

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 82/129

10:00 a.m., September 29, 1982

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

Executive Directors

M. Abdollahi

B. de Maulde

M. Finaish

T. Hirao

G. Lovato

J. J. Polak

A. R. G. Prowse

Zhang Z.

Alternate Executive Directors

O. Kabbaj

C. Taylor

J. L. Feito, Temporary

H. G. Schneider

A. Le Lorier

C. Dallara

T. Yamashita

F. A. Tourreilles, Temporary

D. I. S. Shaw, Temporary

J. R. Gabriel-Peña

V. Supinit

F. Sangare

G. Grosche

C. P. Caranicas

A. B. Diao, Temporary

A. S. Jayawardena

S. El-Khoury, Temporary

T. de Vries

B. Legarda

L. Vidvei

L. Van Houtven, Secretary

R. S. Franklin, Assistant

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Also Present

African Department: J. B. Zulu, Director; R. J. Bhatia, Deputy Director; L. M. Goreux, Deputy Director; O. B. Makalou, Deputy Director; E. L. Bornemann, E. A. Calamitsis, F. d'A. Collings, S. E. Cronquist, K. G. Dublin, P. J. Duran, C. Enweze, C. E. Hunter, S. M. Nsouli, M. Sidibe, D. E. Syvrud, A. C. Woodward. Exchange and Trade Relations Department: W. A. Beveridge, Deputy Director; D. K. Palmer, Deputy Director; S. Kanesa-Thasan. External Relations Department: A. M. Abushadi. Fiscal Affairs Department: H. R. De Zoysa. IMF Institute: M. Mlawa, Participant. Legal Department: A. O. Liuksila. Research Department: G. I. Brown, K.-Y. Chu, L. U. Ecevit, N. M. Kaibni, G. Khatchadourian, B. R. H. S. Rajcoomar, B. Rourke. Secretary's Department: J. W. Lang, Jr., Deputy Secretary. Treasurer's Department: A. M. Al-Samarrie. Personal Assistant to the Managing Director: N. Carter. Advisors to Executive Directors: S. R. Abiad, E. A. Ajayi, M. A. Janjua, G. Jauregui, S.-W. Kwon, P. D. Pérez. Assistants to Executive Directors: E. M. Ainley, H. Alaoui-Abdallaoui, H. Arias, L. Barbone, T. A. Connors, C. Flamant, I. Fridriksson, A. Halevi, M. Hull, J. M. Jones, W. Moerke, J. A. K. Munthali, V. K. S. Nair, Y. Okubo, C. N. Pinfield, D. V. Pritchett, H. Suzuki, O. Üçer, J. C. Williams.

1. LIBERIA - REQUEST FOR STAND-BY ARRANGEMENT, AND PURCHASE TRANSACTION -  
COMPENSATORY FINANCING FACILITY

The Executive Directors considered requests by Liberia for a stand-by arrangement in an amount equivalent to SDR 55 million (EBS/82/169, 9/3/82; and Cor. 1, 9/28/82) and for a purchase under the compensatory financing facility equivalent to SDR 27.7 million (EBS/82/170, 9/3/82; and Sup. 1, 9/24/82).

The staff representative from the African Department observed that the consortium of 24 banks that had been financing Liberia's oil imports had recently suggested that Liberia should earmark the proposed drawing under the compensatory financing facility for payment of the \$29 million currently outstanding under its line of credit before it issued a new letter of credit for the next oil shipment. The Liberian authorities had not felt able to agree to such a course of action because it would leave no resources for other purposes--including their commitments under earlier debt rescheduling--and would be inconsistent with the Fund program, which assumed that the banks would maintain their level of exposure in Liberia. Since the oil facility consortium had not been prepared to issue a new letter of credit, Liberia had had to purchase a shipload of crude oil in the spot market on cash terms. In the meantime, a payment of \$10 million due to the consortium had temporarily fallen into arrears. The banks in the consortium had called for a preliminary meeting to discuss the matter with the Liberian authorities in London on October 1, and the Fund had been invited to participate.

Mr. Sangare made the following statement:

When the Executive Board approved the stand-by arrangement with Liberia on August 26, 1981, it was clear that the economic and financial situation of Liberia remained difficult. Directors, however, were encouraged by the fact that the Government had implemented a number of courageous measures aimed at improving economic management and building up confidence in the economy. The stabilization program was therefore considered a step in the right direction, and the intention of the authorities to maintain close cooperation with the Fund was welcomed.

The stand-by arrangement expired about one month ago. It is satisfactory to note that, despite domestic and external developments, all performance criteria were met and the Government was able to purchase the full amount under the arrangement. More importantly, the budgetary situation improved, as indicated by the decline in the deficit from \$110.5 million or 10 per cent of GDP in 1980/81 to about \$89 million or 7.4 per cent of GDP in 1981/82, and all external arrears were eliminated. Additionally, the authorities were able to reschedule external debts with both official lenders and private banks, and the large capital outflow which began in 1980 appears to have been reduced.

The stabilization program for 1982/83 is an attempt to build upon the achievement of the past year. It is aimed at a further strengthening of the financial position of the public sector and increasing the external reserves of the National Bank of Liberia. Besides, the authorities consider the program to be a first step toward a medium-term structural adjustment effort to establish the basis for economic growth over the medium term. The authorities believe that these goals are obtainable with the support of a stand-by arrangement and a drawing under the compensatory financing facility.

With regard to the shortfall in export receipts, the staff paper (EBS/82/170) outlines in detail the justification for the purchase under the compensatory financing decision. The shortfall in export receipts is of a temporary nature caused mainly by price changes of iron ore, which accounts for two thirds of Liberia's exports. The shortfall has contributed to the deterioration in the balance of payments, which showed an increase in the deficit from SDR 40 million in 1980/81 to SDR 49 million in 1981/82. The degree of cooperation between the Liberian authorities and the Fund already demonstrated by the preceding arrangement is sufficient to justify a drawing which would raise outstanding purchases above 50 per cent of quota.

In the area of fiscal policy, stringent measures have been introduced to contain the growth of overall government spending. To this end, a new Economic and Financial Management Committee under the chairmanship of the Minister of Finance and including the top officials of the economic and financial agencies has been established to supervise the implementation of budgetary guidelines during the program period. The budgetary appropriation for recurrent expenditure has been reduced by 15 per cent from the previous year, reflecting measures taken to reduce expenditure on personnel costs and support services. The decision has been taken to keep salaries at existing levels, retire all long-service and old-age personnel who have attained pensionable status, and to delete all vacant posts. Moreover, no authorization will be given for the purchase of new vehicles, and gasoline allocations have been reduced by 50 per cent. Meanwhile, revenue is expected to show a moderate increase of 8 per cent, reflecting mainly increased efforts to improve the collection of existing taxes. It is estimated that the overall budgetary deficit will fall from 7.4 per cent of GDP in 1981/82 to 6.3 per cent in 1982/83.

With the reduction in recurrent expenditure, the authorities have increased development appropriations by 38 per cent in the 1982/83 budget, a move aimed at increasing productive capacity over the medium term. About one third of the projects to be financed are directly in agriculture. Priority is also being given to the development of rural feeder roads, which are vital

to agricultural and rural development. The World Bank has reviewed the investment program and believes that it is well balanced and will contribute to economic diversification. It is to be noted that a large number of projects in the investment budget are being implemented with the cooperation of multilateral and bilateral agencies.

The Government is aware of the need to improve the performance of public corporations to reduce their dependence on the budget. A detailed program is to be drawn up with assistance from the World Bank aimed at increasing the efficiency of these corporations and rationalizing the financial arrangements that exist between them and the Government. It is to be noted that producer prices have been brought into line with world market prices and that the Government has already taken the decision to invite private participation in or take over some of the public corporations.

In the monetary field, credit to the public sector will be limited to \$35 million in 1982/83, or 2.3 per cent of GDP. Within this ceiling, \$30 million is expected to be used to finance the budget deficit, leaving \$5 million for direct credit to public corporations. In order to mobilize and retain domestic savings within Liberia, the National Bank began issuing certificates of deposit of three and six months' maturities in June of this year. Interest rates on these deposits now stand at about 5 percentage points above comparable rates in New York. The authorities are currently reviewing their experience with the certificates of deposit and intend to take appropriate action to develop these certificates into an important instrument for mobilizing domestic savings. In the meantime, a Fund mission is in Liberia assisting the National Bank in reviewing existing institutions and policies as a part of the Government's efforts to improve the framework for mobilizing domestic resources.

Due to the recession in the world economy and the deterioration in the terms of trade, the balance of payments is expected to remain under pressure during the program period, with the deficit rising from \$50 million in the past fiscal year to \$68 million in 1982/83. The debt service burden remains relatively high, amounting to \$67 million in 1981/82 or the equivalent of 14 per cent of exports. In the circumstances, priority is being placed on strengthening the country's external payments position to avoid delays in making transfers for such essential payments as oil imports and debt service. The authorities have agreed that no new debt on commercial terms with maturities of 1-12 years will be contracted during the program period. It is expected that the gross reserves of the National Bank will be increased to the equivalent of one month's import requirement by the end of the program period. Being aware that the timely settlement of all external financial obligations is

essential for restoring confidence in the economy, efforts are being made to eliminate external arrears. The Government has also reaffirmed its commitment to maintaining an open economy.

The staff agrees with the view of my Liberian authorities that the program will play a major role in stabilizing the economy. However, the assistance of the Fund remains crucial to the success of this program. I would therefore recommend to the Board the adoption of the proposed decisions on the stand-by arrangement and the purchase under the compensatory financing facility.

Mr. Dallara stated that he was in broad agreement with the staff appraisals in both papers and that he could support both proposed decisions. The Liberian authorities were to be commended for the progress they had achieved under adjustment programs in the previous few years. They had successfully adhered to the performance criteria for the 1981/82 program and had thus been eligible to draw the full amounts available under the stand-by in spite of adverse external developments, including a three-year decline in the terms of trade and sizable capital outflows that reflected, in part, reduced confidence in the economic situation. The current account deficit had narrowed somewhat, and the authorities had made some headway in the process of restoring confidence. The public sector deficit had been reduced from \$110 million in 1980/81 to \$89 million--or 7.4 per cent of GDP--in 1981/82, in spite of a shortfall in revenues. Hence, the economy appeared ready to resume real growth after a number of years of stagnation.

Despite the noteworthy performance that he had mentioned, it was questionable whether the pace and content of the adjustment had been adequate, or whether the measures planned for 1983 were sufficient to move the Liberian economy onto a path of steady growth and a sustainable balance of payments position, Mr. Dallara continued. The key to both those questions seemed to lie in the economy's fiscal position. Some of the success achieved on the fiscal front during 1981/82 might be illusory, to the extent that domestic arrears had been allowed to build up and limits on net credit to the Government had frequently been met only with what the staff had referred to as "special measures." Domestic arrears were of course difficult to monitor and control, and he tended to agree with the staff decision not to include them in the performance criteria. Nevertheless, the authorities should be urged to be more vigilant in the area of arrears in future, and he wondered whether some reduction in the domestic arrears during the 1982/83 program might not be appropriate.

The overall improvement in the budgetary position in 1981/82, while significant, had unfortunately fallen short of the program target by \$19.5 million, Mr. Dallara noted. While the shortfall could be more than accounted for by the fall in revenue, it raised questions about whether further reductions in expenditure--particularly current expenditure--might not have been appropriate, notwithstanding the increase in interest

rates. The fiscal program for 1982/83 provided for a 15 per cent reduction in recurrent expenditure, and the achievement of that target would require considerable diligence on the part of the authorities. In that regard, he welcomed the establishment of the Economic Financial Management Committee, which he hoped would facilitate the authorities' efforts to gain greater control over the budget. Nonetheless, he was worried about the difficulties being experienced in cutting wages and salaries by 15 per cent. He wondered whether the staff was confident that the proposed further \$6 million reduction in wages could be achieved without slippages or delays in wage payments. On a related point, it was unclear why other recurrent expenditures should be adjusted upward by the amount of any possible future savings in wage costs. While the nonwage-related cuts in the recurrent budget might be relatively severe, it was questionable whether the budget could really afford such a suggested reallocation, and he would appreciate further elaboration by the staff on that matter.

The decision to increase the development budget was appropriate, Mr. Dallara considered, although the planned increase in development expenditure seemed rather ambitious in light of the difficulties that the authorities were facing in reducing the recurrent budget. He welcomed the increased role of the World Bank in Liberia, and the shift in emphasis in development to the agricultural sector seemed reasonable. He encouraged the authorities to undertake projects with as little local content as possible.

In light of the persistent difficulties in expenditure control during the previous two years and the staff's expressed concern about the adequacy of the measures taken to achieve the targeted reduction in recurrent expenditures during 1983, it might have been desirable to have considered the inclusion of performance criteria relating directly to expenditure, Mr. Dallara stated. Even if the planned expenditure cuts were achieved, they might not be sufficient. The overall fiscal deficit was to be reduced from 7.4 per cent of GDP to 6.3 per cent of GDP, including grants, a pace that was not clearly rapid enough in light of the continuing strain in the external accounts. The 1980 stand-by arrangement had originally aimed at a reduction in the fiscal deficit to 7 per cent of GDP during 1981, a target that the proposed program would only modestly exceed in 1983. Of course, he recognized that the problem of the deficit as a percentage of GDP reflected, in part, declining real growth during the period, but he could not help but wonder whether additional steps to reduce the wage bill might be necessary, particularly in view of the fact that salaries would remain at existing levels. The steps already planned for such reductions seemed substantial, but Liberia's current and prospective circumstances might call for more if the authorities were to continue with the process of restoring confidence at an adequate pace.

Remarking on the external sector, Mr. Dallara agreed with the staff that the key to Liberia's balance of payments outlook was the budget. He welcomed the authorities' commitment to increasing gross official reserves by the end of the program period. If successful, such a move would clearly continue the progress begun during the previous two years in

improving Liberia's external position. He had read with particular interest the staff comment that, if the authorities reduced the budget deficit to the program level and devoted an increased portion of the budget to productive investment, the prospects for achieving a sustainable balance of payments position within "a year or so" seemed quite good. However, it was not clear how such a development might come about without further budgetary restraint or an unexpected upturn in exports. Liberia was prepared to begin the third successive year of an adjustment program supported by the Fund and, while the current account had improved modestly over the period thus far in spite of an adverse external environment, serious payments problems, requiring large amounts of Fund financing, would apparently continue. He would appreciate some further elaboration by the staff on the outlook for balance of payments sustainability in Liberia, a condition that should generally be viewed as not dependent on significant amounts of Fund resources.

Mr. Lovato remarked that, while Liberia had complied with all the conditional clauses in the previous stand-by program, progress thus far on the financial side had been slow, mainly because of the international recession and its effects on Liberia's exports. The slow progress was also the result of a rapid deterioration in the fiscal position following the large and unsustainable wage awards granted in 1980 that had shifted resources to consumption and away from development expenditure. The proposed program was an indication that the authorities had become aware of the problems and would be making an effort to alleviate them, although the situation remained precarious in many areas.

In the fiscal field, the authorities were continuing to take a rather haphazard approach to raising revenue, although they had, on the expenditure side, taken a courageous and politically difficult decision to reduce spending on personnel by 15 per cent and to effect a shift of \$6 million between payroll and other recurrent expenditure, Mr. Lovato continued. That shift would be the basis for an increase in the development budget, which was vital to the Liberian economy. The decision not to increase domestic arrears beyond \$8 million was welcome, especially as that had been an area of concern noted by Directors on the occasion of the previous stand-by request. Recognizing the difficulties involved in setting formal performance criteria on domestic arrears, he hoped that those arrears would at least be the object of close scrutiny during the November review.

With respect to external policy and the importance of eliminating the arrears that had been mentioned by the staff at the beginning of the discussion, Mr. Lovato observed that the proposed program, like that in 1981, included a prohibition on the contracting of new debt of maturities between one and twelve years. In that regard, he recalled the concern expressed by several Directors on the occasion of the previous discussion that the authorities had not yet sold the government-owned aircraft as earlier promised. That aircraft had since been sold, but he understood that it had been replaced by another, and he wondered how it had been possible to arrange financing of such a purchase without violating the limit on new external debt. The matter was an important one because, as



emphasized by the staff, there would remain difficulties in servicing the debt even after the recent rescheduling. On balance, however, he could support the proposed program and decision; at the same time, he appreciated the cautious timing of the disbursement of resources, which seemed to give appropriate weight to the review of the fiscal program for the remainder of the year.

While not in principle opposed to Liberia's request for a purchase under the compensatory financing facility, Mr. Lovato said, he had one or two questions about the request. First, it was unclear what proportion of the data on which the request was based had been estimated, and he would appreciate greater detail from the staff. He would also welcome a clarification of what appeared to be a contradiction between information supplied in EBS/82/170 and EBS/82/169. Table 4 of EBS/82/170 suggested that the unit value of exports in 1982/83 would increase by 9 per cent; however, the staff had stated on page 19 of EBS/82/169 that only a 4 per cent increase in export prices was expected. Since the two papers had been issued on the same day, it was unclear which estimates for export prices Executive Directors should accept.

Mr. Taylor stated that, like others, he could support both decisions and endorse the staff appraisals in the papers. The authorities were to be congratulated for the successful implementation of the 1981/82 stand-by program and for meeting the performance targets in the face of adverse domestic and external developments. Despite what appeared to be a reluctance by the consortium of banks to renew the letter of credit to Liberia for oil, international confidence in the economy seemed to be reviving; nevertheless, he shared Mr. Dallara's concern about whether the pace of external adjustment would prove to be sufficient. The openness of the trade and exchange regime was commendable, but the reserve position remained fragile and would be augmented in 1982/83 only by the equivalent of the requested purchase under the compensatory financing facility. In the circumstances, he shared the staff's doubts about the economy's prospects, particularly with respect to the pace of export recovery; and he was forced to conclude that the burden of servicing foreign debt would remain onerous, despite the successful rescheduling of the official and commercial debt. There seemed thus to be little margin for relaxation or slippage under the new program, and the staff had therefore been correct in emphasizing that continued vigilance over the budget would be the key to sustainable balance of payments improvement. The November review would provide a good opportunity to scrutinize the adequacy of the proposed external and fiscal measures. Until then, he welcomed the proposed phasing of disbursements under the program and the continuing close Fund supervision of spending in relation to budget allocations.

He joined others in noting that the reduction in payroll expenditure and the freezing of wages in the public sector was a courageous step by the authorities, Mr. Taylor continued. A significant overall reduction in current expenditure was essential, although it would be desirable to avoid sharp reductions in the sorts of expenditure designed to maintain the existing infrastructure.

He welcomed the continuing emphasis on improving tax administration, Mr. Taylor remarked. As revenues seemed relatively sensitive to changes in imports, a shift to a broader tax base in the medium term might be a desirable move. He also supported more centralized control over foreign public sector borrowing with a corresponding improvement in the monitoring of private capital flows. In that regard, he wondered whether Article IV consultations might not provide a good opportunity for the staff to review the adequacy of inward investment incentives, particularly in developing economies. The matter was particularly relevant in Liberia's case, because private capital inflows could take some of the strain off the balance of payments financing through the public sector.

Also deserving of support was an early implementation of measures under consideration by the National Bank to strengthen the financial system, Mr. Taylor considered. He would appreciate hearing from the staff whether the recommendations of the Central Banking Department and the Legal Department missions to Liberia were expected to be implemented within the period of the proposed stand-by arrangement. Also, noting that the staff apparently considered certificates of deposit issued by the National Bank to be effective instruments for generating domestic savings, he would be interested in knowing whether the recent decline in U.S. interest rates had affected the saleability of certificates of deposit and whether the proposed increase in interest rates on those certificates would need to be pursued. He would also be interested in knowing whether the issuance of certificates of deposit had delayed a recovery in the growth of private sector bank deposits and whether they had further squeezed the availability of credit to the private sector.

On more structural matters, Mr. Taylor considered it important that, when a series of stand-by arrangements was contemplated--as was the case with Liberia--the Executive Board should have before it a multiyear development plan and balance of payments projections so that the adequacy of supply side adjustment could be gauged from a longer-term perspective. He welcomed the shift in budgetary emphasis in Liberia from recurrent to development expenditure as well as the new emphasis on small-scale agriculture. Given the manifest weakness of the external position, the focus on productive projects that promised early balance of payments benefits was reasonable. Generally, the staff had given a good picture of Liberia's prospects, although it would have been helpful if the implications of the various measures for the 1983/84 budget and balance of payments position had been provided.

Like Mr. Lovato he would encourage the staff to look closely at progress with respect to domestic arrears in the public sector, Mr. Taylor said. He also urged the authorities to take the necessary steps to provide accurate and up-to-date information on the size of those arrears. On the re-emergence of arrears mentioned by the staff at the beginning of the discussion, he hoped the authorities and the banks would come to some amicable rescheduling arrangement; perhaps the advent of the proposed stand-by program--assuming that it was approved--would have a bearing on the forthcoming discussions.

Remarking on Liberia's request for a purchase under the compensatory financing facility, Mr. Taylor observed that all the relevant criteria had been met. His only concern was that no margin for error had been incorporated in the amount of the proposed drawing, even though the recovery in export earnings was crucially dependent on the course of the world recession. Still, he trusted that the staff had been especially cautious in drawing up the export forecasts, and he could thus agree to Liberia's request.

Mr. Grosche indicated that his authorities were in broad agreement with the staff appraisals and could support the proposed decisions on the stand-by arrangement and the requested purchase under the compensatory financing facility. He had been gratified to learn from the staff papers that Liberia's record of cooperation with both the Fund and the World Bank was commendable, and had been happy to see that the authorities had implemented sound stabilization measures under the 1981/82 adjustment program. They had demonstrated appropriate flexibility in modifying a number of fiscal measures during the program period in order to adjust to unforeseen developments, and all performance criteria had been met. Still, the results of the 1981/82 program as measured by economic and financial indicators were somewhat mixed: there had been a remarkable reduction in the overall deficit of the Government and a small reduction in the current account of the balance of payments; on the other hand, real growth had been stagnant, inflation had accelerated, and exports and domestic savings had been considerably reduced. On balance, he was tempted to view the 1981/82 program as successful, at least insofar as it had prevented the Liberian economy from deteriorating significantly in the face of a difficult external and domestic environment.

He had no major difficulty with the principal elements of the proposed program which, as a continuation of the previous stand-by, should establish a foundation on which a more structurally framed adjustment effort could be undertaken in order to achieve a viable current account position in the medium term, Mr. Grosche continued. Like others, he had been struck by the staff's assessment on page 23 that "...the prospects for achieving a sustainable balance of payments position within a year or so are quite good." The most realistic outcome of the deficit on current account for 1982/83 was around SDR 55 million in absolute terms, which was not significantly different from the outcome in 1981/82. The overall balance of payments deficit would be somewhat larger, however, in both absolute and relative terms. He wondered whether the staff considered the projected deficit on current account and the overall balance of payments to be sustainable; he would also welcome further elaboration on the service account, which, to a great extent, was responsible for the current account deficits.

Commenting on fiscal policy, Mr. Grosche considered that the measures designed to improve public sector finances were impressive, particularly the establishment of various administrative measures, detailed directions, and intensified budget control mechanisms. It was to be hoped that they were adequate to ensure full adherence to the program. Because it was

crucial that slippages in the proposed budget be avoided and corrective measures--if necessary--be taken at an early stage, he welcomed the monitoring of quantitative limits on expenditure. In the event that those limits were exceeded, the authorities would be required to consult with the Fund staff. On a related matter, the relatively low amount set for the first phase of disbursements before the November review seemed to be almost a precondition with respect to the effectiveness of the Government's efforts to reduce expenditure. However, since the achievement of a reduction in recurrent expenditure was of particular importance to the success of the program, he fully agreed with the proposed phasing.

With respect to the medium-term prospects for economic growth in Liberia, the planned shift in the budget toward development expenditures was welcome, Mr. Grosche remarked; and it was promising that the World Bank had described the development budget as "well balanced and diversified." Finally, the authorities should be commended for being committed to an open economy and for not resorting to exchange and trade restrictions despite the unfavorable external environment.

Mr. Kabbaj observed that, in the face of continued deterioration in economic activity and investment in Liberia, performance under the 1981 stand-by arrangement had, to a great extent, been satisfactory, with significant declines in both the fiscal and balance of payments deficits and with continued progress in the process of restoring domestic and external confidence. All performance criteria under the program had been met and, by June 1982, all arrears had been eliminated.

The favorable developments in Liberia during 1981/82 had resulted directly from the tough measures implemented under the 1980 stabilization program and the 1981 stand-by arrangement, Mr. Kabbaj continued. Most of those measures had related to financial and monetary policies, including the introduction of the Compulsory National Savings Bond Scheme--which had later been replaced by a graduated reconstruction tax--increases in the price of rice and gasoline, improved tax collection procedures, the imposition of a limit on all recurrent expenditures--including wages and salaries--and tighter control over foreign expenditures. Unfortunately, the authorities had been forced to implement the adjustment program in the face of a worldwide recession, which had had a severe impact on Liberia's exports and thus on overall economic activity. Indeed, while the current account deficit had narrowed in 1981/82--mainly due to a marked increase in net inflows of transfer payments and to a reduction in the net services deficit--exports had declined in value by 13 per cent, and the terms of trade had deteriorated further by 8 per cent.

The 1982/83 program, for which a new stand-by arrangement was being requested, was basically a continuation of the economic policies of the previous program, Mr. Kabbaj noted. The aim was to strengthen the balance of payments position, restore confidence, and achieve sustainable economic growth. However, the extent of the measures adopted in the proposed program seemed to indicate that the authorities were looking toward a speedier and more ambitious economic adjustment. While some of the

program assumptions were perhaps on the optimistic side, the principal elements were sound and sufficiently broad to make achievement of the ambitious targets possible. It was obvious that real GDP growth and developments in the terms of trade--as in previous years--would be directly affected by the state of the world economy, which unfortunately continued to be in deep recession. Still, he welcomed the measures already taken, together with those intended under the new program, and commended the authorities for the courage and resolve that they had shown in the painful adjustment of the previous two years. Like others, he particularly welcomed the shift in the budget from recurrent to development expenditure--which should improve the country's capacity to produce and earn foreign exchange--the improvement in the efficiency of the operations of public enterprises and the reacquired properties, and the provisions for better financial intermediation, which included increases in interest rates and an enhancement of financial institutions and instruments.

In the short run, the measures taken seemed to focus appropriately on fiscal adjustment and were aimed at a reduction in the overall deficit and its financing through the Central Bank through an improvement in revenue performance and a containment of expenditures, Mr. Kabbaaj commented. In that regard, the ambitious target of a 15 per cent reduction in recurrent expenditure seemed attainable. The authorities had already proved their ability to achieve domestic and external adjustment; and there were, in any event, safeguard provisions requiring immediate consultation with the Fund staff if spending ceilings for ministries, agencies, and public corporations were to be exceeded. On a technical matter, he had noted like Mr. Lovato that the rescheduling of existing liabilities in Liberia was not to be viewed as contracting new external debt, and he would appreciate hearing from the staff whether that rescheduling was consistent with the general policy of the Fund so far as performance criteria were concerned. Finally, he could support Liberia's request for a stand-by arrangement as well as the request for a purchase under the compensatory financing facility, the arguments in favor of which had been convincingly put forward in the staff papers.

Mr. de Maulde agreed with Mr. Sangare and others that Liberia had made notable efforts toward adjustment with the implementation of the stabilization program in 1981/82 as well as with the measures under the previous stand-by arrangement. Unfortunately, those efforts had not been fully rewarded, primarily because of adverse external trends. As with many developing countries, the high level of interest rates had increased the burden of Liberia's external debt; moreover, the deterioration in the terms of trade had been sharper than expected, with a reduction of 8.6 per cent in 1981/82 following a deterioration of nearly 9 per cent in the previous fiscal year. As a result, the overall performance of the Liberian economy had been less positive than forecast. Real GDP had declined by 1 per cent, mainly because of a 13.2 per cent shortfall in exports, which had been well below the projected increase of 2 per cent. Data in the staff papers showed that export earnings from iron ore had declined in dollar terms, reflecting the crisis in the world steel industry; and worldwide reductions in the sale of automobiles and hard times in the

construction industry had adversely affected Liberia's rubber and lumber exports as well. On a presentational matter, he noted that the data on exports in tables in the staff papers were mainly expressed in terms of SDRs--which had appreciated against the U.S. dollar--while comments in the text were frequently made in terms of dollars. He would have preferred to see figures presented in local currency in the case of Liberia, since the appreciation of the local currency seemed also to have had certain adverse effects on exports.

Imports in Liberia had declined by 6.6 per cent--in contrast to a projected increase of 5 per cent--thus inducing lower revenues from custom duties, Mr. de Maulde continued. Still, the current account deficit had been reduced from \$83 million in 1980/81 to about \$67 million in the following fiscal year, a result that was commendable in view of the target deficit of \$82 million. In fiscal policy, there had generally been significant improvement in 1981/82, although the latest estimates pointed to a deficit of 7.4 per cent of GDP, which was higher than the target of 5.7 per cent of GDP.

Speaking of the proposed program, Mr. de Maulde commended the courage of the Liberian authorities in deciding to reduce the ongoing costs of government by 15 per cent and to reduce gasoline allowances by 50 per cent. Those changes should permit an increase in domestic resources for the development budget, one third of which would be devoted to the agricultural sector. The financial measures included in the program, if implemented, were expected to reduce the rate of growth of domestic credit from 38 per cent in 1981/82 to 13 per cent in 1982/83. However, the ability of the National Bank to undertake monetary policies seemed constrained by certain institutional arrangements and by the fact that there were six privately owned commercial banks operating in Liberia, five of which were subsidiaries of foreign banks. In the circumstances, it was debatable whether the quarterly ceilings on the net domestic assets of the National Bank would be sufficient to keep the evolution of net domestic credit under control. Generally speaking, the Liberian case seemed to provide Executive Directors with an interesting opportunity to observe an economy in which the tools of monetary control were not fully available. He would welcome staff ideas on possible ways of achieving some control, especially since he understood that the Central Bank was unable to engage in money-market operations without competing with the Federal Reserve of the United States.

The main objectives for the fiscal sector of the 1982/83 program would probably be difficult to achieve, despite the determination and willingness of the Liberian authorities to do so, Mr. de Maulde considered. Like Mr. Taylor, he felt that the forecast for the reduction in the current account deficit to 4.5 per cent of GDP might be optimistic; the underlying assumptions were for the terms of trade to improve by 4.3 per cent and for exports to increase by nearly 10 per cent. Looking at the current forecast for the world economy, he was unclear whether those assumptions would be realized, given the heavy dependence of Liberian exports on certain critical sectors in the economies of the industrial countries and the overvaluation of the local currency.

Mr. Diao, noting that he could fully support both requests, agreed with others that Liberia had been experiencing serious economic and financial difficulties for the previous several years. Those difficulties, which were structural, had led to the approval of a stand-by arrangement with the Fund in September 1980, followed by another in August 1981 in support of the efforts of the authorities to bring about conditions more conducive to a sustainable external and domestic financial position. Performance under both programs had been satisfactory; indeed, the authorities had been able to meet all program targets in 1981. The budget situation, which was the main problem area, had improved significantly, with the deficit falling from the equivalent of 10 per cent of GDP in FY 1980/81 to 7.4 per cent of GDP in 1981/82. The external financial position had also improved, as the current account deficit had narrowed from \$83 million in 1980/81 to \$67 million in 1981/82. All external arrears had been repaid, the external debt had been rescheduled, and the heavy outflow of capital had been brought under control, thus making it possible to arrest the declining trend in international official reserves. It was important to underline that the Liberian authorities had been able to carry out their stabilization efforts successfully, in spite of an extremely unfavorable international environment and its impact on the demand for Liberian exports. Also, they had made significant efforts to restore business confidence, attract foreign investment, and lay the foundation for sustainable economic growth, even though they had been constrained in the use of the exchange rate as a tool of economic policy.

The proposed program was a sound one and should enable the authorities to consolidate the gains realized thus far and further strengthen the financial position of the public sector, Mr. Diao remarked. His only reservation concerned the proposed disbursement of funds under the program. Despite all the commendable efforts made by the Liberian authorities and their willingness to cooperate closely with both the Fund and the World Bank, the staff had recommended that the phasing of disbursements should be "backloaded," with only SDR 5 million to be granted initially upon approval of Liberia's request. He would appreciate further clarification by the staff on the reasons for its recommendation.

In supporting Liberia's request for a purchase under the compensatory financing facility, Mr. Diao observed that all relevant conditions governing access to the facility had been met. There was a definite balance of payments need; the shortfall was due to factors beyond the authorities' control; all necessary measures were being taken by the authorities to correct the situation; and Liberia had cooperated closely with the Fund over the previous several years.

Mr. Prowse noted the indication by the authorities in the letter of intent that they would take any further measures necessary to achieve their objectives and would undertake to consult with the Fund on the adoption of such measures in accordance with the policies of the Fund. Given that comforting statement and the fact that the proposed Fund assistance was crucial to Liberia's progress, he could warmly support Liberia's requests for a stand-by arrangement and for a purchase under the compensatory financing facility.

The previous stand-by program had been well designed, and adjustment had taken place under strongly adverse conditions, Mr. Prowse observed. The 1982/83 program for which the proposed stand-by arrangement had been requested would apparently continue the stabilization efforts begun in 1981/82 while placing greater emphasis on development expenditure. Generally speaking, the program was an impressive one; nonetheless, like Mr. Dallara, he wondered whether some performance criteria on the fiscal side should not have been included. Item "f" of the performance criteria on page 9 of the staff paper required that the authorities "reach understandings with the Fund on budgetary policy"; he would appreciate hearing what the staff had in mind with respect to the nature of those understandings. The matter was of particular interest because the program provided for a remarkable 15 per cent reduction in recurrent expenditures, and the decision to make those cuts seemed to have been taken somewhat after the start of the financial year. Bearing in mind the difficulties and delays involved in implementing such a reduction in expenditure, he would like to be reassured by the staff that the target was a realistic one.

It would also be quite an achievement if the proposed increase of 38 per cent in development expenditure were implemented efficiently, Mr. Prowse continued. Noting that the World Bank had endorsed the investment program, he wondered whether the Fund staff felt satisfied that the increase in investment expenditure that was projected could be achieved. On a related technical matter, he observed that the staff had made reference on page 10 of EBS/82/169 to a 38 per cent increase in budget expenditure for development while, on page 7, it had mentioned that every dollar shifted in the budget to development expenditure would result in a multiple total investment, as the foreign financial institutions required domestic contributions. The staff had gone on to say that "the result of this shift will be a 38 per cent increase in investment spending...over the previous year...." Were the two 38 per cent figures addressing the same thing? He also wondered what the staff would recommend as a response if the quarterly allocation of recurrent expenditure for July-September were exceeded.

Liberia's request for a purchase under the compensatory financing facility had been well substantiated in the staff report, Mr. Prowse remarked. While he had noted like others that much depended on the assumptions about recovery in the second shortfall year, he saw no satisfactory alternative to relying on those assumptions; in any event, the calculations had been properly done. As Liberia had been cooperating with the Fund and was clearly planning to continue to do so, he had no difficulty in agreeing to the proposed decision.

Mr. Vidvei commented that the fact that the medium of exchange in Liberia was the U.S. dollar seemed to impose some constraints on the design of economic policy. The structure and stage of development of the United States and Liberia were quite different, so that it was difficult for the smaller country to formulate and independently implement effective monetary policies. As a consequence, primary reliance had to be placed on fiscal and incomes policies in the overall management of the economy,



and the strain on those instruments could become excessive. In the recent past, Liberia had faced serious political and economic difficulties, and the courage demonstrated by the authorities in attempting to improve the performance of the Liberian economy was impressive. He could thus fully support the proposed decisions. However, he observed that there was little room to relax the firm stance with which the authorities had approached the problems so far.

He had been pleased to note the various measures taken by Liberia to improve financial control, tax administration, auditing, and so on, Mr. Vidvei continued. Those measures reflected a strong will on the part of the authorities to move the economy onto a sounder footing and were an indication of the quality of the advice provided by the Fund staff. While the use of resources for such efforts usually implied an increase in current expenditure or, more precisely, an increase in public consumption, the rewards often far exceeded the cost.

Referring to the medium-term adjustment program described on page 7 of the staff paper, Mr. Vidvei observed the indication by the staff that "it (the program) included an important shift in the budget from recurrent expenditure to development expenditure." Development expenditure in that context seemed, conceptually, to be the same as investment in real capital. Without knowing the details of the important shift from recurrent to development expenditure--or, as was probably meant, from public consumption to real investment--he could remark on the shift only in general terms. In macroeconomic planning, it was often difficult to strike an optimal balance between real capital investment and different kinds of public expenditures which, according to the national accounting definition, were to be classified as public consumption expenditures. Striking such a balance was even more complex in some developing countries than in industrial countries. In the latter, many of the necessary input factors had already been created by means of public expenditures, while those factors were often lacking in developing countries, where such inputs were scarce or even unavailable. That was true, for example, with respect to qualified blue-collar workers, foremen, and technicians. It also applied to all levels of office workers, cost accountants, personnel officers, and so on, as well as to resources for infrastructure and its maintenance. He hoped that the difficult task of balancing capital investment and public expenditure would be facilitated in the medium-term adjustment program in Liberia, as suggested by Mr. Sangare. In his own country, the Government had recently issued a paper on the effects of transfers of concessional funds to developing countries, and he had heard from news reports that, in some cases, the advice provided to the receiver countries on how to make use of those transfers had not always been well considered. The primary mistake seemed to be that, in some cases, too large a share of the resources had been used for real capital investment and too little for effective investment in human capital and to the maintenance and implementation of knowledge, which to a great extent could be classified as recurrent expenditure or public consumption. Similar mistakes had even been made within his own country, in regional development policy.

Another reason for drawing attention to the problem of balance was that the Executive Board itself often tended to emphasize the importance of capital investment without paying enough attention to the harmonization of capital expenditure and recurrent expenditure and the effective use of resources classified as public consumption, Mr. Vidvei commented. As his chair had noted on previous occasions, it might be more useful in some cases to assist countries in improving and maintaining an effective financial and monetary administration than to help them cover medium-term currency needs. However, striking an optimal balance in that special field was probably as difficult as finding the right balance between real investment and public consumption.

The use of the U.S. dollar as domestic currency in Liberia subjected the country to fluctuations in the dollar exchange rate and entailed a number of structural problems, Mr. Vidvei remarked. Had the authorities considered establishing an export price stabilization fund to ease the situation? Drastic changes in the dollar rate had profound effects on Liberia, and any effort to neutralize their impact at the border might facilitate a better management of the domestic economy. He was of course aware of the political and administrative difficulties involved in such a scheme, but he would appreciate hearing the views of the staff on the potential for its use. In circumstances in which the commercial banks in a country were foreign-owned and the medium of exchange was the U.S. dollar, it was difficult to control speculative capital movements out of a country; he wondered whether and to what extent it would be possible to limit noncommercial transactions.

Given the institutional constraints in Liberia, the efforts made in the monetary field were welcome, Mr. Vidvei said. In particular, the imposition of reserve requirements and the recent increase in their legal limit, the introduction of certificates of deposit, and the requirement that insurance companies invest a portion of their gross premiums in those certificates were to be commended. Perhaps reserve requirements on the banks should be increased to the same level as those for the insurance companies.

The measures that he had mentioned should help to improve monetary control, Mr. Vidvei considered; however, the additional premium on the certificates of deposit seemed quite high, especially when the total cost to the Government of using the instrument was compared with interest rates obtained in New York on comparable certificates. Finally, in connection with the use of dollars as domestic currency in Liberia, he wondered whether there was any special arrangement with the United States concerning seigniorage. He was of course well aware of the liberal attitude shown by the U.S. authorities in their transfer of concessional funds to Liberia; perhaps the solution to the seigniorage problem had been agreed as part of that policy.

Mr. de Vries observed that, although the authorities had taken a number of important measures in recent years, serious problems remained, which was apparently why Mr. Dallara and others had asked whether the

proposed program--courageous as it appeared--would be sufficient to alleviate the difficulties faced by the authorities. The key to the situation seemed to be the budgetary position and, in order to improve it, expenditure control was all important. Little had been said during the course of the discussion about one of the main underlying causes of the difficulties, namely, the doubling of wages that had been introduced in the past. While the authorities had been taking a number of measures to undo the damage created by that wage increase, it was likely that the consequences of the increase were still being reflected in the problems of the budget. In that regard, he would welcome staff comments on whether the expenditure controls provided for in the program were strict enough.

He would also be interested in hearing further comment on the problems of conducting monetary policy in what appeared to be a de facto currency union in Liberia, Mr. de Vries said. With respect to the issuance of certificates of deposit, he wondered why people in Liberia would want to buy locally issued dollar paper when they could buy certificates issued in the United States by the U.S. Government or by U.S. banks. At least the authorities were making an effort to attract savings, and, indeed, some of the measures taken had made it possible for them to devote more attention to appropriations designed to encourage development of the economy. Also welcome was the attention being paid to the public corporations, although further efforts were needed.

Remarking on the most recent developments in Liberia's balance of payments arrears, Mr. de Vries said that he was pleased to hear that the authorities had been able satisfactorily to deal with arrears until only recently and that they had rightly chosen not to agree to the demands placed upon them by the consortium of banks. However, he wondered about the implications of the current situation for the proposed stand-by arrangement. The Executive Directors were being asked to approve a stand-by arrangement containing the stipulation that, during the entire period of the arrangement, Liberia was not to impose restrictions of payments, and he wondered what effect the latest development would have on that stipulation.

On Liberia's request for a purchase under the compensatory financing facility, Mr. de Vries remarked that he shared some of the reservations expressed by Mr. Lovato and Mr. Taylor, particularly with respect to the extent to which the shortfall had been calculated on the basis of estimated data. Mr. Lovato had also pointed to the apparent contradiction in forecasts related to the unit value of exports, noting that the shortfall might in certain circumstances be considerably smaller than the staff had calculated. In that respect, he would appreciate some comment from the staff on the general background against which it calculated the expected export performance of a country. In the past, in situations of expanding world trade and inflation, projected export shortfalls had been more likely to occur than not; however, with prices of exports remaining depressed and with prospects for little or no increase in export volumes, the projected shortfalls might be much smaller than calculated and might even turn out to be nonexistent. In that connection, he would appreciate

hearing the extent to which the World Economic Outlook projections for recovery were incorporated in the shortfall calculations in requests for purchases under the compensatory financing facility. In the particular case of Liberia, the staff had suggested that the medium-term outlook was clouded by uncertainties about exports, particularly of iron ore and rubber; he would thus wish to hear some further clarification by the staff on its calculations before giving his assent to the proposed decision on Liberia's request for a compensatory financing facility purchase.

Mr. Shaw considered that the Liberian economy had made some progress under stand-by arrangements over the previous two years, although, in many respects, the programs had represented little more than a holding action over the period. He agreed with the staff that, over the medium term, the authorities would have to give top priority to fiscal policy and that government expenditure would have to be monitored closely. In the circumstances, he could support Mr. Dallara's suggestion for expenditure limits as a performance criterion in the program. On a related matter, it would have been helpful if a detailed breakdown of government expenditure had been included in Table 4 of EBS/82/169. In particular, he would have been interested in a breakdown of the very general category "Other," which accounted for over one fourth of Liberia's recurrent expenditure. It would also have helped Executive Directors to understand the situation if the details of the shift from recurrent to development expenditure had been detailed.

The authorities should be commended for the substantial cuts that they had made in public sector salaries, Mr. Shaw continued, and he welcomed their continuing efforts to increase revenue. A breakdown of the revenue sources would have been useful, particularly since the increase in the fiscal deficit in 1981 seemed to have resulted mainly from a revenue shortfall. He wondered whether the staff believed that a similar shortfall would result in 1982, thus increasing the deficit beyond the \$82.9 million projected in the program. If so, was it expected that additional grants would make up the difference?

It was important for the Liberian authorities to restore some confidence by the private sector in the Liberian economy and in the Government's ability to manage it, Mr. Shaw considered. One result of the loss of confidence had been heavy capital flight, which he understood continued to be a significant problem for the economy. Some measures had been taken to prevent the flight of capital--such as the issuance of certificates of deposit--but it was unclear what their effects were likely to be. He understood that it was impossible to project short-term capital outflows through the program period, but he would welcome comment by the staff on prospects for a turnaround in the current trend. Finally, he could support the proposed stand-by arrangement and Liberia's request for a purchase under the compensatory financing facility.

Mr. Zhang, requesting clarification on two points in the staff appraisal in EBS/82/169, noted that the National Bank of Liberia had, in June 1982, issued certificates of deposit with interest rates 1 per cent

above comparable rates in New York. The National Bank intended to raise its rates as necessary, and the staff had supported that intention. He would be interested in hearing more about the nature of the certificates of deposit. If they were simply the profits of foreign companies that were being placed on hold until they could be expatriated, or if they represented short-term capital owned by Liberian nationals that would otherwise have been exported, could the certificates truly be relied upon as savings to finance longer-term domestic productive investment? Moreover, given the level to which rates of interest had been raised in Liberia, he wondered about the impact of those rates on domestic investment and on the budget deficit.

He would also appreciate elaboration by the staff on its statement that the prospects for achieving a sustainable balance of payments position "within a year or so" would be quite good if the Government could reduce its budget deficit and devote an increased portion of the budget to productive investment, Mr. Zhang continued. He was curious about the mechanism that would translate an increase in productive investment into an improvement in the balance of payments in a situation in which most of the export products were produced by foreign-owned companies. Moreover, the prospects for improvement in Liberian exports were mainly dependent upon demand in the industrial countries, which was expected to remain sluggish for the next year or two. Finally, he was concerned about the suggestion made by some of his colleagues to introduce a new performance criterion into the Liberian program--even though it might be regarded as appropriate in the circumstances--because it might become a precedent for general application.

Mr. El-Khoury stated that he could support Liberia's request for a stand-by arrangement and for a purchase under the compensatory financing facility. With respect to the latter, it was clear that all relevant requirements had been met; moreover, as he understood it, the data for the entire shortfall year were actual data, so that there was no risk of overcompensation.

On Liberia's request for a stand-by arrangement, Mr. El-Khoury commended the authorities for having met all the performance criteria under the 1981/82 program, an achievement reflecting their firm determination to adjust under difficult circumstances. The proposed program represented a continuation of the adjustment process, and he welcomed the importance that the authorities had attached to continued cooperation with the Fund.

Taking up some points related to the design of the 1982/83 program, Mr. El-Khoury observed that the area of domestic arrears had proved difficult to monitor in the past in a number of Fund programs. In many countries, domestic arrears arose when the government delayed issuing checks in order to meet credit ceilings. To resolve that problem in a recent case, it had been decided not to measure the quantitative criterion on bank credit to the Government at the end of the month but to measure it over an average of 20 working days before and after the end of the month. He would welcome staff comment on the usefulness of such an approach in tackling the problem of domestic arrears in the case of Liberia.

Like others, he had noted that the quantitative criteria for credit expansion seemed more elaborate in the proposed program than had been the case in previous arrangements with Liberia, presumably so as to allow for more specific focus on credit to the public corporations, Mr. El-Khoury continued. In that regard, he had observed that the monetary survey on page 18 of the staff report referred to claims on public corporations as being "net," which he assumed meant net of deposits with the banks. In conventional Fund programming, the concept of "claims net of deposits" had been applied only to the government, since government deposits were not felt to influence government expenditure decisions, while the same was usually not thought to be true of the public corporations. He would appreciate hearing from the staff why the "net" concept was being applied to the public corporations in Liberia. Finally, the proposed schedule of purchases under the stand-by arrangement seemed to be somewhat stringent. Like Mr. Prowse, he was unclear about precisely what measures the authorities were expected to take at the time of the November review, especially since performance criteria had already been set for the entire fiscal year. He also noted that the final purchase of SDR 10 million was contingent on meeting performance criteria at the end of the program period. Such an approach had not been used frequently in Fund programs, and he was uncertain why it had been proposed for the Liberian case.

Mr. Kabbaj, remarking on questions raised by Mr. de Vries and others on the validity of the staff's calculations of the export shortfall in conditions in which prices remained depressed, agreed that there was a danger of overstating the shortfall if certain key assumptions did not materialize. However, the compensatory financing facility had been established to help member countries at a time when exports were depressed, and the facility had served its purpose well. It would be unfortunate if such a helpful "window" were to be closed on presentational grounds; hence, when the Executive Board examined the subject of the avoidance of overcompensation, it should correct whatever presentational elements might endanger the facility.

The staff representative from the African Department agreed with those Directors who had noted that serious problems remained in Liberia despite the stringency of the proposed program and the courageous efforts of the authorities to implement adjustment measures. The staff itself was not certain that the measures currently in place were sufficient to meet the country's problems and was somewhat concerned that not all the measures to achieve cuts in the budget and in current spending were in place yet. It was for that reason that a November review was proposed.

Many speakers had rightly focused on the importance of an appropriate balance between the sharp cut in recurrent spending and the increase in development spending, the staff representative continued. As pointed out by Mr. de Vries, one of the key problems in recurrent spending had been the doubling of wages in the public sector two years previously. There had been some containment in wages since that time, with a maintenance of wage levels in nominal terms and a decline in real terms; so far, however, the measures taken had been inadequate. Obviously, the cutting of the

wage bill was a politically sensitive issue, although the authorities had been working toward that end for some time; the situation should be clearer by the time of the November review to continue their efforts.

A breakdown of other recurrent expenditures and of revenues should perhaps have been incorporated in the staff paper, the staff representative remarked. The information was in any event available, however, and would be provided to Executive Directors on request. Generally speaking, the staff felt that the cut in other recurrent expenditures--those necessary to maintain the Government--had thus far been excessive; thus, the focus had been on continuing efforts to contain the wage bill and to cut other recurrent expenditures by 15 per cent, but probably by no more than that. If it were determined in the November review that measures to cut recurrent spending were not sufficient to achieve the program targets, it would be important to take another look at the level and composition of development expenditure.

A discrepancy had been noted by Mr. Prowse with respect to references in the staff paper to development spending and to investment spending, the staff representative recalled. The reference should perhaps have been to development spending in both places. There was a multiple of external financing for development relative to domestic cost financing, and that multiple varied from project to project; however, the net result--as could be seen in Table 4--was approximately two to one on average.

On the issue of domestic arrears, the staff representative noted that the level had remained relatively stable during the previous program year, although a system had been set up within the Ministry of Finance to monitor domestic arrears on a regular basis. He agreed with those who felt that the arrears should be reduced or eliminated, and the staff and the authorities were currently engaged in discussions about ways to meet that goal.

A key question had been raised by a number of Directors about whether the program would in fact lead to a sustainable balance of payments position by the end of the program year, the staff representative recalled. There were a number of reasons for the staff view that such a goal was possible. First, the balance of payments table showed that a large part of the overall deficit had been due to private capital outflows. The real issue was whether confidence could be restored, not so much as a way of attracting new capital into Liberia but in order to eliminate or reduce the capital outflows. If that were to occur, there would be a significant improvement in the balance of payments. Also, to the extent that there was an increase in development spending that was supported by external financing from the World Bank and other institutions, there would be an increase in long-term capital inflows. Second, it was expected that there would be some slight recovery in the world economic situation, which should benefit Liberia's balance of payments position. Third, Liberia had little alternative but to move toward a sustainable balance of payments position because, as had been noted by several Directors, the country was in the third successive year of programs with the Fund. It was to be

hoped that, in any further stand-by programs, the member would not need to draw on Fund resources, an outcome that was conceivable if private capital outflows could be stemmed or reversed. Generally speaking, if the proposed program were implemented--and that would take some additional courageous measures on the budget side--it could lead to significant improvement and a sustainable balance of payments position within a year or two.

With respect to Mr. Lovato's question on implications for external debt of the sale of Liberia's aircraft and the purchase of a new plane, the staff representative observed that the outstanding loans to the U.S. Export-Import Bank and to Citibank had been repaid, and the balance of receipts from the sale of the original aircraft had been used to purchase a less expensive one. Hence, there had been a net reduction, rather than an increase, in the external debt position.

A number of questions had been raised on the matter of monetary management in Liberia and on the issuance by the Government of certificates of deposit with interest rates somewhat higher than those on comparable certificates in New York, the staff representative noted. Because it used the U.S. dollar as a medium of exchange, Liberia was obviously limited in the use of the exchange rate as an instrument of policy, but there was some potential for monetary management. The staff had felt that interest rate policy--which did not have to be tied to U.S. interest rate policy--was an important tool. Certificates of deposit issued by the National Bank of Liberia--if issued at an adequate interest rate--could restore confidence over time and help to mobilize domestic resources. The same results could not be achieved if the authorities simply sold U.S. Treasury bills in Liberia, because the resources would go to the U.S. Treasury rather than to the Government of Liberia. Thus far, certificates of deposit for only \$165,000 had been sold with interest rates at three-month and six-month maturities of 15 5/16 per cent and 16 per cent, respectively, or about 5 percentage points above comparable rates in the New York market. The impact of the sale of the certificates in Liberia would depend heavily on the restoration of confidence rather than on the interest rates themselves, although those rates could be used as an instrument for mobilizing domestic resources through the banking system and through other institutions. He agreed with Mr. Vidvei that increasing reserve requirements by the National Bank would be one way of mobilizing resources from the commercial banking system, although the National Bank had only recently been given the authority to increase reserve requirements above the prevailing 15 per cent. At present, there was a mission from the Central Banking Department in Liberia looking into the possibilities for new instruments and policies that would help the authorities to mobilize domestic resources. As for the Government's position on continuing the dollar as a unit of exchange in Liberia, the authorities had indicated that they had no plans for a change at present. And there was no agreement with the United States on the matter of seigniorage; the staff had estimated that US\$60-100 million was currently in circulation in Liberia.



Regarding Mr. de Maulde's question about whether the assets of the National Bank on net domestic ceilings were sufficient to keep the situation in Liberia under control, the staff representative remarked that the authorities had no control over the currencies in circulation. Imposing a net domestic credit ceiling on the commercial banks would not be particularly effective, and the staff would prefer to see an increase in the deposits in the commercial banks, which could then provide credit for the private sector. For that to happen, however, confidence had to be increased, and an improvement in the fiscal sector could engender such confidence. It was for that reason that the staff had limited all performance criteria to the public sector, including public sector banks and the public corporations. On another matter, the staff had not considered the possibility of an export price stabilization fund in Liberia. Given the inadequacies of the administrative capabilities in the country, it would be impossible to implement such a scheme, even if it were desirable to do so.

With respect to Mr. de Vries' question about the implications for the program of the \$10 million in arrears to the consortium of banks, the staff representative from the African Department noted that the program assumed that the banks would maintain their \$29 million exposure in Liberia. A rescheduling of that amount or a restructuring of the arrangement with the banks to maintain the \$29 million currently outstanding would be consistent with the program; a repayment of the \$10 million would be inconsistent with the program. Finally, with respect to Mr. Zhang's request for clarification on the mechanism by which investment was translated into exports, it should be noted that most of the major exports in Liberia came from foreign companies, many of which had complained about roads, bridges, and other infrastructure. One major goal of the development program for 1983 was the construction or maintenance of roads, which would be helpful to the foreign companies in transporting their exports to the market.

The staff representative from the Exchange and Trade Relations Department, recalling a question regarding the possible use of performance criteria on public or government expenditures in stabilization programs, observed that increases in public expenditure had been at the root of difficulties experienced by a number of countries for which programs were being formulated. However, the staff felt that it would be difficult to plan and control public expenditure precisely and so to specify performance criteria on a quarterly basis. Besides, the usual procedure was to place performance criteria on the gap financed through bank credit, which allowed the authorities greater flexibility to raise additional resources through revenue than would be the case if the country was called upon to limit expenditure. Nonetheless, there were a number of cases in which the staff had attempted to deal with the problem of public expenditure by providing quarterly or monthly expenditure targets that, if exceeded, would trigger consultations between the member and the staff. That was precisely the approach being adopted in the Liberian case.

With respect to Mr. Lovato's question about why there was no allowance for new borrowing under the foreign debt ceilings in the program, the staff representative observed that the ceilings did not include

concessional debt. As the debt service ratio was already high in Liberia, the staff had wanted borrowing to be limited to that on concessional terms or to new borrowing in the form of rescheduling of old debt, both of which were excluded from the debt ceiling. In some instances, the staff had excluded rescheduled debt in the ceilings, particularly when the rescheduling took place under multilateral arrangements such that the terms and maturities of the rescheduling were well known. In instances in which it was not known what kind of rescheduling would take place, the matter became more complex because, if all rescheduling were excluded from debt ceilings, it would be hypothetically possible for a member simply to roll over a substantial part of the maturing debt into short-term debt. In such situations, rescheduled debt was not automatically excluded from the debt ceilings.

Elaborating on the implications of the incurrence of new arrears under the program, the staff representative remarked that, from a technical point of view, to the extent that the arrears had arisen prior to the approval of the program under discussion, they would not be considered a breach of performance criterion. Under the language of the stand-by arrangement only arrears incurred after the approval of the program would operate as a bar on the country's ability to purchase. However, from a policy perspective, it was important to note that the program assumed that the commercial banks would continue with the current level of exposure in Liberia; if they were not to do so, an unanticipated financing gap would emerge. It was to be hoped that the discussions between the banks and Liberia--which were scheduled to take place shortly--would produce some agreement that would prevent such a financing gap from arising.

It had been suggested by Mr. El-Khouri that reviewing the ceilings on credit to the Government specified as an average over a period of time might mitigate the problem of domestic arrears, the staff representative recalled. Clearly such a change would reduce--but would not exclude--the possibility of domestic arrears arising; the member would simply have fewer opportunities to circumvent the ceiling by incurring domestic arrears.

Finally, regarding Mr. El-Khouri's question about whether it was normal practice to provide for a purchase linked to the final date of the program, the staff representative from the Exchange and Trade Relations Department noted that such a procedure was not uncommon. Although the program period was based on the fiscal year ending June 30, 1983, the stand-by arrangement would run for a full year from the date of its approval. Hence, the staff needed to phase purchases in such a way that the final purchase would not take place by June 30 but would extend beyond that point. It was for that reason that the final purchase had been made contingent upon the meeting of performance criteria for the end of the fiscal year, which happened to be the program year.

The staff representative from the Research Department, responding to comments on Liberia's request for a purchase under the compensatory financing facility, stated that the calculations in EBS/82/170 did not involve any estimation of exports for the shortfall year; hence, there

was no question of overcompensation or an early repurchase of the sort that could arise with the use of estimated data. In those instances in which overcompensation was a possibility, a special section was normally incorporated into the paper dealing with the requirements of early repurchase.

With respect to Mr. Lovato's concern about an apparent inconsistency between the projected unit values for exports in EBS/82/170 and the reference to expected price increases in EBS/82/169, the staff representative observed that the two references were compatible. One referred to prices in terms of U.S. dollars, while the other referred to calculations in terms of SDRs. To see the differences that the use of the SDR rather than the U.S. dollar might make with respect to staff projections, it might be useful for Executive Directors to refer to the percentage changes for exports shown in Table 3 in EBS/82/170. The decline in export earnings for the year ended June 1982 was 3.7 per cent in SDRs terms, although it was nearly 13 per cent in dollar terms, mostly because of the decline in prices. For 1982/83, an increase of 5 per cent was projected in dollar terms, which was almost entirely related to some recovery in prices with virtually no change in volume. A further increase of 10 per cent in 1983/84 was based on a projected increase of 5 per cent in volume and a 5 per cent recovery in price. Generally speaking, the projections were essentially based on some price recovery and, in dollar terms, represented only a modest increase.

A number of Directors had raised questions about the difficulty involved in making projections, especially given the uncertainties about how long the current world recession would last, the staff representative from the Research Department recalled. Certainly the making of projections had been more difficult of late, although, in attempting them for the purposes of requests under the compensatory financing facility, the staff had consistently followed the World Economic Outlook projections. In Liberia's case, for example, the outlook for exports in the two post-shortfall years was currently less optimistic than it had been only two or three months previously, when the staff had examined an earlier request by Liberia.

The staff representative from the Legal Department, responding further to a question by Mr. de Vries, stated that the introduction of arrears that were only defaults did not in fact constitute the introduction of exchange restrictions, so that, even if defaults had arisen after approval of the stand-by arrangement, they would not have affected Liberia's right to make purchases under the arrangement.

Mr. Prowse remarked that, as he understood it, the previous stand-by had commenced with existing arrears so that, quite properly, performance criteria on the elimination of arrears had been applied. The proposed stand-by had been formulated at a time when no arrears had been in existence, and, hence, no performance criterion involving the elimination of arrears had been necessary. Since that time, however, new arrears had emerged that would not be covered under the performance criteria of the

proposed program. He welcomed the indication by the staff that there was an arrangement in hand for eliminating the arrears that had recently emerged, but he wanted to be certain that no real change in Fund policies would be taking place if the stand-by arrangement was approved without a performance criterion relating to the elimination of the existing arrears.

The staff representative from the African Department noted that the authorities had stated in the letter of intent that new arrears in respect of payments and for current international transactions would be avoided. Moreover, the staff had assumed in drawing up the program that there would be no arrears and that the commercial banks would maintain their exposure in Liberia. If the 24-bank consortium that he had mentioned earlier were to demand repayment of the \$29 million outstanding, Liberia would have few resources available for other purposes; in fact, if the authorities were to pay off the amount during the program, the stand-by arrangement would cease.

Mr. El-Khoury wondered what would happen in the November review if it were discovered that the performance criteria on credits and so on had been met but that the arrears under discussion remained. Would further purchases be halted at that moment, or would it be necessary to wait until the end of the program period before determining the existence of arrears?

The staff representative from the Legal Department replied that it would be possible to establish a schedule for eliminating arrears on the occasion of the November review; however, no such schedule existed in the current drafting of the stand-by arrangement or the letter of intent.

The staff representative from the Exchange and Trade Relations Department remarked that the \$10 million in existing arrears did not strictly fall within the framework of the proposed stand-by arrangement and, hence, did not constitute a bar to the approval of the arrangement or purchases under it. Nonetheless, should additional arrears that constituted exchange restrictions be incurred following approval of the arrangement, they would constitute a breach of the performance criteria under the arrangement, and the authorities would be disqualified from making further purchases. His colleague from the Legal Department had referred to defaults in his reply to Mr. de Vries' question, and he had apparently had in mind the situation in which arrears arose because the debtor lacked the local currency to give to a local bank to effect the foreign payment, rather than because the bank was unable to effect the foreign payment. However, for the purpose of specific programs supported by the use of the general resources, arrears--whether exchange restrictions or only constituting defaults--had been the subject of performance criteria that looked to their elimination or precluded their introduction or further accumulation.

Mr. de Vries indicated that the most recent explanations by the staff left him somewhat confused about the suitable course of action for the Board. The staff representative from the Legal Department had suggested

that a default did not put a country in arrears; nor was it a payments restriction. If so, interesting possibilities were opened up for member countries whose stand-by arrangements were threatened by interruption because of arrears. If the authorities, for example, decided not to repay the amounts, the stand-by would continue uninterrupted, certainly not the sort of behavior that the Fund would wish to encourage. On the other hand, the staff representative from the Exchange and Trade Relations Department seemed to have offered a somewhat different interpretation, and he was at present unclear how the amounts should be treated.

Mr. Prowse considered that it might be helpful if he were to further clarify a point he had raised earlier. The previous stand-by arrangement had provided for existing arrears to be dealt with under existing criteria, while the proposed stand-by would apparently come into effect with existing arrears but without performance criteria to deal with them. In the circumstances, and given the staff's interpretation of the language in the letter of intent, the existing arrears could be maintained throughout the period of the stand-by arrangement. What he wished to be clear about was whether or not the difference between the previous stand-by arrangement and the proposed stand-by represented a change in the policy on Liberia's arrears. He understood from the staff that the arrangement had been agreed with the authorities before the new arrears had occurred and that it had been reasonable to bring the arrangement to the Executive Board for approval, but he had accepted that explanation on the understanding that there were means available to deal with the existing arrears so that it would not be necessary to design performance criteria to take care of them.

The Chairman observed that there was an outstanding balance of \$29 million due to a consortium of bankers for oil shipments. Those bankers had wanted to earmark drawings under the compensatory financing facility for repayment of the entire \$29 million, but the Liberian authorities had felt unable to meet that demand and wished to reschedule the \$29 million in a way consistent with rescheduling operations under the London and Paris Clubs. Unfortunately, \$10 million of the \$29 million was already in arrears, and the remainder was in danger of becoming arrears in succeeding weeks. It would be inappropriate to suggest to the Liberian authorities that the existing arrears of \$10 million were acceptable because they had emerged prior to the Executive Board's discussion of the stand-by arrangement but that the remainder, if it emerged, would have to be repaid. The proper approach would be to write into the agreement a statement to the effect that Liberia should not incur any new external arrears under the arrangement, and that the existing arrears should be dealt with in a way consistent with rescheduling operations that the creditors had agreed with Liberia.

The staff representative from the Exchange and Trade Relations Department said that the program had been constructed on the assumption that any new arrears would be a violation of the program. The situation in which Liberia currently found itself could be taken care of through negotiations between the Liberian authorities and the consortium of banks, and it would certainly be useful for the Fund to put forward the view

outlined by the Chairman in the course of those negotiations. Such language could, at the same time, also be incorporated into the proposed agreement.

Mr. de Maulde said that, despite what appeared to be an emerging consensus on the way to deal with the proposed stand-by arrangement, he continued to be confused about whether the amounts in question were defaults or arrears. Perhaps the Executive Board should look into the practical and legal implications of the distinction.

Mr. Dallara reiterated the hope he had expressed earlier that consideration might be given to the use of performance criteria related directly to expenditure. He appreciated the difficulty involved in monitoring and controlling expenditure on a monthly or quarterly basis and recognized the added flexibility that limits on credit ceilings provided in enabling the authorities in certain cases to meet fiscal objectives even when expenditure might exceed planned targets. Nonetheless, in certain cases, the issue was not so much the overall fiscal position as the level of expenditure; and the experience in Liberia over the previous two years showed that the authorities had had difficulty in controlling and managing expenditure. In his view, even if there were to be unexpected additions to revenue in 1982/83, it would not be in the interest of the authorities to increase expenditure, particularly recurrent expenditure. The importance of expenditure control in the Liberian case was clearly reflected in the arrangements that had been set up to monitor levels of expenditure on a monthly basis. While he would go no further in debating the suitability of the manner in which the particular case in question was being handled, he hoped that the staff would keep in mind the possibility of using performance criteria on expenditure in cases in which such criteria might be particularly appropriate to the pursuit of the objectives of the member country and of the Fund.

The staff representative from the African Department considered that the staff had projected revenue fairly realistically for Liberia: he foresaw no miraculous increases in revenue in 1982/83. Moreover, the quantitative performance criteria on borrowing from the Central Bank indirectly affected the level of expenditure. While there might be other cases in which Mr. Dallara's suggestion would be appropriate, explicit performance criteria on expenditure would not be particularly helpful in Liberia.

The Chairman wondered about the impact on the program if, during its examination of public expenditure, the staff found slippages that might be offset by some unexpected increase in revenue.

The staff representative from the African Department replied that the staff had some reservations about Liberia's ability to cut recurrent spending by 15 per cent so that, in the end, some cuts in development spending would probably have to be made in order to be consistent with the program. In the circumstances described by the Chairman, any new source of revenue should be applied to the development budget. There was an

understanding with the authorities that any deviation from the expenditure under the major expenditure codes would call for consultation with the staff.

The staff representative from the Exchange and Trade Relations Department stated that, on the assumption that Mr. Dallara was not recommending a performance criterion on public expenditure as a substitute for the limit on the financing gap or bank credit, the Liberian situation was one in which multiple objectives would have to be achieved. For example, a ceiling on total expenditure might not be sufficient; control over the composition of expenditure as between current and capital expenditure might also be desirable. One could not, as a practical matter, get involved with a multiplicity of performance criteria; besides, such an action would run contrary to guidelines on performance criteria that had been agreed by the Executive Board. A better approach--the one that the staff was attempting to take--was to set up a system whereby, if expenditure limits under whatever heading were exceeded, that development would trigger a consultation with the staff, which would then have an opportunity to review the entire budgetary situation.

The Chairman noted however that, if the ceilings on credit to the Government were to be observed--either through a shift in the composition of public expenditure as between investment and recurrent expenditure, or because of some unexpected receipts or a slippage in the level of public expenditure as a whole--a consultation might take place, but there would be no restrictions on purchases under the arrangement. The question was whether or not it was appropriate to have a more specific performance criterion that was not inconsistent with the ceiling on credit to the Government but that would enforce desired targets on the composition and amount of public expenditure.

Mr. El-Khoury considered that one of the problems of having a ceiling on expenditure was the time lag involved in reporting actual expenditure. Would the expenditure figures in question be available at the time of the November review?

The staff representative from the African Department replied that there would indeed be some delay in the provision of data on actual expenditure. The November mission would be timed so that end-September data would be available; indeed, the technicians putting together data on expenditure had asked that the review be moved to a date somewhat later in November in order to make certain that the end-September data were available.

Mr. Zhang inquired whether, in drawing up Fund programs, the staff used a standard package of quantitative criteria or chose specifically to suit individual cases.

The staff representative from the Exchange and Trade Relations Department replied that, with respect to the Liberian case, the performance criteria were by no means unusual. It was true that the staff made

an effort generally to conform to what might be called a "normal" set of performance criteria; on occasion, however, it was necessary to design additional or different criteria to achieve the given objectives of the program.

Mr. de Maulde considered that it would not be constructive for the Fund, as a general rule, to place a ceiling on expenditure when there already existed a performance criterion related to the financing gap.

The Deputy Managing Director, remarking on the various ways that had been suggested for dealing with the question of arrears in Liberia, observed that the country was in a stringent foreign exchange position. As the staff had indicated in its opening statement, the authorities had had to purchase a shipload of crude oil in the spot market in cash terms. In the circumstances, he wondered whether it might be possible during the day for the staff to draft language for inclusion in the arrangement that would enable the Executive Board to adopt the proposed decision by the end of the day. Another reason for some haste in the matter was that the consortium of 24 banks had requested a meeting with the authorities in London on October 1, and it might make a difference to the outcome of that meeting whether or not the stand-by was in force at the time.

The Executive Directors agreed to the suggestion by the Deputy Managing Director.

Mr. Sangare stated that, in principle, he found the Chairman's proposal for dealing with the question of the recent emergence of arrears in Liberia to be acceptable and reasonable. Nonetheless, he would wish to see a draft text of the proposed change in the agreement before seeking the reaction of his authorities.

On the matter of the phasing of purchases under the proposed stand-by arrangement, Mr. Sangare recalled that some Directors had considered the "backloading" to be appropriate and cautious. One or two Directors, however, had expressed both surprise and concern at the proposed approach by the staff. His own view was that a much higher initial drawing than SDR 5 million should have been proposed; indeed, given the satisfactory performance by the authorities under the preceding arrangement, it might have been better if the proposed arrangement had been considerably front-loaded. If the proposed phasing of disbursements were accepted, it might have serious implications for the implementation of the program.

On a more general matter, Mr. Sangare noted that Liberia had a long history of political stability and a liberal and open economy. For decades it had been able to attract private investment more easily than many other developing countries in Africa, and the bulk of its relatively buoyant economy was essentially based on private sector activity by both national and foreign investors. Nonetheless, the base of the economy had always been quite narrow, and, in the late 1970s, there had been a slow-down in economic activity that had reflected the recession in the industrial world. The situation had then been aggravated by the loss of



confidence following the military coup in 1980. In sum, it seemed fair to say that the main causes of Liberia's present difficulties were a lack of confidence and an adverse world situation.

With respect to the issue of confidence, the authorities had been working for two years to improve the country's image, Mr. Sangare remarked. To that end, they had undertaken--with the assistance of the Fund and some friendly countries--to put in place an adjustment program, which had been conducted successfully, with all performance criteria having been met. It should also be recalled that a number of specific measures had been taken more recently with a view to accelerating the restoration of confidence. For example, almost all acquired property had been returned to the original owners, and those few parcels remaining in the public domain were being reactivated by the authorities with the assistance of the World Bank. In addition, a number of bold measures were currently under way to improve the financial situation of the Government and to strengthen the situation of the few parastatals that were allowed to exist in the country. The authorities had begun a study of ways to increase the ability of the National Bank to mobilize domestic resources and, at the same time, had demonstrated their full commitment to a liberal and open system that would ensure a stable atmosphere for business. Confidence was thus gradually being restored, as could be seen by the recent slowdown in private capital outflows, although the pace of that downward trend remained slow, which had implications for the financial situation of the country, particularly in light of the deterioration in the terms of trade and the weak world demand for Liberia's main exports. It was to be hoped that an early recovery in the economies in the industrial countries would assist Liberia in accelerating its own growth and improving confidence in the economy.

In the meantime, the Government's program involved a number of supply-side measures that would favor a shift from recurrent expenditure to development expenditure, with emphasis on the agricultural sector, Mr. Sangare said. In his view, the program was sound and the Government in Liberia was deserving of the confidence of Executive Directors, which was why he had drawn their attention to the "backloading" of purchases. While his authorities could accept the proposed phasing of disbursements, they would be pleased if the matter could be reconsidered on the occasion of the November review.

The Executive Directors agreed to continue in the afternoon their discussion of Liberia's requests for a stand-by arrangement and for a purchase under the compensatory financing facility.

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/82/128 (9/27/82) and EBM/82/129 (9/29/82).

2. BOLIVIA - 1982 ARTICLE IV CONSULTATION - POSTPONEMENT

The Executive Board notes the request contained in EBD/82/184, Supplement 3 (9/24/82). Notwithstanding the period of three months specified in Procedure II of the document entitled "Surveillance Over Exchange Rate Policies" attached to Decision No. 5392-(77/63), adopted April 29, 1977, the Executive Board agrees to postpone its consideration of the 1982 Article IV consultation with Bolivia until not later than December 1, 1982.

Decision No. 7211-(82/129), adopted  
September 28, 1982

3. APPROVAL OF MINUTES

a. The minutes of Meetings 82/38 through 82/42 are approved. (EBD/82/226, 9/21/82)

Adopted September 27, 1982

b. The minutes of Meetings 82/43 through 82/47 are approved. (EBD/82/227, 9/22/82)

Adopted September 28, 1982

4. EXECUTIVE BOARD TRAVEL

Travel by Executive Directors as set forth in EBAP/82/340 (9/24/82) and EBAP/82/341 (9/28/82) is approved.

APPROVED: March 21, 1983

JOSEPH W. LANG, JR.  
Acting Secretary