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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 83/185

10:00 a.m., December 30, 1983

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

Executive Directors	Alternate Executive Directors
A. Alfidja	
	H. G. Schneider
B. de Maulde	
A. Donoso	
R. D. Erb	
M. Finaish	
T. Hirao	T. Yamashita
J. E. Ismael	
	G. W. K. Pickering, Temporary
	C. Robalino
G. Laske	
G. Lovato	C. P. Caranicas
R. N. Malhotra	A. S. Jayawardena
	J. E. Suraisry
J. J. Polak	T. de Vries
A. R. G. Prowse	
G. Salehkhou	O. Kabbaj
F. Sangare	E. I. M. Mtei
	S. E. Conrado, Temporary
	A. Lindø
N. Wicks	T. A. Clark
Zhang Z.	Wang E.

A. Wright, Acting Secretary
J. A. Kay, Assistant

Also Present

European Department: V. Marie. Exchange and Trade Relations Department: D. K. Palmer, Associate Director. External Relations Department: H. O. Hartmann. Legal Department: J. G. Evans, Jr., Deputy General Counsel. Middle Eastern Department: F. Drees. Secretary's Department: A. P. Bhagwat. Treasurer's Department: D. Williams, Deputy Treasurer; M. N. Bhuiyan, D. H. Brown, R. B. Hicks, B. E. Keuppens, T. M. Tran, G. Wittich. Personal Assistant to the Managing Director: S. P. Collins. Advisors to Executive Directors: S. R. Abiad, A. A. Agah, J. Delgadillo, L. K. Doe, K. A. Hansen, S. M. Hassan, W. Moerke, I. R. Panday, P. D. Péroz, P. Péterfalvy, M. Z. M. Qureshi. Assistants to Executive Directors: J. Bulloch, M. Camara, M. B. Chatah, G. Gomel, V. Govindarajan, D. Hammann, N. U. Haque, A. K. Juusela, H. Kobayashi, M. J. Kooymans, M. Rasyid, A. A. Scholten, Shao Z., S. Sornyanyontr, Wang C. Y., A. Yasseri.

1. RATE OF REMUNERATION - ALTERNATIVE APPROACHES

The Executive Directors continued from EBM/83/183 and EBM/83/184 (12/28/83) their discussion of alternative approaches to the determination of the rate of remuneration. They had before them a paper summarizing the methods for determining the rate of remuneration in relation to the SDR interest rate outlined by the Chairman at the conclusion of EBM/83/184, including two variants suggested by Executive Directors (EBS/83/237, Sup. 3, 12/29/83).

The Deputy Treasurer made two corrections: on page 2 of EBS/83/237, Supplement 3, in Method B: Variant, fourth line, delete the antepenultimate word "by"; in the tenth line, replace the words "by the week preceding" with the words "up to and including."

The Deputy General Counsel, replying to Mr. de Maulde, confirmed his understanding that the SDR interest rate was computed weekly and was based on the market interest rates in effect on the last business day of the week, Friday, and the rate so computed would come into effect on the first business day of the following week, Monday. Punctuation could be inserted in Method C: Variant to make the point clearer.

Mr. Polak suggested that the formula relating the remuneration coefficient to the "lower of (i)...and (ii)" was an unnecessary complication. In practice, it seemed likely that the rate would be set by reference to a quarter in which a change had been made in the SDR interest rate without the need to decide which formula gave the lower rate. He was led to that conclusion because of the statement in Method B, paragraph 2 that effective May 1, 1984 the remuneration coefficient should be increased to [--] percent.

The Deputy Treasurer remarked that if the Executive Board decided to shift the base period, it would still be necessary to have a point of reference.

Mr. Wicks stated that when the discussions had begun, he had said that his objective was to see a very early increase in the rate of remuneration as a move toward equality with the SDR rate. Then, in a wish to respond positively to the concerns expressed by some Executive Directors, he had made it clear that he was ready to see some delay in the movement toward equality, provided that there was a defined timetable with a terminal date that would ensure that equality was reached. He had certainly not had in mind at that stage the rather protracted timetable in the formula put forward by Mr. Grosche at EBM/83/182 (12/23/83). Yet, in a spirit of collaboration, he had been prepared to consider Mr. Grosche's formula as a possibility. In a further positive move, at EBM/83/183 and EBM/83/184 he had put forward, on a personal basis, a formula that was essentially the same as Method C: Variant in EBS/83/237, Supplement 3. That formula dropped the requirement for a fixed timetable for bringing the rate of remuneration into equality with the SDR interest rate. After the initial step, which might be to 90 percent, the move in the rate of remuneration to equality with the SDR rate would be governed by the way in which the

SDR interest rate fell from a given base period. Thus, there would be no fixed timetable, and the period for reaching equality between the rate of remuneration and the SDR interest rate would also be open ended.

EBS/83/237, Supplement 3, Mr. Wicks went on, also met two other concerns that had been voiced in the Executive Board. First, paragraph 5 in Method B was intended to meet the concern about the administrative budget and the costs borne by purchasers of Fund resources. Second, Method C: Variant would ensure that increases in the rate of remuneration would not trigger increases in the rate of charge. In brief, his chair had throughout the discussions tried to react positively to the concerns raised by others. If the Fund were to continue to function in a cooperative manner, all Executive Directors would have to try to react to the difficulties of others in a constructive manner.

Explaining his position on the proposals set out in EBS/83/237, Supplement 3, Mr. Wicks stated that he was opposed to Method A. His first preference was for Method B: Variant, his second Method B pure. However, he was also prepared in a spirit of cooperation to follow Method C: Variant. He did not like Method C pure. Naturally, his preferences in relation to the rate of remuneration were predicated on acceptance of his position on access to the Fund's special facilities.

Mr. Malhotra reiterated that the position of his chair and certain others was that the present was not the right time for raising the rate of remuneration. However, in a spirit of cooperation he and they had moved from that position and had suggested an initial increase. Similarly, his initial position and that of many colleagues had been that there should be no decrease in access limits and special facilities, as there was no link between those facilities and the enlarged access policy. However, he and those colleagues had since agreed that the package proposed by the chair regarding access to special facilities could be accepted, thus representing a considerable shift in position in the interest of compromise.

Continuing, Mr. Malhotra stated that he favored Method A with a review every year. He also favored mitigating the impact of the initial increase in remuneration on charges by using the amounts in excess of the target of net income and placed to reserves in 1981. He took that view because the excess had occurred owing to the rate of charge being fixed at a higher than necessary level on account of inaccurate forecasting.

As to Methods B and C, Mr. Malhotra remarked that, after examining the Articles of Agreement, he could not accept a statement to the effect that the rate of remuneration should be increased to 100 percent of the SDR interest rate. He did not deny that under the Articles there could be a possibility of fixing the remuneration at that level; however, the Articles contemplated a flexible range within which it could vary, and the Executive Directors should not take an advance decision that would restrict the flexibility of the Articles.

Furthermore, Mr. Malhotra maintained, paragraph 3 in both Method B and Method C was one sided in the sense that if the rate of interest over a given period fell by 1 percent or so, the remuneration coefficient would rise rapidly. On the other hand, if the rate of interest later rose, there would be no reversal in the rate of remuneration. In Method C, paragraph 3, it was not clear whether, after an adjustment of the remuneration coefficient had taken place, there would be a review of the rate of remuneration, or whether there was to be a cap on the rate at which increases in remuneration would take place. In his view, Method A was in conformity with the Articles and provided sufficient flexibility.

Mr. de Maulde inquired whether Method B or Method C would be acceptable to Mr. Malhotra either if the rate of adjustment of the remuneration coefficient were altered, or if the reference to reaching equality between the rate of remuneration and the SDR interest rate were modified.

Mr. Malhotra explained that he preferred Method A with annual reviews, with an initial moderate increase in the remuneration coefficient. Paragraph 1 in both Method B and Method C was unacceptable; paragraph 3 in Method C seemed to him likely to lead to quite unforeseeable results, since the further increases on top of the initial increase were predicated on interest rate movements, about which nothing could be forecast.

The Deputy Treasurer explained that the staff had indeed drafted paragraph 3 of Method C to capture increases in the coefficient when there were declines in interest rates. It had not been drafted with the idea that the remuneration coefficient would move inversely with interest rates. However, the review clause in paragraph 5 of Method B would be a form of cap.

Mr. Hirao stated that his first preference was for Method B: Variant, his second for Method B pure. However, he could go along with Method C: Variant if it commanded broad support from the Board.

Mr. Mtei said that he would prefer Method A as being consistent with the normal procedures followed by the Executive Board with regard to other policies of the Fund. Like Mr. Malhotra, he believed that it was wrong to aim at raising the rate of remuneration to 100 percent of the SDR interest rate within a given time. Not only was it wrong, but the idea was founded on a doubtful legal basis. To aim at equality between the rate of remuneration and the SDR interest rate within a given time ignored the twofold role of quotas in the Fund, namely, that they were both a source of resources for members and the basis for members' weight in the decision-making process. The rate of remuneration and the rate of charge were bound to be reviewed at the same time, so that in future it seemed likely that increases in the Fund's administrative expenses and increases in its reserves would both be loaded onto charges, even though the Fund performed vital functions such as overseeing the smooth running of the international monetary system, in addition to lending to members.

As the Articles did not rule out the possibility of the rate of remuneration being raised to 100 percent of the SDR interest rate, Mr. Mtei observed, he could accept Method A with a review that would take into account all relevant considerations, including the impact of raising the rate of remuneration on charges and other matters relating to the operations of the Fund. He could not accept Method B or Method C.

Mr. Pickering stated that the view of his authorities was that the Fund's creditors should receive adequate compensation for the resources that they made available. Consequently, an adjustment in the rate of remuneration to reflect the full SDR rate was desirable, especially as the rate of charge seemed likely in any event to remain well below market rates.

With reference to EBS/83/237, Supplement 3, Mr. Pickering said that he could accept Method A if the rate of remuneration were raised to 100 percent of the SDR interest rate, or close to that level. In order to secure broad support, he could go along with Method B. Method B pure was preferable to Method B: Variant since it might command broader support among Executive Directors. He could accept Method C only if the rise in the remuneration coefficient envisaged for May 1, 1984 were to a figure considerably above the proposed 90 percent.

Mr. Zhang repeated that he preferred Method A with an annual review.

Mr. Ismael commented that if Method C was intended to be a compromise arising from the discussion at EBM/83/183 and EBM/83/184, it did not go far enough. To make it more acceptable, he proposed four changes in Method C. Paragraph 1 should read: "The remuneration coefficient should not be lower than 80 percent or higher than 100 percent of the SDR interest rate." Paragraph 3 should be amended to read: "The remuneration coefficient shall be increased at the beginning of each quarter by 1 percentage point for every one tenth of a percentage point if the SDR interest rate has declined...." Paragraph 4 should read: "If the rate of charge would exceed the SDR interest rate, the Executive Board will review the remuneration coefficient to set the remuneration rate at 85 percent...." In paragraph 2, the coefficient should be changed from 90 percent to 88 percent.

Mr. Polak stated that he would prefer Method B pure, with a compromise on the rate at which the remuneration coefficient would be raised. The introductory sentence of Method B: Variant did not accurately describe what the variant would do. The method would not in fact provide for any lowering of the rate of remuneration, because the mechanism itself picked out the lowest available previous SDR interest rate. Nor would the operation actually take place "at the beginning of each financial year," since the adjustment would take place only once, namely, on April 30, 1985. Mr. Grosche had proposed that there should be only one date for raising the rate of remuneration, so that the base might be raised at a time when the market interest rates themselves had risen, thus affecting the rate of charge at the old base. Such an arrangement was neither particularly desirable nor necessary, since Method B pure contained a terminal date. If some compromise seemed possible on Method C, he would be open to discussing it.

Meanwhile, Mr. Polak went on, paragraph 1 in both Method B and Method C, which seemed to be the cause of some objection, was redundant in both places. In Method B, it was redundant because the mechanism itself would provide the same result. In Method C, it was inoperative because there was no mechanism in Method C by which 100 percent would be reached at any particular time. He would therefore prefer to remove such a statement from any decision or rule, even if it were recorded elsewhere as the desire of certain Executive Directors.

Mr. de Maulde stated that he would be happy to reach a compromise on the rate of remuneration, provided that access to the special facilities was retained at 85 percent of quota with a threshold of 50 percent. He was more interested in the 85 percent total access than in the 50 percent threshold.

As to the proposals in EBS/83/237, Supplement 3, Mr. de Maulde said, Method A did not take sufficient account of the preoccupations of the creditors, for which due allowance should be made. In principle, he would prefer Method C pure but could accept Method B pure as a compromise, if the period for reaching 100 percent were extended to four years. His authorities were not willing to go to such a short period as three years, although if necessary they might be persuaded.

On the technical aspects, Mr. de Maulde went on, he was prepared to accept any language that would overcome the legal difficulty of raising the rate of remuneration to 100 percent of the SDR interest rate. On the first increase, his position had always been that the first step should be made in such a way that it would not entail an automatic increase in the rate of charge. He would therefore prefer a rather lower figure for the first step. Similarly, in either Method B or Method C he was not satisfied with the so-called gearing ratio. He had originally proposed a change of 1 percentage point in the remuneration coefficient for every one sixteenth of a percentage point decline in the SDR interest rate. As things stood, that rate of increase might be rather stiff.

Mr. Lovato remarked that his authorities considered the principle of raising the rate of remuneration to 100 percent of the SDR interest rate to be perfectly valid. They were however still concerned about the possible implication of any abrupt increases in the rate of charge. He had therefore earlier stated a preference for a method that would accept an initial increase in the rate of remuneration and leave other steps to future reviews.

Even though wishing to achieve a compromise, it was difficult for him to support any formula that would imply too mechanical an adjustment, Mr. Lovato remarked, particularly if the result would be to achieve 100 percent of the SDR interest rate within too short a time. Neither Method B nor Method C provided sufficiently for diluting the consequences for the rate of charge. In brief, he could accept Method C pure with an initial increase in the remuneration coefficient to 88 percent. He shared Mr. Polak's view regarding paragraph 1 in both Method B and Method C.

Mr. Laske said that his position was almost identical to that taken by Mr. Wicks and Mr. Hirao. The only difference was that he would be less enthusiastic for Method C: Variant as a third preference. He might be willing to reconsider Method C: Variant if it were impossible to find a consensus on either Method B: Variant or Method B pure.

Mr. Erb stated that he had originally preferred a method that would have raised the remuneration coefficient as quickly as possible to 100 percent of the SDR interest rate. As a procedure, he would have preferred to see increases at set intervals of, say, one quarter or one month, for the given period of time without any uncertainty regarding the date on which the 100 percent remuneration coefficient would be reached. In present circumstances, however, he would be prepared to consider Method B: Variant, but he could accept Method B pure as set out in EBS/83/237, Supplement 3, with perhaps a modification in paragraph 1; and he could agree with Mr. Polak that the paragraph was redundant. Nevertheless, it was not in conflict with the Articles. On the contrary, to preclude the possibility of raising the remuneration coefficient to 100 percent would be in conflict with the Articles, which permitted considerable latitude in setting the rate of remuneration.

The weakness of Method C, Mr. Erb considered, was that it did not set any specific period within which the remuneration coefficient should reach 100 percent of the SDR interest rate. Moreover, Method C pure did not take into account the possibility that there might be an upward drift in the level of interest rates before they turned down again, something that was admittedly provided for in Method C: Variant, which allowed an adjustment in the base point at the beginning of each year. Consequently, if there were a convergence of opinion toward Method C, he could move in the direction of some form of Method C: Variant. However, his present preference was for Method B: Variant, or Method B pure with the exclusion of paragraph 1.

Mr. Lindå stated that he welcomed Mr. Wicks's opening remarks. The Nordic countries had favored a specific short period for bringing the rate of remuneration up to 100 percent of the SDR interest rate. He opposed Method A in EBS/83/237, Supplement 3; he preferred Method B; he could however go along with Method C: Variant provided that there was broad support around the table.

Mr. Schneider explained that his authorities would like to see an increase in the rate of remuneration to 100 percent of the SDR interest rate over time. Nevertheless, they also wished to minimize the impact of the increase in the rate of remuneration on the rate of charge. Therefore, they would like to see the rate of remuneration increased over time, with a terminal date not later than the completion of the Ninth General Review of Quotas. On the basis of those principles, he could go along with Method C pure. He found the lack of a completion date for raising the rate of remuneration to be a drawback, although he had no fixed views on the date itself. Regarding paragraph 1, he would have no objection if the content of the sentence were placed in the record, provided that it was implicitly understood that the final aim was to raise the rate of remuneration to 100 percent of the SDR interest rate.

Mr. Conrado commented that he did not consider it appropriate to raise the rate of remuneration at the present time. However, as a compromise, his chair would be willing to support a reasonable increase in the remuneration coefficient, with certain safeguards. His position was close to that of Mr. Ismael. His first preference would be for Method A with annual reviews, rather than every six months as shown in EBS/83/237, Supplement 3. Such a procedure would be nearer the approach that the Board had taken to adjusting the rate of remuneration in the past. Furthermore, Method A would put no ceiling on the remuneration coefficient and would leave the Board its present flexibility to make an adjustment in the light of circumstances.

In general, Mr. Conrado went on, he did not like any mechanical approach. Nevertheless, taking into account the preoccupations of the creditors, he could accept something like Method C with certain changes. First, paragraph 1 should leave open the question of what specific level the coefficient should reach. Mr. Ismael's proposal of a range between 80 percent and 100 percent would be acceptable; if a specific figure were required, it should be lower than 100 percent in order to maintain the concessionality of the rate of charge. Second, the initial adjustment should be to 88 percent rather than 90 percent. Third, paragraph 4 should read as originally proposed by Mr. Polak. In brief, he would prefer Method A, but with the changes that he had mentioned he could go along with Method C pure.

Mr. Suraisry stated that in order to help to reach a decision, he would accept any method that attracted wide support.

Mr. Alfidja remarked that his first preference was for Method A. He would consider another method, preferably Method C, provided that the coefficient was increased to 88 percent rather than 90 percent, and that the timetable was not too rigid. Naturally, his position was contingent on agreement on access to the special facilities.

Mr. Kabbaj said that he would prefer Method A with annual reviews.

Mr. Finaish noted that there seemed to be general acceptance of an increase in the rate of remuneration on May 1, 1984. On the other hand, Method A would not satisfy those who wanted to see the rate of remuneration raised to 100 percent of the SDR interest rate in a given time. Method A might be made more acceptable to such Directors by adding at the end of paragraph 2: ", keeping in view the desirability of raising the rate of remuneration to 100 percent of the SDR interest rate over time as circumstances permit." As to access to the special facilities, he would accept the proposal as it stood. He attached more importance to the 50 percent threshold than to the 85 percent overall access.

Mr. Prowse stated that in the light of the recent debate, he would prefer Method C. He would certainly be prepared to be flexible about the initial increase, and he would be prepared to see a substantial initial step. If Method C did not receive sufficient support, he would turn to Mr. Grosche's proposal.

Mr. Robalino recalled that he had started by feeling that it would be imprudent to raise the rate of remuneration at the present time. However, in a spirit of compromise, he was prepared to accept an increase in the rate of remuneration subject to agreement on access to the Fund's special facilities. Of the three methods put forward for raising the rate of remuneration, he would prefer Method A.

Mr. Donoso suggested that it might be possible to combine elements of Method A with Method C. He would keep paragraph 1 in Method C as a statement of policy. Then he would provide that at the beginning of each fiscal year the Executive Board would ratify the policy and, if it desired, adjust the rate of remuneration accordingly. To start implementing the policy, the Executive Board would raise the remuneration coefficient to 88 percent or 90 percent on May 1, 1984, but in later years the Board would decide whether to raise the coefficient or not. He could probably accept Method C as it stood, with provision for an annual review.

Mr. Malhotra stated that he appreciated Mr. Finaish's suggestion. He would be happier if the language were "keeping in view the possibility of raising the rate of remuneration toward 100 percent" rather than "the desirability of raising the rate of remuneration to 100 percent."

Mr. Wicks made proposals relating to Method C and Method C: Variant. He proposed to delete paragraph 1, to retain paragraph 2, and to make paragraph 3 in Method C: Variant read: "The rate of remuneration shall be raised consistent with Article V, Section 9(a) of the Articles as and when the SDR interest rate declines." The rest of the paragraph would remain unchanged. He would add a paragraph 4 beginning with the words, "The operation of this formula will be reviewed on the occasion of the reviews of the rate of charge under Rule I-6(4) and of the SDR interest rate under Rule T-1(b)...." He would conclude with paragraph 4 of Method C dealing with action to be taken if the rate of charge were to exceed the SDR interest rate.

Mr. Malhotra inquired whether it was Mr. Wicks's intention that the result of the review by the Executive Board, contemplated in his concluding paragraph, might still be that the rate of charge might exceed the SDR interest rate, or whether--as he had understood Mr. Erb to say--the intention was that the rate of charge should not exceed the SDR interest rate.

Mr. Polak commented that there was no way of positively ensuring that the rate of charge would not in certain circumstances be higher than the rate of remuneration.

Mr. Erb noted that he had difficulty with Mr. Wicks's formulation because it suggested that if the rate of charge exceeded the SDR interest rate, the adjustment would have to be made on the remuneration coefficient and not in some other way. He had earlier said that he could not accept the interpretation that in those circumstances the remuneration coefficient would automatically be adjusted downward; it would be more appropriate to look at all the other elements and then decide whether the remuneration coefficient should be adjusted downward or whether some other adjustment should be made.

Mr. Malhotra stated that he could support Mr. Erb's view that if the rate of charge were to exceed the SDR interest rate, the Executive Board should have an opportunity to examine the possibility of adjusting one or more of the relevant variables, rather than concentrating merely on the rate of remuneration. There certainly were a number of ways in which the rate of charge could be kept below the SDR interest rate. He had been rather disturbed by Mr. Polak's observation that the rate of charge might exceed the SDR interest rate.

The Chairman commented that he would not like to see the Executive Board enter into a discussion of whether the rate of charge should never exceed the SDR interest rate. There might be circumstances, including changes in administrative expenditures, entirely unrelated to the rate of remuneration, that could raise the rate of charge beyond the SDR interest rate. What could reasonably be said was that if the rate of charge should exceed the SDR interest rate, the Executive Board could look into the remuneration coefficient and consider whether it should be lowered to 85 percent of the SDR interest rate or to any other figure, in order to reduce the rate of charge to the SDR interest rate.

The Deputy Treasurer confirmed that a sharp fall in the SDR interest rate at the present time would reduce the Fund's income from SDR holdings very considerably. Furthermore, if the balances subject to remuneration were to rise even though the rate of remuneration on those balances were to fall in line with the decline in the interest rate, matters could become worse, depending on the extent of the rise in the balances subject to remuneration. If administrative expenses were also to rise, there would be no option under Rule I-6(3) but to raise the rate of charge in order to meet the net income target agreed for the year.

Mr. Malhotra remarked that, in Mr. Polak's original suggestion, there had been an assurance that action would be taken if the rate of charge were to exceed the SDR interest rate. The present language did not appear to provide such an assurance.

The Chairman agreed with Mr. Malhotra's interpretation. However, the language did include a rather strong guideline in the words "and in particular will consider whether the rate of remuneration should be set at 85 percent of the SDR interest rate." Clearly, the Executive Board would have to consider very closely the reduction in the rate of remuneration in those circumstances.

Mr. Polak suggested that, following Mr. Wicks's lead, paragraph 4 in Method C might read: "In particular, if the rate of charge were to exceed the SDR interest rate, the Executive Board will review the remuneration coefficient and consider...."

The Executive Directors recessed for 30 minutes.

When they reconvened, the Chairman explained that Method A was strongly favored by five Executive Directors representing 15.25 percent of the voting power. If to those were added Executive Directors who had given Method A as their first preference but would be willing to move toward other solutions, in total eleven Executive Directors representing 30.07 percent of the voting power could be said to favor Method A. Method B pure was the first preference of two Executive Directors representing 9.22 percent of the voting power, and those two had not indicated any willingness to shift away from that method. There were however a number of Executive Directors who had been willing to move toward Method B pure as their second or third choices. Including the original two, nine Executive Directors representing 58 percent of the voting power could be said to find Method B pure acceptable. Method B: Variant was the first choice of four Executive Directors with 32.49 percent of the voting power. All four of those Executive Directors were prepared to move toward other solutions. Method C pure was the first choice of nine Executive Directors accounting for 33.52 percent of the voting power, and Method C: Variant could be accepted as a second choice by five Executive Directors, some of them with modifications, representing 39.62 percent of the voting power.

In those circumstances, the Chairman continued, Method A did not look like a possible basis for compromise. Method B had acquired considerable support from Executive Directors, but it was insufficient to reach the required majority. Method C also attracted a considerable proportion of the votes because the nine Executive Directors with 33.52 percent of the votes who favored Method C pure as their first choice were not the same as the five who could accept Method C: Variant as their second choice. Consequently it would be fair to say that Method C could attract more than 70 percent of the voting power. He therefore suggested that Executive Directors should focus on method C and Method C: Variant as the basis for an agreement. Mr. Wicks, Mr. de Maulde, Mr. Polak, Mr. Ismael, and Mr. Finaish, among others, had made suggestions for modifying Method C. Progress could perhaps best be made if management and staff considered the proposals and returned to the Executive Board with a redraft in the afternoon.

Mr. Laske commented that he still had doubts about Method C: Variant. While he might be prepared to look at that method again, he would be extremely skeptical about moving toward Method C pure.

Mr. Erb restated his preferences, first for Method B: Variant, second for Method B pure, and a willingness to move toward Method C: Variant but with considerable modification. His real difficulty was that some of the suggestions that had been discussed would move Method C or Method C: Variant in a direction that he would find hard to follow.

Mr. Wicks suggested that if any of the nine Directors who had supported Method B pure were different from those who might be counted as possible acceptors of Method C or C: Variant, the Chairman might wish to retain an element of Method B pure.

Mr. Polak recalled that he had said that he would join those who could go along with Method C or Method C: Variant.

Mr. Pickering stated that in a spirit of compromise he too could be counted among those accepting Method C: Variant; he would of course have to see where the modifications led.

Mr. Lovato clarified his position; he favored Method C pure.

Mr. de Maulde said that he would not object to a marriage between Method C pure and Method B pure if it would help to reach a compromise.

Mr. Mtei remarked that the compromise suggested by Mr. Wicks looked promising, if the Chairman could put it into words.

Mr. Malhotra reminded the Board that the requirement of a 70 percent majority in favor of any proposed change in the remuneration coefficient meant that opposition of over 30 percent of the voting power could prevent such a change.

The Executive Directors adjourned at 12:15 p.m. and agreed to meet again at 3:00 p.m. to discuss the redraft along the lines outlined by the Chairman. (See EBS/83/237, Sup. 4, 12/30/83)

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/83/184 (12/28/83) and EBM/83/185 (12/30/83).

2. KENYA - EXCHANGE SYSTEM

The approval of Kenya's restrictions arising from foreign exchange quotas on certain imports and limits on dividend and rental remittances under Decision No. 7366-(83/50), adopted March 21, 1983, is extended until June 30, 1984 or the completion of the 1984 Article IV consultation with Kenya, whichever is the earlier. (EBD/83/333, 12/22/83)

Decision No. 7593-(83/185), adopted
December 29, 1983

3. SOMALIA - EXCHANGE SYSTEM

The approval by Decision No. 7331-(83/34), adopted February 22, 1983, of Somalia's multiple currency practice arising from a bonus scheme described in EBS/83/15 is extended until June 30, 1984 or the completion of the 1983 Article IV consultation with Somalia, whichever is the earlier. (EBD/83/332, 12/22/83)

Decision No. 7594-(83/185), adopted
December 29, 1983

4. APPROVAL OF MINUTES

The minutes of Executive Board Meeting 83/101 are approved. (EBD/83/330, 12/21/83)

Adopted December 28, 1983

APPROVED: May 17, 1984

LEO VAN HOUTVEN
Secretary