell commented. The beliefs of the Government were obviously reflected in that system.

There were both imbalances and strengths in the Seychelles economy, Mr. Morrell reiterated. Monetary growth had been modest, high real interest rates had been maintained for some time, and there had of course been no inflation. The banking system was relatively efficient, and a number of banks had overseas connections. Some of the tools were thus in place to exercise control over the availability of credit to the parastatals, although, as the authorities themselves acknowledged, there was insufficient direct control of those enterprises.

The Chairman made the following summing up:

Directors noted the adverse effects of developments in the tourist sector and large public sector deficits on the overall economy since 1981. Directors observed that while the role played by exogenous factors--such as the impact of world recession on tourist demand and the sharp increase in long-distance airfares--had contributed significantly to the deterioration of the economy, policy response had not always been as prompt or adequate as desirable. Directors remarked on the need to maintain the competitiveness of the tourism sector in order to resume economic growth. In this regard, Directors welcomed measures taken recently by the Government to improve the tourism sector and noted with satisfaction the restoration of price stability in the Seychelles.

Underlining the need to restore domestic financial stability, Directors considered recently taken fiscal revenue and expenditure measures as steps in the right direction and stressed that great caution should be exercised in public investment expenditure. Clearly, additional fiscal measures will be needed to bring the public sector deficit to a more sustainable level. Directors also welcomed the Government's announced plans for eliminating inefficiencies in the public sector by correcting distortions in relative prices, by bringing fees in line with the cost of services, and by scaling down operations or closing down non-profitable parastatals.

In light of present difficult trends in the tourism and export sectors, Directors underlined the need to broaden through appropriate incentives the economy's productive base, particularly in agriculture and fishing, and to take additional adjustment measures in order to reduce the balance of payments deficit to a sustainable level.

It is expected that the next Article IV consultation with Seychelles will be held by December 1984.

2. GHANA - REVIEW UNDER STAND-BY ARRANGEMENT

The Executive Directors considered a staff paper on a review under the stand-by arrangement for Ghana (EBS/83/223, 10/7/83; Cor. 1, 10/20/83; and Sup. 1, 10/21/83).

The staff representative from the African Department said that additional information had been received since the supplement had been issued, indicating that the consumer price index in Accra had shown a decrease in absolute terms of about 17 percent over the three months from July to September, due entirely to a fall in food prices. It would be recalled that there had been significant food shortages early in the year, partly related to the drought. With the new harvest, food prices had decreased greatly.

Mr. Kabbaj submitted the following statement on behalf of Mr. Salehkhou:

My Ghanaian authorities are grateful to the staff for the quality of the report on this first stand-by review with Ghana, and for the assistance provided to them in implementing and monitoring the program. They are in broad agreement with the report analysis and staff appraisal.

Last August, the Executive Directors had the opportunity to examine Ghana's recent economic developments, as well as its medium-term prospects for recovery and adjustment under the new program supported by a one-year stand-by arrangement. While Directors were generally impressed by the decisive attitude of the authorities and the scope of their adjustment efforts, some expressed concerns with respect to particular elements of the stand-by arrangement and to large uncertainties related to the impact of the far-reaching measures implemented and to some of the program's main assumptions, particularly in the light of the magnitude of imbalances and distortions experienced by Ghana's economy in recent years.

My Ghanaian authorities largely concurred with such concerns and, although some uncertainties remain after this first review of the program, they believe that the overall performance has been to a great extent satisfactory and encouraging during the first months of the stand-by arrangement. This review has also reaffirmed, in my view, the authorities' resolve and commitment vis-à-vis adjustment, as they implemented all the measures of the program and even advanced the timetable for implementing certain key measures. They have also adopted, in cooperation with the staff, additional measures aimed at countering the program's shortcomings and achieving its initial objectives. As a matter of fact, this is quite apparent from the additional information circulated last Friday, which shows the responsible attitude of the Ghanaian authorities toward the implementation of the required policies in order to enable them to attain a balanced economy despite social and political constraints.

Considering the comprehensiveness of the staff report and the recent examination of Ghana's economy by the Executive Board, I will limit my remarks to the progress achieved in implementing and monitoring the principal measures of the program.

External policies

The downward revision of the projected current account and overall balance of payments deficits is the result of lower than expected trade movements and of a slow disbursement of resources in the pipeline. Imports have been below initial projections, as uncertainties related to the new exchange system and other obstacles did not encourage importers to immediately use import licenses issued to them. Besides its adverse effect on the recovery of economic activity, import shortfalls also affected government revenues and thus necessitated additional fiscal measures and a revision of the projected budgetary deficit.

However, the prospects of external adjustment in the last part of 1983 have improved markedly since the adoption of the stand-by arrangement as the authorities have implemented or accelerated the implementation of measures designed to ease uncertainties and other bottlenecks. The most important action is undoubtedly the abolition of the bonus and surcharge system and the unification of the exchange rate, nine months ahead of the program deadline, which introduces further flexibility to the system and removes its various administrative complexities, while depreciating further the weighted average exchange rate by 21.5 percent in the light of inflation rate differentials between Ghana and its major trading partners. Furthermore, transportation bottlenecks, which imposed constraints on importers, are being eased, thanks in part to the reconstruction import credit provided by the World Bank. Finally, the authorities persuaded commercial banks to reduce from 100 percent to about 20 percent the deposit margin that they have been demanding since the depreciation of the exchange rate.

Despite the favorable impact of these measures on the current account position, which should also benefit from the expected recovery of cocoa, mining, and timber, foreign assistance will remain crucial in ensuring the success of the program and sustaining Ghana's adjustment effort in the medium term. In this regard, the Ghanaian authorities are grateful to the staff of both the Fund and the World Bank for their assistance in preparing the Consultative Group meeting scheduled for late November 1983, which--they expect--will strengthen their adjustment program. They are also grateful to the various countries whose governments have expressed their support for the donors' conference to be organized under the auspices of the World Bank. In such circumstances, a clear picture of the economic prospects for 1984, particularly with respect to financing the projected balance of payments deficit, could only be drawn after the second review mission in early December.

The authorities have reduced external arrears on payments and transfers by $29 million over the program target for the end of August 1983. They also intend to continue their cautious external management policy and avoid contracting loans that would accentuate the debt service burden.

Financial policies

Despite a large shortfall in revenues due mainly to the reduction in projected imports and to lower than expected economic activity, there has been no increase in the Government's recourse to the banking system, which remains within the program ceilings. Indeed, the authorities largely compensated for the revenue shortfall by adopting further cuts in current and development expenditures and covering the ₵ 0.8 billion increase in the overall revised deficit through financing from IDA's Reconstruction Import Credit. Thus, it was possible to agree on subceilings on government borrowings from the banking system for the end of October and of December 1983, which are set only marginally over the original indicative targets to allow for the remaining uncertainties related to some revenue measures. Furthermore, a contingency plan has been prepared by the authorities to deal with any unexpected adverse development in the fiscal area.

With regard to monetary and credit policy, no major adjustment was necessary, as developments are largely within the original targets. On the other hand, in line with program provisions, the authorities decided a substantial adjustment in the structure of interest rates, which have been raised by 35 percent to 40 percent effective October 10, 1983; they also intend to take further action to ensure positive real interest rates in the future.

Price and income policies

Performance in the area of pricing has been largely in line with the program's objectives: using producer prices as an important incentive for increasing domestic production, and implementing a large price deregulation and a full passthrough to domestic prices of higher import costs. Such a passthrough for petroleum products would, however, be implemented only gradually and thus would involve a government subsidy of ¢ 1 billion for 1983. It should be noted in this regard that the subsidy will remain within the program target despite the acceleration of the process of exchange rate unification and the resulting new depreciation of the cedi. With regard to wage and salaries, despite the doubling of the minimum wage, the average increases awarded government employees, as well as public enterprises and private sector workers, have remained within the program targets.

In conclusion, I believe that, despite remaining uncertainties, the prospects for a successful implementation of Ghana's program and for attainment of its main targets are even stronger now than at the time that the Board approved the stand-by arrangement, particularly since the authorities have demonstrated their ability to monitor developments under the program closely and their willingness to implement additional measures promptly whenever necessary. Thus, the authorities largely deserve the continued assistance and support of the Fund.

Mr. Wicks said that he endorsed the staff appraisal and supported the proposed decision. The importance of Ghana's program went beyond the confines of the member country for which it was designed, and served as an example to some of the Fund's other African members whose economies were in similar straits because of reluctance to take effective adjustment action. He commended the Ghanaian authorities for the progress that they had made so far, especially for the reunification of the exchange rate nine months ahead of schedule, and for the reduction of arrears beyond the level required in the program. The program was broadly on track and it was encouraging that there had been no requests for waivers.

Fiscal policy remained vital for any sustained improvement in the economy, Mr. Wicks considered. The authorities' response to the considerable revenue shortfall that had recently become evident had been timely and appropriate. It was not surprising that there had been some error of forecasting, with domestic revenues having been projected almost to triple in 1983. The adoption of the contingency plan of emergency revenue measures and expenditure cuts had struck him as sound fiscal practice, which would apparently be maintained for the rest of 1983.

Interest rates would need to be raised to positive real levels, and the latest increase in rates was a welcome step toward that goal, Mr. Wicks continued. Even so, real interest rates would be significantly negative in both 1983 and 1984. He hoped that there would be some prospect of positive real interest rates when the Executive Board next reviewed the program. Perhaps the recent reduction in the consumer price index for Accra would have implications for the timing of the move to positive real interest rates.

The higher domestic cost of imports needed to be passed through into final consumer prices as the effects of the devaluation were felt in the economy, Mr. Wicks added. Therefore, he welcomed the increases in the prices of petroleum products, beer, and cigarettes, as mentioned in the supplement to the staff paper.

The system of export bonuses and import surcharges, which had been introduced in April, had been more successful than his authorities had expected, Mr. Wicks remarked. It was a credit to the administrative expertise of those implementing what appeared to be a rather cumbersome system that it had indeed proved to be a success. Nevertheless, it was fortunate that the Ghanaian authorities had decided to unify the exchange rate earlier than anticipated and at a rate that seemed realistic at the moment. With inflation continuing strong, however, the authorities would do well to ensure that competitiveness was not eroded, which might require further exchange rate adjustments before too long. It was not altogether clear to him from the staff paper whether the cedi was pegged to the U.S. dollar or to a currency basket, or whether it was floating freely within certain margins.

As for external policies, Mr. Wicks continued, the reduction of arrears beyond the level required by the performance criteria should not only help to ease the availability of finance for ordinary trading purposes but also, by inspiring confidence, hasten the day when commercial capital would flow more freely into Ghana. He recalled that, during the Board's discussion in August, he had stressed the role that direct investment could play in a country as well endowed with natural resources as Ghana, and he did so again. The World Bank had just produced a report on Ghana's long-term prospects, and its policies and programs for adjustment. The Bank foresaw three broad phases of development in the Ghanaian economy: the present phase of stabilization, the rehabilitation phase, and lastly a liberalization and growth phase.

The interesting summary of the prospects for Ghana at the beginning of the World Bank report had prompted some reflections in his mind about the contributions of the two Bretton Woods institutions in such cases, Mr. Wicks noted, although that was a topic for another day. For the time being, he would observe that the World Bank appeared to relegate initiatives to encourage private sector investment to the long term, namely, to the third phase of development. But Ghana exported timber, gold, diamonds, and other minerals, all of which were eminently tradable commodities, and he wondered whether there was not scope for the authorities to bring forward to an earlier stage of development any plans that they might have for encouraging private direct investment. Much of the capital structure in those industries already existed and only needed rehabilitation, so that the productivity of new investments should be high.

Finally, Mr. Wicks commented that the staff and the Ghanaian authorities were no doubt already thinking about the possibility of a follow-on program, assuming that the Fund had the necessary resources to support it. Certainly, the economy required restructuring over the medium term, as had been made clear in the World Bank's paper. The economy had contracted substantially in the late 1970s and early 1980s, with the average real income of Ghanaians having dropped by one third during the decade from 1970 to 1980. Some radical changes for the better had been made in policies, and there would inevitably be a lag before their effects could be reassessed. Indeed, the World Bank paper indicated that the phase of economic rehabilitation of the Ghanaian economy would take from three to four years. Although his authorities still had an open mind, they would need to be convinced that the best way for the Fund to support the balance of payments adjustment efforts of Ghana in future would be through a three-year extended arrangement rather than through a series of one-year stand-by arrangements.

Mr. Leonard remarked that there was much that was encouraging in the review by the staff of the stand-by arrangement for Ghana. The review showed that the authorities were determined to put the economy on a sound footing through the application of long-overdue reforms, both those that had been initiated before the stand-by had been approved and those that had since been put in train. Furthermore, not only was the timetable of adjustment being observed, but, in some of its elements, it was being improved upon. Finally, the authorities were showing themselves ready to take contingency action should it prove necessary and, perhaps even more surprising, to make advance preparation for such action.

The summary of the policy measures in the program and of the progress in implementing them, presented in Table 3 of EBS/83/223, was most useful, Mr. Leonard said. In his view, two developments of recent months merited particular attention. First, the actions taken on the exchange rate were commendable because, as expected, they had put an end to the system of bonuses and surcharges, and to the system of multiple rates. The move to a unified rate had been accomplished nine months ahead of schedule, so that a depreciation of the currency of 1,000 percent had been effected since April 1973, a considerable achievement by any standards. Further, the authorities had stated their intention of maintaining a flexible exchange rate system in the future, an attitude that was clearly realistic in view of Ghana's high current rates of inflation relative to its major trading partners. The recent price developments mentioned by the staff representative offered some encouragement. Second, the authorities had moved promptly and vigorously in reducing expenditures in the face of lower tax receipts from imports. The revenue effect of the poor outturn for imports had been a severe test of their commitment to the Fund program, and their quick response justified confidence in their perseverance.

If the implementation of the immediate program were the only matter of concern, Mr. Leonard continued, the Executive Board could be fairly well satisfied. But despite the good grounds for confidence in what was being undertaken, it was necessary to look to the medium-term prospects for the economy. As was to be expected, the primary area of sensitivity was the balance of payments. For purposes of the present review, an elaboration of the balance of payments projections contained in the staff paper on the request for a stand-by arrangement (EBS/83/140, 7/7/83) would have been most useful. In that paper, the debt service ratio had been projected as more than doubling by 1984 when, excluding Fund charges and repurchases, it was to have been close to 40 percent and, with those charges and repurchases, almost 50 percent. The prior commitment of external earnings represented by such high ratios constituted a potentially tight constraint on future economic management. The improvement in the economy and in export performance that were generally expected to follow from the policies of reform would have to be sustained for several years ahead. Thus, developments would need to be watched closely, and he urged an updating of the data on external payments, which would also be useful for the forthcoming donor meetings. He hoped that information on future aid flows would be available at the time of the second review. It might also be worthwhile to explore the possibility of defining an aid gap to help in assessing the value of the contributions by donors.

The reference in the staff paper on the review to the hesitancy of the pickup in imports earlier in 1983 prompted the thought that there might be an element of overkill in the rigor of the adjustments being made, Mr. Leonard commented. On a closer reading, however, particular factors, a number of them on the supply side, seemed to have been responsible, underlining once again the medium-term nature of Ghana's problems and the need to ensure that full attention was given to dealing with them within the well-conceived macroeconomic framework being established. No doubt that consideration would be borne in mind by the group of donors in their forthcoming meeting. The Executive Board itself might note particularly the observation by the staff that, despite progress made to date, the administrative capacity of Ghana to implement and monitor the progress of the program needed to be strengthened. Surely the Fund should stand ready to give technical assistance in that area.

Although he had mentioned certain qualifications, Mr. Leonard remarked, the process of adjustment envisaged in the program was being actively pursued by the Ghanaian authorities. He could fully support the proposed decision.

Mr. Ismael observed that the Ghanaian authorities deserved commendation for having met the performance criteria for end-August 1983 and for having implemented some important elements of the adjustment program considerably ahead of time. They had cut the expenditure budget quite sharply in response to the revenue shortfall, so that the budget deficit for 1983, although still larger than the original estimate, was showing a decline from 1982 both as a percentage of GDP and in absolute terms.

He was particularly encouraged to note that, after decreasing rapidly in the past three years, the share of capital expenditures in the total government budget for 1983 had been allowed to rise, suggesting that the burden of restraint had been placed more on current spending, Mr. Ismael remarked. That approach would be crucial for the longer-term objective of achieving self-sustained economic growth in Ghana because available data indicated dissaving in the government sector over the past five years. Calculated on the basis of the excess of current expenditures over total revenues, government dissaving as a percentage of GDP had amounted to some 2.7 percent in FY 1980/81 and 3.2 percent in calendar year 1982. The dissaving had accounted to a large degree for the generally poor performance of domestic savings and economic growth in Ghana in recent years. Therefore, he underscored the need for the authorities to continue the tight restraint of current expenditures in a way that would not seriously impair the effectiveness and adequacy of public services.

The recent decision to raise interest rates by 30-40 percent was also a step toward the achievement of the more realistic levels that were essential to the mobilization of private savings and the development of a well-functioning financial market, Mr. Ismael observed. Realistic interest rates were also important for an efficient allocation of financial resources among alternative investments, favorable capital flows, and domestic price stability. However, considering the relatively high rate of inflation to be expected in 1983--and probably in the following year or two--the nominal increases so far announced by the authorities were clearly far from adequate to achieve meaningful results. To have a significant impact on financial and monetary developments, further increases leading to positive interest rates were needed.

Another welcome step taken by the authorities was the speeding up of the reform in the exchange system by the unification on October 10, 1983 of the multiple exchange rates into a single rate, implying a 21.5 percent devaluation, following the substantially larger devaluation earlier in the year, Mr. Ismael went on. Together with other strong fiscal and monetary measures, that action should contribute to the strengthening of the external sector by way of stimulating exports, depressing import demand, and restoring the confidence of foreign creditors and investors in the Ghanaian economy. However, the large devaluation, alongside recent substantial increases in domestic oil prices, would tend to accelerate inflation. Had such a development already been anticipated in the staff's estimates of inflation rates, which had been put at 50 percent for 1983 and at 25 percent for 1984? In following up the reform, the authorities would do well to ensure that the gain in competitiveness the devaluations would not be dissipated too rapidly by changes in relative prices. To that end, they would have to show ingenuity to maintain a proper balance between flexible exchange rate management and demand management.

He was somewhat concerned about the ratio of external debt service to merchandise exports, Mr. Ismael said, although external debt as a ratio of GDP had been relatively low and decreasing, according to Table 2 of EBS/83/223. For 1984, the debt service ratio had been projected to reach the alarming figure of 35.8 percent, rising from 23.6 percent in 1983. The jump was expected to occur in spite of an estimated 37.8 percent increase in exports in 1984, and was apparently due mostly to service payments on short-term external debt. Given the burden of that debt on Ghana's balance of payments, the authorities had shown commendable discipline in refraining from short-term and nonconcessional borrowing; it was important for them to be aware that at the present stage they would have to rely more on concessional external assistance. The meeting of the Consultative Group of Ghana's traditional bilateral donors, to be organized under the auspices of the World Bank, would be of great significance; it deserved full support and assistance from the Fund. In conclusion, he registered his support for the proposed decision.

Mr. Tvedt commented that as only two-and-a-half months had passed since the Board had approved Ghana's request for a stand-by arrangement, it seemed almost premature to discuss the program again. Nevertheless, he welcomed the progress that had been made and the continued firm commitment of the authorities to carrying out the radical but essential policies adopted earlier in 1983. The Executive Board discussion in August had clearly reflected the expectation that the restoration of a realistic exchange rate and satisfactory price incentives would lead to a strong recovery of production. However, the response of the various sectors to totally new circumstances would be largely determined by the faith of the population, not only in the new policies but, probably even more, in the ability of the Government to implement them. It could not be overlooked that the economic policies of recent years had left much to be desired and that the problems had been compounded by abrupt changes in leadership and direction, all of which was likely to have discouraged the people and perhaps to have suppressed their response to economic incentives. Therefore, he wondered how successful the authorities had been in gathering support for their new policies and whether any effort was under way to inform the population about the implications of those policies.

As for the program itself, Mr. Tvedt reiterated that he welcomed the strong policies adopted, as well as the speed with which some of them were being implemented. For instance, he was quite encouraged by the prompt action in the exchange rate field, because he believed that the swifter and more decisive the measures, the likelier they were to be successful. It would be important to monitor movements in the real exchange rate closely in the period ahead to prevent slippages and a return to unrealistic rates.

The ability of the authorities to adjust public expenditures in the face of lower than expected revenue was quite remarkable, Mr. Tvedt went on, but as such measures were bound to be painful, the importance of making the overall policy credible to the population must be further underscored. The lower than expected imports, which were largely responsible for the shortfall in government revenue, were of some concern; unless the bottlenecks were relieved soon, it might become difficult to realize the expected increase in production, and the program might falter.

He supported the general thrust of monetary and credit policies, Mr. Tvedt added, and welcomed the recent increase in interest rates. At the same time, he admitted to being uncertain about what appropriate interest rates would be in present circumstances. Yet the recent increase was a correct move and was in harmony with the overall policy approach.

Even if the present and subsequent programs were successfully implemented, Ghana would clearly be in an extremely tight situation for a long time, Mr. Tvedt noted. The debt service burden would rise sharply and remain high for several years to come. It would therefore be of the utmost importance for the Government to follow, over an extended period, policies conducive to growth and external balance. In that connection, he emphasized the important role that the World Bank could play in restoring the economy. Furthermore, if the initial policies were successfully implemented, and if the authorities designed a strong medium-term plan, Ghana would probably be able to attract more development aid. The country was rich in resources; through appropriate policies, the authorities should be able to exploit them and bring Ghana back onto a strong development path.

In closing, Mr. Tvedt observed, as Mr. Wicks had done earlier, that the program was important for both Ghana and the Fund. Its successful implementation would depend on the resolve of the authorities, external financing and technical aid, favorable natural conditions, and a healthy revival of world economic activity. At the present time, it was possible to judge only the authorities' initial measures, and their commitment as reflected in their letter of intent, both of which merited financial assistance by the Fund. Therefore, be supported the proposed decision.

Mr. Grosche said that he was in broad agreement with the staff appraisal. He welcomed the authorities' commitment to implementing fully all the measures of the adjustment program, and even to going further where slippages were likely. For instance, as noted by the staff in Supplement 1 to EBS/83/223, the authorities had announced new tax measures that could compensate for lagging receipts, due in part to lower than expected imports. He had been particularly impressed by the recent decision to advance the unification of the exchange rate and to devalue the cedi again quite substantially. The unified exchange rate system eliminated the complexities of both the bonuses and surcharges applied and the multiple rate structure. He hoped that those bold steps would produce positive results quickly and thus convince the people of Ghana that what were certainly unwelcome measures were nevertheless well-taken ones.

Despite the authorities' commitment and the progress made so far, much remained to be done, Mr. Grosche continued. He joined the staff in its concern about the lack of administrative capacity, the low overall output, particularly of foodcrops, and the financing of the balance of payments gap. Ghana would continue to experience difficulties in raising nonconcessional credit in the world's financial markets, and other methods of external finance would be needed. In that connection, he welcomed Mr. Wicks's remarks on direct investment. The improvement on the current account, which had been helped by the involuntary reduction in imports, might easily be reversed when conditions changed. Perhaps the staff could elaborate on prospective developments in the external accounts. In the scenario depicted in the staff papers submitted to the Executive Board in August, current account deficits were expected for a number of years to come, with obvious repercussions on debt service.

The realignment of the interest rate structure was definitely a step in the right direction, Mr. Grosche stated. However, with the consumer price index increasing at rates well over 20 percent, interest rates were not yet sufficiently high to contribute to the necessary buildup of domestic savings. To conclude, he expressed support for the proposed decision.

Mr. Alfidja said that, in welcoming the review of the one-year stand-by arrangement approved for Ghana on August 3, 1983, he joined other Directors in congratulating the Ghanaian authorities for their courageous determination to implement strong adjustment measures and for the commendable progress that they had made so far. It was encouraging to note that, during the first few months of the program period, the authorities had carried out all the measures scheduled under the program.

The key measure in the adjustment program was the reform of the exchange rate system, Mr. Alfidja noted. The authorities had demonstrated their commitment to implementing the program by further devaluing the cedi by some 22 percent through the unification of the exchange rate nine months ahead of the program deadline. It was a courageous step that confirmed the authorities' determination to manage the exchange rate in a flexible manner so as to ensure the competitiveness of the economy.

The authorities had also fulfilled their undertaking to review the structure of interest rates by making upward adjustments in the rates, Mr. Alfidja added. That action was a first step in the right direction.

In line with the strong emphasis being placed on restoring fiscal balance, Mr. Alfidja continued, the authorities had reinforced their adjustment measures by further cutting expenditure because the revenue outturn under the 1983 budget had fallen short of projections. Given the low level of economic activity and the uncertainties of revenue receipts from imports, the recent action taken to improve the revenue position was commendable. The authorities should be encouraged to continue under the program to improve the procedures relating to imports, on which a large proportion of revenue depended. Further efforts should be made to improve the overall supply situation by rationalizing the importation of essential inputs to increase domestic production as well as to satisfy demand for essential consumer goods.

As a further step in pursuing more flexible pricing policies, Mr. Alfidja commented, the authorities had rightly decided to remove the subsidy on petroleum products gradually by adjusting prices to the exchange equivalent at which crude oil was imported. That was another welcome development.

He endorsed the Ghanaian authorities' intention to strengthen their administrative capacity to implement and monitor the program, Mr. Alfidja said, thereby giving foreign aid donors more confidence in the ability of the authorities to pursue further adjustment efforts, not only in the short term but also in the medium term, for which priorities and policies had been formulated. Ghana's ability to sustain its far-reaching adjustment measures in the future would depend crucially on the response of donors at the forthcoming Consultative Group meeting to be held under the auspices of the World Bank. The country faced a great challenge, which it could meet successfully only with external financial assistance. Ghana's policies for strengthening its overall financial position deserved continued Fund backing, and he supported the proposed decision.

Mr. Sangare recalled that the Executive Board's recent discussion on Ghana had revealed the firm determination of the authorities to bring their economy back on an even keel. For that purpose, they had adopted difficult adjustment measures in the framework of a tough program. All the agreed measures had been implemented during the first few months of the program, proof once again that the authorities were committed to redressing the imbalances in their economy. In the course of implementing the program, however, there had been a number of unexpected adverse developments, which had slightly altered some of the objectives. The authorities, without delay, had responded to those developments to ensure that the program remained on track. In many instances, keeping it on track had meant adopting even more painful measures than had previously been envisaged.

In the difficult area of the exchange system, Mr. Sangare continued, the authorities had been bold and realistic in their decision to abandon the complex multiple exchange rate system and adopt a unified one with a further depreciation of the cedi. When it was recognized that the official exchange rate had been ₵ 2.75 per $1 in April 1983, it became clear that, at the new rate of ₵ 30 per $1, the distortions in the economy were being adequately tackled.

The exchange rate action had been supplemented by an interest rate adjustment of 35-40 percent, which he hoped would help to mobilize more savings and to bring about an efficient allocation of resources, Mr. Sangare went on. The Ghanaian authorities had also done well in their pricing and income policies. A flexible policy was being applied in setting prices for a number of nonfood products, including domestic manufactured goods. As a result of price liberalization, food prices had risen drastically, but, following the recent fairly good harvest, many food prices had recently fallen to about one third of their mid-1983 levels. For example, the price of maize had dropped from ₵ 300-350 to ₵ 50-70 per "American tin." The Government was also moving toward the elimination of subsidies on petroleum products.

Despite those achievements, more remained to be done in other crucial areas, Mr. Sangare observed. The main problem facing Ghana in the recent past had been the poor inflow of imports. There had been considerable delays in imports, and the actual import figures had been revised downward by 16 percent. While that situation had contributed to a lower figure for the trade deficit as a whole, it might engender some distortions in the functioning of the economy. The staff report had made allusion to the low level of economic activity resulting from the slower than expected flow of imports during the second quarter and part of the third quarter of 1983. Shortfalls in revenue had emerged because of the authorities' inability to generate substantial receipts from import duties and sales taxes on imports. Receipts from company, excise, and other taxes on domestic goods had also fallen short of earlier projections. However, the Ghanaian authorities had reacted properly to the problem, not only by scaling down expenditure to live within the agreed fiscal deficit, but also by stepping up efforts to rehabilitate the transportation sector and thereby improve the flow of imports and by prevailing upon the commercial banks to ease import financing.

Export receipts had picked up considerably, Mr. Sangare noted. An upward revision of 4 percent had been made for exports of cocoa, for which a higher producer price--₵ 600 per headload compared with ₵ 60--had been paid. However, with the massive depreciation of the cedi, he was not sure that that price increase was adequate. He noted that neither gold nor timber exports had done well, causing total exports to fall 6 percent below projections. He hoped that the Ghanaian authorities would give due consideration to the problems underlying the shortfall in exports of those two commodities. To that end, and to ward off the effects of bad weather in 1983 on the balance of payments, Ghana should seek more bilateral external assistance. It was his hope that donors would respond positively in order to permit the authorities to achieve a sustainable economic recovery. Meanwhile, he commended them for their efforts, and he urged them to carry out the planned additional reductions in arrears.

As Mr. Wicks had recalled, Mr. Sangare said, his chair had stated during the Executive Board's consideration of Ghana's request for a stand-by arrangement that the program should not be allowed to fail, and he had expressed the hope that its success would be an example to some other economies that were in similar straits because of reluctance to take effective adjustment action. He believed that that earlier statement remained pertinent, and would therefore re-emphasize his interest in a close follow-up of the program; the staff should be sure that it detected any deviations in time to facilitate prompt corrective action, if necessary by coming to the Board.

Finally, Mr. Sangare noted that the program was progressing satisfactorily, and that economic recovery appeared to be gaining momentum. Thus, he reiterated his support for the proposed decision.

Mr. de Vries gave his full support to the proposed decision. As had already been observed, the program had been carried out with great determination. He had taken note of the budgetary action, as well as that on interest rates, although he counted himself among those who would like to see further increases in interest rates. He welcomed the unification of the exchange rate, especially the indication that a flexible exchange rate policy would be pursued. A number of important results had been obtained, but there were still many uncertainties, as noted in the staff appraisal. He hoped that the Ghanaian authorities would decide on their course for the future once the result of the meeting of the Consultative Group became known and an assessment could be made of the effects of the drought on Ghana. It would be helpful to have some further clarification of the timing of the staff's second review mission.

The question was what to do in the medium term, Mr. de Vries continued. He was not sure whether the Fund had a clear idea of the role that it should play--if it had any role at all--after carrying out interventions in an economy that might be likened to surgery. The Fund had not been designed for that purpose, but the serious situations that had developed in many member countries over the past decade had led it to assume that role. Perhaps what was needed was a policy of referring countries to other agencies, once the more drastic action had been taken. Meanwhile, other measures were possible; as Mr. Wicks had indicated, there were peculiar opportunities for direct foreign investment in Ghana.

Mr. Finaish said that the Ghanaian authorities were to be commended for the bold and speedy measures they had taken since the approval of their stand-by arrangement with the Fund. He noted in particular the recent unification of the exchange rate, which had originally been planned to take effect at the end of the adjustment program, as well as the measures relating to interest rates, the pricing of petroleum products, and the reduction in external arrears. The authorities' commitment to the program and their determination to correct the economy's imbalances had also been manifested in their prompt response to the fall in government revenue below the level projected in the 1983 budget. As a result of expenditure cuts, the revenue shortfall of about ₵ 2 billion would lead to only a marginal increase in the bank-financed deficit. As for the demand for bank credit by the private sector, the analysis in the staff paper pointed to an increase in the first part of 1983, due to a projected rise in imports and the peaking of financing requirements for cocoa exports during the same period. It would be useful if the staff could provide further information on whether the currently reduced bank liquidity would still be adequate to provide the necessary financing.

Since all the performance criteria stipulated in the program had been met, and the recent measures taken by the authorities were satisfactory, Mr. Finaish stated. He could fully support the proposed decision.

At the same time, he noted the urgency with which the staff had expressed the need for Ghana's adjustment effort to be supported from other sources, and he hoped that additional support would be forthcoming. The Fund for its part might also explore the possibility of assistance to Ghana in strengthening its administrative capacity to implement and monitor the adjustment program. The situation would continue to be difficult for some time to come, and it would therefore be useful if the staff could comment on the interesting question, raised by Mr. Wicks and Mr. de Vries in particular, regarding the medium-term outlook.

Mr. Erb said that he was in agreement with the staff appraisal and could support the proposed decision. Like others, he was pleased to note that the program was broadly on track and that the Ghanaian authorities had accelerated action on the exchange rate system.

As he had stated in the Executive Board's initial discussion of the program, Mr. Erb continued, it remained an open question when a sustainable balance of payments position would be achieved, and what policy adjustments were needed to achieve it. Thus, he had been disappointed to find that the staff had not expanded on the medium-term analysis presented in its previous paper; such an analysis would have been helpful for the present discussion and useful for the upcoming Consultative Group meeting.

A theme that came through clearly in the staff paper on the review, Mr. Erb commented, was that the unknowns and uncertainties associated with Ghana's adjustment effort were many, thus underscoring the wisdom of providing for two comprehensive reviews under the arrangement. The determination and flexibility shown by the authorities in adapting their policies as necessary to changing circumstances encouraged him to believe that the adjustment effort could indeed succeed.

The decision formally to unify the exchange rate at ¢ 30 per $1 was welcome, Mr. Erb remarked. It was imperative that the authorities follow that action through by changing prices so that the effect of the devaluation was fully passed on. Petroleum prices still contained a large subsidy element. He hoped that the authorities would adjust prices to eliminate subsidies in the coming months. He also looked forward to a more thorough analysis of the importance of the new exchange rate on the supply side of the economy in the next review. Such an analysis would assess the appropriateness of the new rate and the procedures for adjusting the exchange rate to changing circumstances over time.

It would also be helpful, Mr. Erb said, if the staff could comment on the possible need for the authorities, as well as for all other sources of development assistance, to reorient development investments so that they more directly supported the short-term structural adjustments that could flow from the exchange rate and pricing changes already made. In particular, as suggested by other Directors, the question was to identify the potential bottlenecks that could dissipate the beneficial effects of the exchange rate change and how they could be eased. In addition, he agreed that the Ghanaian authorities should take steps as soon as possible to remove any disincentives to foreign direct investment.

Fiscal developments had turned out to be more difficult than expected, Mr. Erb noted, essentially owing to the impact of the delayed pickup in imports. Since the reduction of the fiscal deficit had been less than originally envisioned, he was concerned with the possible impact on money and credit; in fact, there had been a slight upward revision in both net domestic assets and claims on the Government for 1983.

As for interest rates, Mr. Erb shared the feeling expressed by other Directors that the latest adjustment did not go far enough. He thus encouraged the authorities to address the matter at the time of the next review. In that connection, he had noted from Table 2 that the ratio of domestic savings to GDP had declined from an average range of 4-6 percent during 1978-80 to a negative ratio during 1983 and that it was expected to remain negative in 1984. The conditions that might help to raise the savings rate over time deserved greater attention in future staff analyses.

In sum, Mr. Erb concluded, welcome progress had been made so far in pursuit of the adjustment effort. He looked forward to obtaining a better understanding of Ghana's medium-term balance of payments prospects at the time of the next review.

Mr. Suraisry said that it was encouraging to observe that the performance so far under the stand-by arrangement had been successful. The quantitative performance criteria for end-August 1983 had been met. Just as important, the authorities had accelerated the process of exchange reform by unifying the exchange system as of October 10. He commended the authorities for that important achievement.

He had noted the authorities' determination to keep domestic bank borrowing by the Government broadly in line with the original targets of the program, Mr. Suraisry added, despite the adverse budgetary effects of lower than expected imports and early exchange rate unification. That was clear evidence of the seriousness of the authorities' commitment to adjusting.

Although significant progress had been made, the economy continued to face severe domestic and external imbalances, Mr. Suraisry stated. It would have been useful if the staff had said more about recent developments in the real sector of the economy. However, it appeared that the authorities had no choice but to pursue their adjustment efforts vigorously over the medium term. That, among other things, would be essential to attract the required amount of support from the international financial community.

Finally, on a presentational matter, Mr. Suraisry remarked that it would have been helpful for purposes of comparison if the staff had provided revised estimates for the key financial variables for 1983 and 1984 alongside the original estimates. Where the revised estimates differed significantly, a brief explanation would be useful. To conclude, he supported the proposed decision.

Mr. Zhang expressed his full support for the proposed decision.

The staff representative from the African Department recalled that, at the time of the Executive Board's discussion in August, he had explained that the medium-term forecasts contained in the staff paper had been made by the staff in June and July, without benefit of discussions with the Ghanaian authorities or with World Bank staff. In the limited time available to the staff during its first review mission in Accra, it had been necessary to focus on the many immediate measures reflected in EBS/83/223. In addition, while the staff was in Accra, some of the Ghanaian officials and World Bank staff members had been doing preparatory work for the Consultative Group meeting; two sets of documents had been issued in the past week. The Fund staff had felt all along that it would be in a better position to update its own analysis after the meeting of the Consultative Group. As indicated in the staff appraisal, the staff intended to discuss its earlier forecasts with the Ghanaian authorities and with the World Bank staff and to make an effort to provide an updated version of the medium-term outlook in the paper to be prepared for the Executive Board following the second review mission.

In principle, the exchange rate was pegged to the U.S. dollar, the staff representative explained, but for practical purposes the staff had worked out with the Ghanaian authorities a system for continuously adjusting for the inflation differentials between Ghana and a group of countries. The basket used for the exercise gave a weight of 20 percent to the U.S. dollar, 25 percent to the pound sterling, 15 percent to the deutsche mark, and 40 percent to the French franc. The percentage for the French franc covered the French franc zone, including transactions with neighboring countries in that zone. As indicated in the letter of intent, exchange rate developments would be followed closely. The exchange rate was in fact a performance criterion for the second review. As there had been many comments on the exchange rate, the staff did not pretend that the recent exchange rate action had really solved the existing problem.

Interest rates were still negative at the present stage, the staff representative commented. For Ghana, the recent upward adjustment was a substantial first step, but like the exchange rate, the interest rate was a matter to be pursued further.

The increase in April 1983 in the producer price for cocoa had been for the 1983/84 crop, the staff representative said. Producer prices would be reviewed, along with other elements of the program, and the staff was confident that a further increase would be announced before end-May 1984 for the 1984/85 crop season. Early in 1984, the World Bank's export rehabilitation project would be in place, and a review of producer prices would be a performance criterion under that project.

The World Bank and the Fund had worked closely together in Ghana, the staff representative added. As Mr. Wicks had mentioned, the reports already issued by the World Bank were worth perusal. There were two even more interesting papers in preparation on the export rehabilitation project and a separate but connected project for technical assistance. He had been particularly impressed by the emphasis given by the World Bank to institutional improvements: conversion of the Cocoa Marketing Board into a commercial entity, the conversion of the Ghana Timber Board into an export promotion agency, and many measures to push decision making more toward the private sector or toward commercially oriented decisions. The substantial amount of credit earmarked by the World Bank for technical assistance--$14 million--augured well for the standing of four economic sectors: the cocoa industry and the timber industry, with the significant reorganization of the respective boards; the gold sector, with a substantial management contract for the state gold mine; and the ports of Tema and Takoradi. In response to Mr. Wicks's question about the timing of direct investment, he understood that the World Bank did expect the three phases of rehabilitation to overlap to some extent. For instance, there was already an interest in private investment in gold mining, including some participation by the International Finance Corporation, and there were similar prospects in the timber industry. He hoped, therefore, that the renewal of direct private foreign investment would not have to await the completion of the stabilization and rehabilitation phases.

In considering whether or not a rate of inflation of 50 percent for 1983 and of 25 percent for 1984 were still realistic estimates, the staff representative continued, Directors should keep in mind that the cost of living index in Ghana had been based in the past on market transactions. Therefore, a good part of the devaluation had already been reflected in price developments. Nevertheless, there had been sharp increases in prices for some items, such as petroleum products, which had an impact on the inflation rate. The flare-up in food prices had led to sharp increases in the cost of food in April, May, and June, but since then food prices had fallen substantially. For the time being, it was probably still realistic to forecast a rate of inflation in the neighborhood of 50 percent for 1983. As for 1984, the staff might be in a better position to make an estimate when it submitted a paper to the Executive Board in January of that year.

As suggested in the staff paper, there were two reasons for believing that the staff's forecasts for the expansion of credit were realistic, the staff representative noted. First, the cocoa crop season was somewhat later in 1983 than in earlier years, so that the peak for cocoa financing was more likely to fall in January, and possibly in February 1984, rather than, as was more usual, in December. Thus, the December ceiling for cocoa financing should be adequate and might not even be reached. Similarly, the delays in imports meant that the same held true to some extent of financing for importers. In general, financing for the private sector should be adequate.

It was difficult to attempt to answer Mr. Tvedt's question about the support that the Government was able to elicit from the population, the staff representative observed. A high priority had been attached by the present Government, especially after the events of the past few years, to being seen by the international community as a Government that lived up to its commitments. Indeed, in certain respects, the authorities had gone beyond their commitments in their letter of intent. Yet some of those commitments placed heavy burdens on the people. So far, the Government had been able to find the necessary support, but the time would come when the population would want to see the benefits of the policies. There was thus great pressure on the authorities to make progress, especially on the supply side, and the delays in imports had not made the task any easier.

It might be somewhat early to think about the course of action that Ghana should follow when the present program came to an end, the staff representative from the African Department considered. As Mr. Wicks had suggested, by the middle of 1984 it would probably be easier to judge whether Ghana's next program should be under a one-year stand-by arrangement or whether an attempt could be made to draw up a program under an extended arrangement. It had to be remembered that there were constraints on the ability of the Ghanaians to implement policy measures. The staff could vouch for the high qualifications of the people with which it dealt in Ghana, but there was probably not a sufficient number of them, especially at the middle levels. Once the staff had had a chance to study in detail the Ghanaian medium-term program and the policy proposals by the World Bank, following the consultative group meeting in November, it would be in a better position to see how best to fit in Fund support.

Mr. Kabbaj remarked that as he knew personally, from the almost five years for which he had followed Ghana's situation, first in the World Bank and then in the Fund, it had not been an easy task to put together the program. The progress being witnessed was all the more impressive, bearing in mind that the country had been on the brink of collapse only a few months previously.

On the positive side, Executive Directors had made several points, Mr. Kabbaj commented. First, there was the magnitude of the exchange rate action, and the unification of the exchange rate structure, which was all the more noteworthy in having been taken nine months ahead of the deadline in the program. The decisive steps to reduce external arrears by more than expected in the program had also been stressed. Second, the authorities had demonstrated an ability to adjust budgetary policies, on the expenditure as well as on the revenue sides. The third point was that decisive moves had been made to increase prices, and by huge amounts.

The praise had been greater than the criticism, which had been directed mainly at two elements, Mr. Kabbaj noted. First of all, mention had been made of the medium-term policies. As the staff representative had observed, it might be too early to put medium-term policies in place, because the authorities had been obliged as a first step to take bold measures to set up the program; they were not yet in a position to agree with the Fund on medium-term policies. For that purpose, in addition to coping with administrative shortcomings and some internal problems, the authorities would need in particular to know the results of the forthcoming Consultative Group meeting, to be held in November in Paris.

The second criticism was related to interest rates, Mr. Kabbaj observed. Interest rates had in fact been increased substantially in April 1983, in the framework of the Ghanaian economic and financial program, and a further adjustment of 35-40 percent had been made earlier in October. But inflationary pressures had abated since the adoption of the program. Furthermore, while the authorities had reaffirmed their intention to move gradually to positive real interest rates, they remained cautious about the impact of abrupt adjustments in interest rates on the recovery of economic activity and on a private sector that had not yet fully adjusted to the far-reaching reforms that had been launched. Taking the whole set of measures into consideration, he had no doubts about the authorities' commitment to the interest rate policy they were already following, and the time to fine-tune, or speed up its implementation had perhaps not yet arrived.

As Executive Directors had pointed out, Ghana still faced uncertainties, as the authorities well knew, Mr. Kabbaj said. If Ghana was to be helped in overcoming those uncertainties, three essential conditions would have to be met. First, a successful meeting of the Consultative Aid Group; if a country embarked on such important adjustment policies, it should be able to count on help from the international community in order to be able to persevere with external policies that would restore its standing in the international community. Second, the continuation of Fund support for Ghana; although the stand-by arrangement was for the maximum permissible amount, there were perhaps other ways of assisting the Ghanaian authorities, possibly by means of technical assistance in the administrative field. Third, the implication of the World Bank's role in the rehabilitation of the economy.

Finally, Mr. Kabbaj reiterated the strong commitment of the Ghanaian authorities to follow the type of policies being undertaken. Like Mr. Wicks and Mr. Sangare, he felt that Ghana could be an example for other African countries, and the Ghanaian program should not therefore be allowed to fail.

Mr. de Vries explained that in mentioning the timing of the second review mission, he had been seeking assurance that the staff would take the occasion to outline the measures that needed to be taken early in 1984.

The Deputy Director of the Exchange and Trade Relations Department remarked that the staff would have preliminary results of the Consultative Group meeting when it went to Accra in December, although the final figures might take a little longer to resolve. The agricultural situation should also be clearer.

The staff representative from the African Department added, in response to a question by the Chairman, that from a purely technical point of view, the task of the December meeting would be to set ceilings for March and June; so far there were only targets, which had deliberately not been changed in the paper on the present review. The mission would also have to look closely at the 1984 budget. Even though the stand-by arrangement would expire on August 2, 1984, the staff would have to work out an economic program in December for calendar year 1984, allowing perhaps for the possibility of revisions for the latter part of the year when a new program was negotiated.

Mr. de Vries explained that the point of his remarks had been to retain flexibility of action for the authorities, who had taken drastic measures without being able to foresee their precise outcome, and to ensure that the Fund's response was equally prompt. He was satisfied with the staff's explanation of how it intended to proceed.

The Executive Board then took the following decision:

> 1. Ghana has consulted with the Fund in accordance with paragraph 4(C) of the stand-by arrangement for Ghana (EBS/83/140, Sup. 1, 8/4/83) and paragraph 24 of the letter of intent signed by the Secretary for Finance and Economic Planning and the Governor of the Bank of Ghana dated July 7, 1983, attached to the stand-by arrangement, in order to reach understandings subject to which purchases may be made by Ghana under the stand-by arrangement.
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> 2. The letter dated September 30, 1983 from the Secretary for Finance and Economic Planning and the Governor of the Bank of Ghana shall be attached to the stand-by arrangement for Ghana as representing further understandings reached for the period until the second review, and the letter dated July 7, 1983 shall be read as supplemented and modified by the letter of September 30, 1983. Accordingly, the ceilings on net domestic assets of the banking system and net claims on the Government for end-October and end-December 1983 shall be in accordance with paragraph 6 of the letter dated September 30, 1983.

Decision No. 7548-(83/149), adopted
October 24, 1983

3. KENYA - REVIEW UNDER STAND-BY ARRANGEMENT

The Executive Directors considered a staff paper on the review under the stand-by arrangement for Kenya (EBS/83/219, 10/6/83).

The staff representative from the African Department observed that the proposed decision, as worded, would preclude Kenya from making its next purchase of SDR 28.2 million until data on credit for end-September were available, whereas the intention had been that Kenya should have the right to make the purchase immediately after the conclusion of the review of the stand-by arrangement. Paragraph 3 of the draft decision should therefore be amended by the addition at the end of the following words: "provided that the purchase of the equivalent of SDR 28.2 million can proceed on the basis of the observance of the credit ceilings for June 1983 and the conclusion of this review."

Mr. Sangare made the following statement:

I should like to express the appreciation of my Kenyan authorities for the positive manner in which the staff conducted the discussions to review progress on the implementation of the stand-by arrangement approved by the Executive Board on March 21, 1983. The staff report prepared on the review is clear in showing how the authorities have performed under the program to date, and the Board will note that all the quantitative performance criteria for March and June 1983 were met and in many instances exceeded. The staff has indicated that this performance has not been without cost, particularly as regards the dampening effect on economic growth.

The rate of real output growth fell in 1982 from 4 percent in 1981 to 2.7 percent, as against a target of 4.2 percent under the program. This reflected to a large extent the strong and decisive measures taken to reduce government expenditure, particularly as regards capital expenditure. In addition, the paucity of foreign exchange exacerbated by delayed disbursements of external loan commitments put severe strains on the importation of required inputs for industry and agriculture despite the liberalization of import licensing procedures.

Significant progress has, however, been made in reducing financial imbalances, reflecting the measures taken under the stand-by arrangement. In the fiscal area, the overall budget deficit for 1982/83 was limited to the equivalent of 3 percent of gross domestic product compared with the program's target of 4.7 percent and the actual outturn of 6.5 percent in 1981/82, implying an adjustment effort of some 3.5 percentage points. This adjustment was achieved despite a revenue shortfall of about 7 percent. In light of these adverse revenue developments, the Kenyan authorities initiated further expenditure cuts. The recurrent budget was reduced by 10 percent and the development budget by 24 percent. The latter was also to match expenditure with foreign aid receipts, which, although already reduced, experienced considerable uncertainty with respect to timing of disbursements. Thus, by withholding expenditure on the development budget, the authorities were exercising caution to ensure that the program remained on track. As a consequence, the ceiling on domestic bank credit to the Government was met in March and June 1983. For the 1982/83 fiscal year as a whole, domestic bank financing of the deficit was held to only 1.2 percent of GDP, slightly below the program target and representing a significant reduction from the previous year's figure of 4.5 percent.

The external accounts also benefited from the financial policies adopted in the context of the program. The current account deficit of the balance of payments was further reduced in 1982 and is projected to decline further in 1983 reflecting mainly a curtailment of imports, a worsening in the terms of trade in 1982 and 1983, and a decline in export receipts. As already pointed out, severe constraint on foreign exchange availability in 1982 and 1983 also played a major role in restraining imports. Thus, despite the shortfall in long-term capital, the overall deficit has been declining rapidly, so that, by 1983, the overall balance is projected to be in virtual equilibrium.

The authorities have designed their 1983/84 program to consolidate the gains made thus far and to stimulate economic activity further without rekindling inflation. Accordingly, the rate of GDP growth has been projected at 3.3 percent in 1983 and is expected to rise to 4 percent in 1984, while the rate of consumer price increases is expected to decelerate to 10 percent in the latter part of the year. The gradual recovery in economic activity should be greatly assisted by the measures being implemented to stimulate and encourage production. These include appropriate producer price incentives, improved availability of industrial and agricultural inputs, and the rationalization of an import tariff system. The expected recovery of exports through price gains should also be helpful in this regard.

In fiscal policy, a cautious approach will be pursued to increase expenditure in line with the need to provide further impetus to growth. In this connection, my authorities feel that with their recent experience about the uncertainty of external aid disbursements and the consequent unsatisfactory outturn of development expenditure, the flexibility of the 1983/84 program was necessary if future growth prospects are not to be jeopardized. On their part, they undertook to mobilize additional foreign assistance by organizing a donors' conference that was held at the end of 1982 and early in 1983. With the element of flexibility built into the program, the 1983/84 budget shows a deficit equivalent to 3.7 percent of GDP as the upper limit, and this will still be lower than the original target of 4 percent. This means that development and recurrent outlays will have been reduced for the third year running in line with the need to maintain stable financial conditions. Among the specific measures to contain recurrent expenditure, the authorities have undertaken not to provide a general wage increase in the 1983/84 budget while maintaining a restrictive recruitment policy.

On the revenue side, new measures implemented at the beginning of the current fiscal year are expected to yield K Sh 1,040 million, representing the equivalent of 1.1 percent of GDP. The measures include an increase in the sales tax from

15 percent to 17 percent, an increase in the air passenger tax, and a rise in banking registration fees. At the same time, administrative procedures will be streamlined in order to facilitate prompt payment of tax revenues.

In the monetary sector, the program envisages faster expansion of credit to the private sector to stimulate and maintain recovery in that sector as well as the balance of payments objective. Meanwhile, the ceiling on credit to the Government has taken account of the seasonality of Government expenditure and receipts. Interest rates remain generally positive in real terms. In order to absorb excess liquidity available to the banks, the liquidity ratio was raised in February 1983 from 15 percent to 20 percent.

Following the rapid adjustment in the current account deficit of the balance of payments from 6.2 percent of GDP in 1982 to 3.4 percent in 1983, which reflected mainly the reduction in imports by 17 percent in 1982 and 6-8 percent in 1983, respectively, some expansion has been allowed in 1984, and the current account deficit is expected to widen to 3.6 percent of GDP. This is in line with the expected recovery in economic activity as well as an increase in official transfers and long-term capital inflow arising from the pledges made at the donors' conference. Export receipts are expected to rise only marginally, reflecting a strong performance of tea and other nontraditional exports such as horticulture, meat and meat products, hides and skins, and sisal. However, receipts from exports of coffee are expected to decline as a result of the shrinkage of the nonquota market. The reduction in petroleum exports reflects the fall in crude oil imports arising mainly from the scarcity of foreign exchange. For the medium term, exports are expected to expand faster, given the production incentives as well as some recovery in export prices.

The authorities are making steady progress in streamlining import licensing procedures with a view to restoring automatic import transactions. Thus far, the authorities are having to reduce their reliance on quantitative restrictions as the measures taken on the exchange rate, together with the tariff changes and the tight monetary and fiscal policies have started to bear fruit. My authorities are aware that the exchange rate and tariff policies including reserve management would have to be appropriately synchronized in order to maintain competitiveness and promote efficient allocation of resources in the economy. They are committed to maintaining a flexible exchange rate policy within the context of their adjustment efforts. To this end, the Kenyan shilling was devalued by 2.5 percent between June and July 1983 in order to restore the real effective exchange rate that prevailed at the end of 1982. Kenya's external debt service ratio is expected to rise to 28.7 percent in 1983 and to decline steadily thereafter as the authorities intend to pursue a cautious approach toward commercial borrowing.

> In conclusion, I should like to emphasize that the Kenyan authorities have thus far demonstrated great determination to achieve stable financial conditions. These achievements have been made under difficult conditions. It is to be hoped that their efforts will engender renewed confidence in the Kenyan economy to attract the needed support from donors and other multilateral financial institutions. In my view, the success shown in implementing the current program is sufficient evidence for the Fund not to hesitate in providing the necessary assistance for the medium term, possibly in the form of an extended arrangement, which would be well suited to the problems facing Kenya today.

Mr. Ismael considered that the Kenyan authorities deserved support in their efforts to bring the program under the stand-by arrangement to its successful conclusion. He had been impressed by their determination to meet their adjustment commitments, under difficult circumstances. They had made significant progress in implementing the current stand-by arrangement, and had met the performance criteria with a susbtantial margin.

A number of issues were worth mentioning, Mr. Ismael remarked. First, some of the high cost in terms of growth and development in the pursuit of the program targets could have been avoided. Second, with that in mind, the program should have been framed more flexibly to provide the authorities with room to maneuver. The sharp shortfall in revenue from what had been projected in the program had forced the authorities to cut back expenditures drastically, exacerbating the already sluggish growth in output, which had been less than 2.7 percent instead of the 4.2 percent expected in the program. Insufficient allowance had been made for the potential for growth and the capacity to collect revenue. The authorities had of course been right to cut spending in order to save the program, but they might not have had to take such action if the program had made allowance for the possibility of errors in the projections. Perhaps a waiver or a modification of fiscal targets should have been considered when the unanticipated shortfall had arisen. He was glad that the staff had made the necessary allowance for errors in the second phase of the program.

Referring to the staff statement about a precondition for the future utilization of Fund resources, Mr. Ismael asked, first, whether it was indeed contemplated that there would be a need for further Fund assistance to Kenya, and, second, whether the staff was implying that more should be done to rationalize the tariff structure and improve the allocation of resources in Kenya by mentioning work in those areas as preconditions. He had found nothing in the staff paper on the review to enable him to reach a definite conclusion; of course, any request from Kenya to use the Fund's resources in the future should be considered on its merits, like any other request.

Mr. Shaw stated that the Kenyan authorities had indeed made significant progress in carrying out the stand-by arrangement. They were to be commended for having met the performance criteria by substantial margins over the first four months of the program, which was a well-crafted one. It was noteworthy that the authorities had reduced the fiscal deficit significantly in 1982/83: at 3.3 percent of GDP, the deficit was below the program target of 4.7 percent of GDP and significantly below the 1982 figure of 7.2 percent of GDP. That reduction had been accomplished despite the poor revenue performance and had required considerable cuts in expenditures.

While the authorities deserved recognition for having responded promptly to the shortfall in government revenues at the end of the fiscal period, by matching expenditure commitments with resource flows, Mr. Shaw said, he was somewhat concerned that the major spending cuts had been at the expense of development expenditures. He had noted from Table 4 that between 1981/82 and 1982/83, development expenditure would fall by 18 percent while recurrent expenditure would rise by 2.6 percent; in 1983/84, recurrent expenditure was expected to increase by a further 14 percent over the provisional figure for 1982/83, whereas development expenditure would increase by only 5 percent. Those figures might reflect a streamlining of projects and the investment program, but they were a little worrying. Recurrent expenditures would be increasing in real terms, with the rate of inflation expected to be about 10 percent, particularly since wage costs were not likely to increase, for the Government would maintain the restrictive hiring policy adopted in 1982/83 as well as its control on the output of goods and services implemented in 1982. Although he was generally supportive of the fiscal program, he would appreciate further comment on that particular aspect of it.

He welcomed the authorities' commitment to maintain the flexible exchange rate policy, Mr. Shaw continued, as demonstrated by the 2.5 percent devaluation in 1983. The question was whether that devaluation had been sufficient to maintain the competitiveness of Kenya's nontraditional exports and the tourism sector. Chart 1 in EBS/83/219 indicated a slight appreciation of the real exchange rate in 1983. He wondered whether the authorities might consider linking the shilling to a basket of currencies as there seemed to have been some divergence between the trade-weighted real and nominal rates, particularly since September 1981.

On the whole, Mr. Shaw remarked, monetary and credit policy seemed broadly supportive of the fiscal targets and consistent with the objective of containing inflation. The authorities' conservative stance on monetary growth, while maintaining the liquidity ratio of the commercial banks and the nonbanking intermediaries, was commendable, as was their commitment to real interest rates. He had been pleased to note that savings deposit rates would be positive in real terms by the end of the year.

It was clear that Kenya would require a significant amount of assistance from foreign donors over the remainder of the program, Mr. Shaw commented. He was convinced that the way in which the authorities had carried out the program to date would induce donors to provide resources. They should be encouraged to make every effort to ensure timely disbursements of their assistance, to improve its financial quality where possible, and, with the cooperation of the Kenyan government, to direct the assistance toward investments that would facilitate the adjustment necessary for long-term growth and medium-term balance of payments adjustment.

In summary, the Kenyan program contained many of the elements of a successful Fund-supported adjustment program, Mr. Shaw concluded. While Kenya's external situation was serious, it did not appear to be critical; in fact, the current account deficit would have been reduced by the end of the program to 3.6 percent of GDP from 6.2 percent of GDP, and the reduction would moreover continue through 1985. Financing the balance of payments had been difficult but not impossible. Kenya had no external arrears, and its debt service ratio, though high at 28.7 percent, was expected to fall below 20 percent by 1988 and, what was more, without resort to debt rescheduling. The fiscal performance had improved, and both the budget deficit and balance of payments deficit would be sustainable by 1985, on the basis of long-term concessional assistance.

Mr. Clark commended the Kenyan authorities for the determination with which they had implemented the stand-by program. The external economic environment had been harsh, and the short-term domestic costs, with a decline in per capita income, had been great. The aim had been to establish a base from which stronger growth could be resumed, and there were already some clear signs of success in that respect. The current account deficit had been cut by nearly two thirds, fiscal and monetary policy had been brought under firmer control, and progress had been made in reducing inflation, although more could perhaps be done. Looking to the future, he would hope to see continuing emphasis on the structural changes needed to support renewed growth. The recent World Bank report on Kenya had been helpful in that connection. Specifically, he urged the authorities to strengthen their industrial strategy, a point made by a number of Executive Directors during the initial discussion of the stand-by arrangement in March 1983. A move toward greater regional cooperation in Eastern and Southern Africa might be another possible positive factor. The staff might like to examine those issues in preparing the next review under the stand-by arrangement.

He welcomed the vigor with which the authorities had pursued their fiscal targets, Mr. Clark continued. Mr. Ismael had commented on the desirability of greater flexibility, but it was always difficult to decide at the time whether or not revenue shortfalls were to be regarded as temporary or as deeper seated. That the public sector deficit had been significantly lower than expected seemed to have reflected, at least in part, unpredictable aid flows. He asked in passing what might usefully be done to reduce uncertainty about the timing of aid flows. As for the future, although there was a need for fiscal policy to remain tight, indicating that the authorities' fiscal objectives for 1984 were right, he shared the concern of Mr. Shaw that the control of recurrent expenditure had affected mainly nonwage costs, so that productivity had declined sharply. Within the overall budgetary constraint, there was surely a need to protect as far as possible those expenditures that would help to expand supply capacity in the longer term.

Referring to monetary policy, Mr. Clark commended the Kenyan authorities for their success in controlling monetary growth and for their present policy objectives of maintaining that control as the economy began to expand more rapidly. He also welcomed the continued emphasis on the provision of credit to the private sector. The appetite of parastatal enterprises for credit was always considerable and needed to be kept in check. That might prove difficult in Kenya without some scaling back of the public sector and a reduction in the number of those enterprises. He noted that real interest rates had become positive and welcomed the intention to keep them that way.

The external targets of the program had also been surpassed, Mr. Clark observed. The current account deficit was down from nearly 11 percent of GDP in 1981 to 3.5 percent in 1983, and the ratio of external debt to GDP was once again falling. Kenya had no external payments arrears, and its reserves were equal to two months' imports. The recent relaxation of exchange and import controls was also welcome. The improvement had taken place at a time when exports had been under pressure because of the world recession, and had been achieved only with a sharp cut in imports. Imports had declined by 30 percent in the past three years, and if that trend were prolonged, the supply capacity of the economy would be threatened. In 1984, both imports and exports were projected to rise by 10 percent. In that connection, he was not sure how to reconcile the staff view that coffee exports were expected to rise by 6.3 percent in 1984 with Mr. Sangare's remarks about the consequences of the shrinkage of the nonquota market. His wider concern was that the staff's projections of export growth might be on the optimistic side. In the medium term, Kenya, with its relatively sophisticated economy, ought to be capable of further diversifying and widening its export base.

Major problems with respect to capital flows and debt had been successfully avoided, Mr. Clark noted. It would be important to ensure that arrears did not emerge, and he joined the staff in endorsing the authorities' policy of abstaining from commercial borrowing. But he reiterated the concern expressed by his chair in March about the decline in inward direct investment and urged the authorities to consider ways of encouraging renewed inflows. That issue might perhaps be taken up in the next review as part of an analysis of Kenya's industrial strategy. As it was, the debt service ratio had been rising and was expected to stay at about 29 percent for the next two years. If short-term debt were included, the ratio would be higher, perhaps as much as 35 percent. Therefore, he supported the staff's remarks on the need for continued vigilance.

In conclusion, Mr. Clark stated, Kenya should give priority to sustaining and building on the success achieved. In looking to the future, a follow-on program might appropriately call for a further stand-by arrangement, but he would not rule out other approaches.

Mr. Blandin noted that the review of the stand-by arrangement with Kenya clearly showed that sizable progress toward adjustment had been made during the past fiscal year, an accomplishment that was all the more commendable considering that elections had been held only one month before. As pointed out in the staff report, that progress was obviously the result of the authorities' strong commitment to ensuring the success of the program.

Budgetary policy had played a crucial role in the outcome, Mr. Blandin added. Measures taken to increase revenues and control expenditures had allowed a greater reduction of the budget deficit to be recorded than had been called for in the program. That reduction in turn had resulted in a lower rate of credit growth and a narrowing of the external current account deficit to 3.4 percent of GDP in 1983, despite the liberalization of the import system. The counterpart of the considerable demand restraint had inevitably been a reduction of the rate of growth of real GDP to 2.7 percent in 1982 and 3.3 percent in 1983. Those growth rates corresponded to a decrease in per capita GDP because the population was growing at a rapid 3.8 percent a year.

There was consequently a need for more supply-oriented measures in the years to come, Mr. Blandin went on, since structural adjustment appeared to be the necessary condition for a resumption of sustainable growth. The World Bank played an important role in that field, and he hoped that it would soon be in a position to release the second tranche of the previous structural adjustment loan and agree on a new loan. In that connection, four objectives should be afforded the highest priority in the long-term perspective. First, family planning, which already existed in Kenya, should be improved because, at the present growth rate, the population would double in 19 years, something that would impose an unsustainable burden. Second, the rate of growth of the agricultural sector, which had been satisfactory until 1970, had since failed to keep pace with the rate of growth of population. It seemed highly desirable for Kenya to restore previous rates of growth in food production if it wanted to reduce the external trade deficit. Better incentives should be provided to farmers, who usually responded more quickly than was thought to changes in relative prices and incomes. Moreover, a higher rate of agricultural growth would constitute a solid basis for increasing industrial production in sectors using or processing agricultural inputs.

The third need, taking into account the rising debt service obligations and the bleak prospect for an improvement in the terms of trade, was to increase exports, which had been sluggish since the mid-1970s, Mr. Blandin observed. The projected growth in world markets for traditional exports, such as coffee, remained low; priority should be given to nontraditional exports. The fourth objective therefore was to obtain sufficient levels of investment, meaning that Kenya's external capital requirements would remain substantial for a number of years. Even with an increase in direct foreign investment, together with an increase in bilateral and multilateral aid on concessionary terms, Kenya would have to rely on commercial borrowing to meet a sizable part of its need for external capital flows. That was a matter of concern, since commercial banks seemed to be eager to reduce their exposure in Africa in years ahead. For instance, he had noted in Table 15 of the recent general survey of the World Economic Outlook (ID/83/5, 8/19/83) that, in Africa, net long-term borrowing from private sources would fall in 1983 by $0.3 billion, a figure that in fact seemed optimistic. He would therefore welcome the staff's comments on that question.

The Executive Directors agreed to adjourn their discussion until the afternoon.

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/83/148 (10/7/83) and EBM/83/149 (10/24/83).

4. YUGOSLAVIA - REVIEW OF EXTERNAL FINANCING PACKAGE

1. The Fund has received a communication from the International Coordinating Committee of banks dated September 29, 1983 and attached to EBS/83/217, relating to the availability date for the first advance under the medium-term external bank financing agreement with Yugoslavia. In the light of this communication, the Fund determines that the requirement in paragraph 3(b) of Executive Board Decision No. 7483-(83/114) (7/29/83) is met.

2. The Fund extends, until November 15, 1983, the waiver of the application of the performance criterion specified in paragraph 3(c)(i) of the stand-by arrangement in EBS/81/5, Supplement 2 (2/2/81), in respect of arrears existing during 1983. (EBS/83/217, 10/4/83)

Decision No. 7549-(83/149), adopted
October 7, 1983

5. RELATIONS WITH GATT - CONSULTATIONS WITH CONTRACTING PARTIES - FUND GUIDANCE

The Executive Board approves Fund representation at the forthcoming consultations with GATT to be held in Geneva, as set forth in EBD/83/253 (10/6/83).

Decision No. 7550-(83/149), adopted
October 7, 1983

6. BARBADOS - TECHNICAL ASSISTANCE

In response to a request from the Barbadian authorities for technical assistance, the Executive Board approves the proposal set forth in EBD/83/263 (10/14/83).

Adopted October 18, 1983

7. FIJI - TECHNICAL ASSISTANCE

In response to a request from the Fijian authorities for technical assistance, the Executive Board approves the proposal set forth in EBD/83/250 (10/4/83).

Adopted October 7, 1983

8. SAUDI ARABIA - TECHNICAL ASSISTANCE

In response to a request from the Saudi Arabian authorities for technical assistance, the Executive Board approves the proposal set forth in EBD/83/252 (10/6/83).

Adopted October 12, 1983

9. UGANDA - TECHNICAL ASSISTANCE

In response to a request from the Ugandan authorities for technical assistance, the Executive Board approves the proposal set forth in EBD/83/258 (10/12/83).

Adopted October 14, 1983

10. APPROVAL OF MINUTES

a. The minutes of Executive Board Meetings 83/69 through 83/74 are approved. (EBD/83/251, 10/5/83)

Adopted October 12, 1983

b. The minutes of Executive Board Meetings 83/67 and 83/68 are approved. (EBD/83/257, 10/11/83)

Adopted October 18, 1983

c. The minutes of Executive Board Meetings 83/75 through 83/78 are approved. (EBD/83/260, 10/13/83)

Adopted October 19, 1983

d. The minutes of Executive Board Meetings 83/79 through 83/82 are approved. (EBD/83/262, 10/14/83)

Adopted October 20, 1983

11. EXECUTIVE BOARD TRAVEL

Travel by Executive Directors, Advisors, and an Assistant to an Executive Director as set forth in EBAP/83/248 (10/6/83), EBAP/83/252 (10/12/83), EBAP/83/250 (10/7/83), EBAP/83/251 (10/12/83), EBAP/83/253 (10/13/83), EBAP/83/254 (10/14/83), EBAP/83/255 (10/17/83), EBAP/83/256 (10/18/83), and EBAP/83/258 (10/20/83) is approved.

APPROVED: March 20, 1984

LEO VAN HOUTVEN
Secretary