

CONFIDENTIAL

COMMITTEE ON MEMBERSHIP - MOZAMBIQUE

Meeting 84/3
July 23, 1984

B. de Maulde, Chairman

Executive Directors

M. Finaish

Alternate Executive Directors

w. B. Tshishimbi
M. K. Bush

H. A. Arias, Temporary
N. Cumbis
E. I. M. Mtei
Wang E.

J. C. Corr, Secretary
S. J. Fennell, Assistant

Also Present

IBRD: H. P. Crevier. African Department: O. B. Makalou, Deputy Director; N. Abu-zobaa. Exchange and Trade Relations Department: T. Hatayama. Legal Department: A. O. Liuksila. Secretary's Department: R. S. Franklin, B. J. Owen. Treasurer's Department: D. Williams, Deputy Treasurer; M. N. Bhuiyan, M. A. Lumsden. Advisor to Executive Director: S. R. Abiad. Assistant to Executive Director: J. Bulloch.

1. MEMBERSHIP FOR MOZAMBIQUE

The members of the Committee continued from the previous meeting (EB/CM/Mozambique/Meeting 84/2, 7/12/84) their consideration of a staff paper on the calculation of a quota for Mozambique (EB/CM/Mozambique/84/1, 6/29/84).

The Chairman recalled that at the previous meeting of the Committee on Membership for Mozambique, most of the Committee members had felt that the quota for Mozambique should be in the range of SDR 60 million-SDR 63 million. One member had considered that a quota within that range would be too high. He asked members of the Committee to indicate their current views on Mozambique's quota.

Mr. Tshishimbi stated that he could support a quota for Mozambique of SDR 63 million.

Mr. Wang, Mr. Finaish, and Mr. Arias remarked that they too could support a quota of SDR 63 million.

Mr. Coumbis said that he favored a quota of SDR 62 million.

Mr. Mtei commented that he favored a quota that was higher than SDR 63 million, but would accept a quota of SDR 63 million if that was the consensus of the Committee.

Ms. Bush recalled that her chair had originally considered that the staff proposal of SDR 56 million had been the most appropriate quota for Mozambique. The average ratio of the actual to calculated quotas of the African countries that had been compared with Mozambique at the previous meeting was 0.82; the 23 countries in Table 11 of the staff report had an average ratio of actual to calculated quotas of 0.8. An actual quota of SDR 56 million for Mozambique would give a ratio of actual to calculated quota of 0.86, which was on the high side.

However, after further consideration, it appeared that the GDP figure for Mozambique might have been on the low side, Ms. Bush observed. Further, labor income and transit trade could have been abnormally low, owing to external difficulties. Reserves had been measured at the end of 1980, a year when they had fallen substantially. As the determination of quotas was an inexact science, and because of the problems regarding Mozambique's economic data, her authorities could agree to a quota for Mozambique that was somewhat higher than SDR 56 million--perhaps about SDR 60 million.

The Chairman observed that Committee members had put forward different views in support of a quota ranging between SDR 60 million and SDR 63 million. At the previous meeting, the Committee had come close to agreeing on a quota for Mozambique of SDR 61 million. He invited the Committee members to agree on that figure.

Mr. Tshishimbi observed that at the present meeting all but one member supported a quota that was higher than SDR 61 million. Perhaps a compromise should be reached on a quota of SDR 62 million.

The Chairman said that he had suggested a quota of SDR 61 million because most Committee members had been ready to accept it at the previous meeting. Concluding the discussion of the terms and conditions of membership, he noted the Committee's agreement that Mozambique should be offered an initial quota of SDR 61 million, and that Mozambique should make a reserve asset payment of 21.7 percent of quota within six months of accepting membership.

Once Mozambique had indicated its acceptance of the recommended quota and the associated terms and conditions, the Chairman remarked, the report of the Committee, containing a draft resolution on the quota and terms of membership for adoption by the Board of Governors, would be submitted to the Executive Board of the Fund. It was unclear whether the

Fund would receive a reply from the Mozambican authorities in time to recommend to the Executive Board that the Board of Governors should vote on the resolution by mail before the Annual Meeting. It might be necessary to recommend that the Governors should vote on Mozambique's membership during the Annual Meeting. If the Committee agreed, he would ask the Committee Secretary to draft the report to the Executive Board in the light of the possible timing of the authorities' reply and to circulate it to Committee members for clearance as soon as possible.

Mr. Mtei inquired about the date by which Mozambique would have to reply so that the Board of Governors could vote on the resolution by mail before the Annual Meeting.

The Committee Secretary explained that the Board of Governors was normally given 30 days to vote by mail. Therefore, the authorities should reply by mid-August--about six weeks in advance of the Annual Meeting--to allow sufficient time for the report of the Committee to be circulated to the Executive Board. Otherwise, it would become very difficult to circulate a resolution to the Board of Governors for a vote before the Annual Meeting. In those circumstances, the resolution on Mozambique's membership would have to be adopted during the Annual Meeting.

A number of additional procedures would have to be completed by the Mozambican authorities, the Committee Secretary added, including the passage of membership legislation and preparation of legal documents. It was a matter for a country to decide whether to pass the required legislation for membership by parliament or by decree, depending on its legal system.

The staff representative from the Legal Department stated that at the time of the signing of the Articles of Agreement, the Mozambican authorities must present to the Fund a complete set of membership documents, including a legal opinion issued by the Attorney General or equivalent official, stating that all steps to accept the obligations of membership had been taken in compliance with the law of Mozambique and that legal procedures had been completed. However, the authorities could communicate their willingness to accept the terms of membership offered by the Committee at any time.

The Chairman, recapitulating, said that for practical purposes the authorities would have to reply to the Fund in early August 1984 if the Board of Governors was to vote by mail before the Annual Meetings. The Committee would recommend to the Executive Board that it waive the practice whereby resolutions were not normally submitted to the Board of Governors for a vote by mail less than three months in advance of the Annual Meeting. If the vote of the Board of Governors was affirmative, the Mozambican authorities could sign the Articles of Agreement by the time of the Annual Meeting, at which time the legal documents would have to be presented to the Fund.

The staff representative from the Legal Department stated that, in the context of the timing of the authorities' reply indicated by the Chairman, the procedures necessary for membership could be completed during the first day or the day before the start of the Annual Meeting.

The Chairman indicated that the Committee Secretary would prepare, in consultation with the Legal Department, a telex to the authorities informing them of the Committee's recommendation on the size of Mozambique's quota, the amount of the reserve asset payment, and the period of payment. A second telex would be prepared providing the authorities with information on the schedule of the procedures.

The Committee members took note of the Chairman's remarks.

APPROVED: November 20, 1984