

SM/76/75
Supplement 1

CONTAINS CONFIDENTIAL
INFORMATION

May 10, 1976

To: Members of the Executive Board

From: The Secretary

Subject: People's Democratic Republic of Yemen -
1976 Article XIV Consultation

Attached for the records of the Executive Directors is the decision taken at Executive Board Meeting 76/73, May 10, 1976, on the 1976 Article XIV consultation with the People's Democratic Republic of Yemen.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

People's Democratic Republic of Yemen -
1976 Article XIV Consultation

Executive Board Decision - May 10, 1976

1. This decision is taken by the Executive Board in concluding the 1976 consultation with the People's Democratic Republic of Yemen pursuant to Article XIV, Section 4, of the Articles of Agreement.

2. In recent years, the P.D.R. of Yemen has been accelerating development and ordinary budget expenditures and, at the same time, pursuing a policy of restraint on incomes in order to contain private consumption. As a result, unemployment has been reduced and the outlook is for an increase in the rate of growth in the near future. The budgetary deficit has been held within reasonable limits so far, and monetary expansion has been in line with the availability of goods and services. The Fund welcomes the new financial program of the Yemeni authorities which provides for a continuation of these policies.

3. In 1975 the balance of payments deficit was sizable, though somewhat smaller than had been expected. The Fund believes that appropriate changes should be made in the P.D.R. of Yemen's foreign exchange policies in order to strengthen the external sector, thus making possible a vigorous recovery in the economy and further acceleration of the development effort. The Fund notes the liberalization of the restrictive system in regard to the free zone in Aden and progress made in eliminating a number of broken cross rates for foreign currencies.