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INTERNATIONAL MONETARY FUND

5/15/81

Minutes of Executive Board Meeting 81/115

10:00 a.m., August 24, 1981

W. B. Dale, Acting Chairman

Executive Directors

J. de Groote
R. D. Erb

G. Lovato

S. Nana-Sinkam

J. Sigurdsson

Alternate Executive Directors

A. Yasseri, Temporary
C. Taylor
M. A. Senior

S. R. Abiad, Temporary
Y. Okubo
F. A. Tourreilles, Temporary
M. Casey
J. R. Gabriel-Peña
F. Yeo T. Y., Temporary
E. A. Ajayi, Temporary
J. U. Holst, Temporary

P. D. Peroz, Temporary
A. Alfidja
D. L. Kannangara
S. El-Khoury, Temporary
T. de Vries
B. Legarda

Tai Q.

A. Wright, Acting Secretary
J. D. Edgerly, Assistant

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Also Present

B. Ubalijoro, Ambassador for Rwanda. African Department: S. E. Cronquist, S. P. O. Itam, A. Jbili, B. Karlstroem, B. R. H. S. Rajcoomar, M. Sidibe, B. Tshishimbi. Exchange and Trade Relations Department: S. Kanesa-Thasan. Legal Department: J. V. Surr. Research Department: P. C. Ugolini. Advisors to Executive Directors: C. Bouchard, S. E. Conrado, A. B. Diao. Assistants to Executive Directors: A. F. P. Bakker, C. Chipeta, R. Costa, J. L. Feito, J. M. Jones, S.-W. Kwon, J. S. Mair, J. R. Novaes de Almeida, J. G. Pedersen, O. Üçer, A. A. Yousef.

1. RWANDA - 1981 ARTICLE IV CONSULTATION

Executive Directors considered the staff report for the 1981 Article IV consultation with Rwanda, together with a proposed decision concluding the 1981 Article XIV consultation (SM/81/162, 7/23/81). They also had before them a report on recent economic developments in Rwanda (SM/81/168, 8/13/81).

The Acting Chairman welcomed His Excellency Bonaventure Ubalijoro, Ambassador of Rwanda in Washington.

Mr. de Groote considered the recent history of Rwanda to be heartening. The sound financial policy applied by the Rwandese authorities had promoted steady, noninflationary growth in the nation's economy in recent years. That performance was more noteworthy since Rwanda was a densely populated, landlocked African country with limited resources and a very low per capita income. The limitation on resources was well illustrated by the country's dependence on a single cargo plane to transport almost all of its coffee exports; serious complications had arisen when that cargo plane had had difficulties at the beginning of the coffee harvest in May.

The authorities had pursued prudent policies in both the fiscal and the monetary fields, Mr. de Groote continued. The performance of the economy had been exceptional during Governor Birara's long tenure as the head of the Central Bank. The authorities had wisely refrained from overstimulating the economy when the exceptionally high world prices for their primary products had boosted the Government's revenue and strengthened the country's balance of payments position. That policy had also led to wise management of the external debt; it was striking to note that the debt service ratio represented only about 3 per cent of export earnings. The prudent management of the economy had promoted a sense of confidence abroad that had resulted in large capital inflows and inward transfers. Those policies could not insulate Rwanda from the international economic environment, however. Recent developments in the world economy, in particular declining prices for Rwanda's primary export commodities and the appreciation of the dollar, were likely to put an end to the favorable trends of recent years.

The decline in the price of coffee, Rwanda's main export crop, was likely to have a negative effect on the balance of payments and the government budget in the coming years, Mr. de Groote observed. Of course, the price projections for coffee exports might not be entirely reliable in view of the frosts that had taken place in Brazil. At the present time, however, the overall balance of payments was expected to change from a surplus of SDR 10 million in 1980 to a deficit of about SDR 8 million in 1981, and a further deterioration was expected in 1982 and 1983. Likewise, the overall Treasury position was expected to shift from a surplus of RF 1.5 billion in 1980 to a deficit of RF 2 billion in 1981; unless the current situation was reversed, a further expansion of the government deficit was expected in the following years. The reversal in the Treasury

position was the result of a continuing expansion in government spending, accompanied by declining revenues from export duties. The problem was exacerbated by the declining value of coffee exports, a situation made worse by the pegging of the Rwandese franc to the appreciating U.S. dollar.

A number of additional problems would result if the Rwandese franc continued to be pegged to an appreciating U.S. dollar, Mr. de Groote remarked. First, there would be a worsening of the balance of payments because imports would become too attractive. Second, domestic industries would be hurt through inadequate price incentives, thus working against the medium-term objectives of a greater diversification and swifter development of the economy. Third, the domestic producer price structure would be so weakened that some intervention by the Stabilization Fund would be required to support the production of the main export crops. The rapid disappearance of the rather limited reserves in the Stabilization Fund would lead to a further drain on the government budget. In SM/81/162, the staff had correctly stressed the crucial role that exchange rate policy would have on the development of the country's productive sector.

Because of the success of the authorities' economic policies, Rwanda did not urgently need assistance from the Fund, Mr. de Groote commented. However, it might not be reasonable to insist that a more unfavorable situation should materialize before the Fund provided assistance. It could be maintained that steady growth could continue only if action were taken at the present time. It might well be considered that if the Fund engaged in a financial program under current circumstances, optimal use could be made of the resources put at the disposal of Rwanda.

Two particular areas needed to be dealt with, Mr. de Groote noted. First, exchange rate policy had to be modified, both in order to improve government revenue--which was greatly dependent on export proceeds--and to ensure that proper incentives were provided to shift resources away from imports and toward local production. Second, it was necessary to establish a development plan that would attract the support of the international financial institutions, in particular the World Bank, and friendly countries. If a new development plan promoted improved performance for the state enterprises and successfully established a system of investment incentives, the conditions would be appropriate for the Fund to intervene with an extended arrangement.

The fourth sentence in the first paragraph on page 42 of SM/81/168 should not be understood to mean that the total of official aid and private transfers was more than offset by retransfers by technical assistance personnel to their home countries, Mr. de Groote considered. The offsetting, in fact, referred to the small fraction of official aid that went to private and philanthropic organizations. Page 67 of SM/81/168 made it clear that unrequited transfers covered more than half of the deficits of goods and services and that only a small fraction under the item "other" went into the private and philanthropic category. Actually, more than half of Rwanda's deficit on goods and services was covered by

grants and transfers from other countries; only a small fraction of that total flowed back in the form of repatriation of technicians' salaries, and that fraction would decrease in the future.

Mr. Ajayi remarked that the Rwandese economy had performed quite successfully in recent years. The growth rate had averaged 5 per cent during the period 1977-81, and there had been a marked improvement in the position both of the budget and of the balance of payments due to the combined effects of sound financial policies, improved terms of trade, and significant increases in the volume of coffee exports. A major problem had been the high rate of inflation, averaging more than 14 per cent a year during 1977-79, largely due to stagnant food production and distribution bottlenecks. That problem now appeared to have been resolved, and the rate of inflation had been reduced to about 7 per cent during 1980.

The medium-term outlook, however, was less favorable, Mr. Ajayi continued. There would be a deterioration in the terms of trade, as coffee prices were expected to be depressed until 1984-85. As a result, the balance of payments would worsen over the medium term, and proceeds from export duties on coffee, which accounted for a significant share of the total government revenue, would also fall. With the projected rise in government expenditure, the budget position was likely to come under serious pressure. The staff report indicated that the Rwandese authorities were well aware of those problems.

There was clearly a need to monitor the increase in government spending, particularly in areas that were not directly productive, Mr. Ajayi remarked. Because of the unfavorable financial prospects for 1982-83, the authorities were considering introducing new taxes, together with new measures to improve tax administration and strengthen enforcement procedures. They were also hoping to curb the drain on government financial resources by looking for ways to improve the financial position of the public corporations.

The authorities also recognized the need to correct some of the sectoral imbalances that had not been effectively addressed in the 1977-81 development plan, Mr. Ajayi said. The recent heavy dependence on coffee earnings had highlighted the need to diversify the productive base of the economy, and the new emphasis placed on expanding employment opportunities and improving food production was therefore appropriate. The Rwandese authorities apparently did not foresee difficulties in servicing the external debt because most of the loans had been contracted on concessionary terms.

Mr. Nana-Sinkam said that the presence of the Ambassador representing Rwanda in Washington should remind the Executive Directors that the By-Laws of the Fund included a provision that high officials could participate in the Board meetings concerning their country in order to throw more light on a particular discussion. It would be appropriate at any

time in the future--even when more difficult matters were before the Board--for Executive Directors to take a back seat and let a high official from the countries under consideration join in the discussion.

Rwanda was not only landlocked and one of the smallest countries in Africa, Mr. Nana-Sinkam commented; it was also one of the most densely populated, with 170 inhabitants per square kilometer. Rwanda was essentially an agricultural country with very limited known mineral resources. Despite those constraints, the Rwandese economy had performed quite well over the past few years; real GDP growth had averaged about 5 per cent a year during 1977-80, and the same pace was expected for 1981. Due to cautious economic policies, good weather, and substantial improvements in the terms of trade, Rwanda had experienced financial stability throughout the period under review. The national Treasury and the balance of payments had both remained in surplus, and domestic prices had remained at a reasonable level. The Rwandese authorities were to be commended for the satisfactory results brought about by their prudent economic management.

As in other developing countries, the primary objective of Rwanda's economic policy was to achieve a rate of economic growth that would ensure a significant and steady improvement in the overall welfare of the population, Mr. Nana-Sinkam noted. The Rwandese authorities had made a continuing effort to expand the productive base of the economy, giving first priority to the agricultural sector. Because of the high population density and the limited availability of arable land, development policy in the agricultural sector should continue to be primarily aimed at raising productivity through improving methods of cultivation and expanding and improving the use of extension services. The staff was correct in stating that a prolonged effort would be needed before any significant improvement would be possible in the traditional approach to agriculture.

Policymakers had also made a major commitment to the development of both the transportation network and the system for marketing agricultural products, Mr. Nana-Sinkam observed. Continued progress in those areas would undoubtedly lead to improved availability of consumer goods and therefore lower prices. Several years ago it had been virtually impossible for Rwanda to export its coffee production because the neighboring country had become involved in a civil war. The collapse of export receipts had required the authorities to come to the Fund for a financial program. Occasionally, the Rwandese had resorted to more expensive air transport in order to get their coffee to the United Kingdom. The authorities' efforts at improving the transportation network were welcome and should be regarded as a major priority in the coming period.

Industrial development was also a priority of the Rwandese authorities, Mr. Nana-Sinkam commented. In view of the acute shortage of skilled manpower, the importance that the authorities had assigned to education and training was most appropriate.

In the fiscal field, Mr. Nana-Sinkam noted, the cautious budgetary policies of the Rwandese authorities had yielded Treasury surpluses in recent years. The fiscal authorities remained committed to that cautious stance and regarded it as a prerequisite for achieving the country's overall development objectives. Unfortunately, the authorities faced pressures for increased government expenditures and demands for the creation of new employment opportunities. The 29 per cent increase in public expenditures expected in 1981 would reverse the Treasury position from a surplus of RF 1.4 billion in 1980 to a deficit of RF 2.1 billion in 1981, equivalent to 2 per cent of GDP.

Rwanda's fiscal position was dramatically affected by developments in the international coffee market, as coffee was the country's main export crop and a major source of government revenues, Mr. Nana-Sinkam remarked. The uncertain outlook for coffee prices in world markets constituted a major source of concern for the Rwandese authorities. While they recognized the need for government action in social and institutional infrastructure building, the authorities were well aware that growth in government spending had to be kept in line with the growth in revenues. Accordingly, in areas such as government hiring, tax administration, and management of public enterprises the Government had made considerable efforts to ensure a positive impact on revenues and expenditures. Those efforts, combined with tight demand management policies, would undoubtedly help to offset the effects of adverse developments in the world price for coffee.

The authorities intended to continue pursuing cautious monetary policies, Mr. Nana-Sinkam observed. Their guiding principle was to provide the economy with an adequate supply of credit while keeping inflationary pressures under check and encouraging a greater mobilization of domestic financial resources for investment.

In the external sector, the country's heavy dependence on coffee exports constituted a serious structural weakness, Mr. Nana-Sinkam considered. Due to depressed coffee prices and the rising need for imports, the overall balance of payments position was expected to shift from a surplus of SDR 10 million in 1980 to a deficit of SDR 8 million in 1981. A further balance of payments deterioration was expected for 1982-83. Fortunately, Rwanda could be expected to continue its cautious policy on external borrowing; furthermore, the authorities had an open mind on exchange rate policy and intended to keep the situation under close review.

The outlook for the Rwandese economy was not favorable because the Rwanda franc remained pegged to an appreciating U.S. dollar and the world coffee price continued to be depressed, Mr. Nana-Sinkam noted. Although other Directors had commented that because of the successful management of Rwanda's economy, the country was not qualified for access to Fund resources, Fund policy allowed assistance to be provided to countries not yet in balance of payments need. For example, the Fund had arranged a program to improve the management of the Gabonese economy,

although no actual drawing on Fund resources had been involved. In Rwanda's case, the staff had projected a serious balance of payments deficit for 1981-83. Could not the country have access to Fund resources based upon a projected balance of payments need? Would it not be best for both the country concerned and the Fund if the serious consequences of a balance of payments deficit, forecast for the near future, could be avoided by establishing a financial program in advance? The success of economic management up to the present time should not prevent Rwanda from having access to Fund resources. Had the staff, in fact, made any suggestions to the authorities regarding the possibility of an extended arrangement or a purchase under the compensatory financing facility?

Generally speaking, the Rwandese economy had performed very well despite the presence of many bottlenecks that had impeded the development process, Mr. Nana-Sinkam commented. Rwanda remained committed to liberal trade and payment systems and should be encouraged to eliminate the few restrictions that did still exist.

Mr. de Vries noted that the economic situation in Rwanda had been favorable in recent years; however, in the future, conditions were expected to become somewhat more serious. In terms of both price levels and transportation, the external sector of the Rwandese economy had become quite vulnerable. Furthermore, the country was almost as densely populated as Western Europe, one of the most densely populated areas in the world. The continued population increase of some 3 per cent per year was likely to cause major problems in future.

Since the economy was dependent upon earnings from coffee exports, the recent depression in coffee prices would result in a decline in budget receipts and would therefore have serious implications for the country's financial policies, Mr. de Vries continued. It would be necessary, therefore, for the authorities to keep expenditure under control through a cutback in recruitment, an improvement in tax collection, and a widening of the tax base. One of the most serious difficulties in recent years had been an inflation rate of 14 per cent; tight control over the budget would be a major step toward a successful monetary policy.

The relatively favorable situation in Rwanda at present should not prevent consideration from being given to the less favorable prospects that lay ahead, Mr. de Vries remarked. While it was not necessary for the international financial institutions to provide financial assistance at the moment, the time was suitable for well-founded policy advice. In particular, the World Bank could assist the authorities a great deal by helping to draw up a development plan aimed at widening the productive base and confronting the long-term problems that would result from the rapid population growth. The Fund could then contribute its own expertise, particularly in the field of exchange rate policy.

In that connection, Mr. de Vries questioned whether it was wise to allow the Rwanda franc to continue the unintended appreciation caused by pegging it to the U.S. dollar. If that situation continued, the

Government might be forced to support those involved in export production through the use of the Stabilization Fund, thus further weakening the budget situation. The appreciation would also interfere with the authorities' stated objective of widening the productive base.

Mr. Erb commented that Rwanda was a relatively poor country; its economic conditions were influenced by volatile external market conditions and by transportation disruptions. In recent years the Government had followed an economic strategy well suited for such conditions, by taking advantage of prosperous years to build foreign reserves and a Treasury surplus, and it was now in a good position to weather the unfavorable world market conditions projected over the medium term.

In light of the projected external developments, the authorities would have to increase their effort to cut the growth in current expenditures to a rate well below the trend of the recent three years, Mr. Erb considered. They might also consider postponing expenditures on a number of government institutions, particularly the new Ministry of Education; reducing the growth in such expenditures would lessen the government deficit and release skilled manpower available for more productive activity.

It was questionable whether the appreciation of the Rwanda franc-- due to its peg to the U.S. dollar--would be the cause of funds being drawn from the Stabilization Fund, Mr. Erb remarked. The volume of Rwanda's coffee exports was limited not because of their relative price vis-à-vis the coffee exports of other countries, but rather because of the quota that Rwanda had accepted under the International Coffee Agreement. Would changing the exchange rate policy, as other speakers had suggested, have any impact on the competitive position of Rwanda in international coffee markets, given that its exports were quota restrained? The staff report also mentioned that the Government intended to improve the price control system in order to contain the rise in consumer prices. He asked what the impact of price controls had been on the allocation of resources within the country, and whether the further tightening of the price control system would pose any additional difficulty in that regard.

Mr. de Groote agreed that the Fund could give useful advice to the Rwandese authorities under the present circumstances. The Fund had already given credit to a number of countries that were not in a balance of payments deficit. Furthermore, there was no balance of payments problem in Rwanda only because of the huge amounts of foreign assistance and transfers coming into the country. The Fund had arranged a variety of programs with countries that were not yet in serious balance of payments difficulties; assistance could be linked to reforms in the management of state enterprises and the allocation of resources. The Fund should not limit itself to helping countries that needed its resources just to correct existing economic disequilibria. A better policy would be for the Fund to put its resources at the disposal of countries that were already engaged in reforms aimed at preventing the emergence of such imbalances.

The volume of Rwandese coffee exports was only roughly fixed by the International Coffee Agreement, Mr. de Groote noted, and there were a number of other exports that were quite significant. Just over half of the country's export earnings came from coffee and were therefore affected by fluctuations in coffee prices. Of more pressing concern than the export quota under the International Coffee Agreement, therefore, was the question of how to influence the behavior of producers. The recent appreciation of the Rwanda franc had caused a reduction in the value of the local counterpart and had induced some small-scale producers to switch to other crops. Producers felt that they could no longer cover costs with the counterpart in local currency that they received for their coffee exports.

The exchange rate policy had also had an adverse effect on budget revenues because the Treasury drew an important part of its fiscal proceeds from an ad valorem tax on coffee exports, Mr. de Groote remarked. The ad valorem tax was on the Rwanda franc value of coffee, and the decline of earnings thus affected 35-40 per cent of the Government's income. A change in the exchange rate in the opposite direction would have increased the basis for ad valorem taxation; in fact, a very large portion of the budget deficit would be covered if the exchange rate policy allowed the currency to return to its previous level in relation to major currencies. If, for example, the Rwanda franc had been pegged to the SDR over the recent period, the country's budget position would have been much stronger at present.

Mr. Nana-Sinkam remarked that it took at least five years to produce a coffee crop, and therefore an incentive resulting from an increase in the value of coffee exports would not automatically increase the country's production of that crop. Unlike the industrial sector, where a planned production increase could take place within a year, coffee growers were not able to implement a short-term increase in production. Coffee producers were also limited by the effect that weather conditions had upon production. Even if producers utilized all possible inputs to increase production, with unfavorable weather they might end up with no output at all.

The crucial variable for Rwanda was the exchange rate policy, Mr. Nana-Sinkam continued. Pegging the Rwanda franc to the U.S. dollar was a perfectly legitimate policy decision on the part of the Rwandese authorities; however, currently the U.S. dollar was appreciating while the value of coffee on the international market was declining in terms of local currency. As a result, producers were receiving far less for their output than had been expected. Furthermore, the government revenues from the tax on the export of coffee were declining, and there was a resulting deficit in the budget. If an exchange rate modification were agreed to, the Government would increase its revenues, and producers would be earning more on their exports since coffee was valued in local currency.

The staff representative from the African Department commented that he agreed with Mr. de Groote's interpretation of the fourth sentence of the first paragraph on page 42 of SM/81/168. The staff had discussed the official exchange rate policy with the Rwandese authorities, and had told them that, irrespective of the nature of the peg, the crucial factor was the flexibility of exchange rate policy. The staff was currently examining the consequences of choosing a different peg for the Rwanda franc and would discuss the results of that research with the Rwandese authorities at the time of the Annual Meeting.

Regarding the relationship between the price of coffee and the Stabilization Fund, the staff representative said that the structure of government taxation was more significant than the producer price policy. The Government had agreed to maintain the producer price of coffee at a level fixed when the world market price had been strong. It was agreed that that price was sufficiently remunerative and that it should be maintained even if the world market prices for coffee declined. Therefore, depending on the price of coffee in the world market, there would be a loss or a gain for the Stabilization Fund. The Government's duty on coffee exports did not change, but was based upon the ex-factory value of coffee exports.

Whether there was a surplus or a deficit in the Stabilization Fund would be determined by the difference between the marketing cost plus the producer price of the coffee, on the one hand, and the going price for coffee on the world market, on the other, the staff representative noted. When there was a surplus, 50 per cent of it would go into the Stabilization Fund. When the world market price for coffee fell below US\$1.15 per pound, as at present, there would be a deficit in the Stabilization Fund.

Responding to the questions on price controls, the staff representative commented that the Government only fixed floor prices. The price control system was, therefore, not very effective and had had no significant impact on the allocation of resources. The only exception was the producer prices set for coffee, which were thought by the authorities to have had an effect on the level of output.

In the course of the consultation, the staff had explained the options for possible assistance by the Fund, the staff representative from the African Department remarked. The authorities were well aware of those possibilities because the Governor was quite familiar with Fund practices. It had been explained that assistance from the Fund would not be based upon balance of payments need, which would have to depend on the projected world price for coffee; the most appropriate course would be use of the extended Fund facility. The authorities had been told that when they had prepared a development plan, the Fund would be ready to assist them on request. There had also been mention of the use of the compensatory financing facility; however, a formal request for a purchase under that facility had not been made.

The Acting Chairman noted that Rwanda and a number of other African countries were very sensitive to fluctuations in the price of coffee and of other products, such as tea and cocoa. Currently, the Research Department was involved in an assessment of the effect that the frost in Brazil would have upon coffee prices. While a full-scale appraisal was expected within the next week or two, the preliminary indication was that the frost had already had the effect of raising coffee prices well above the very low level that they had reached prior to the frost. However, before the frost a record coffee crop had been expected in Brazil, double the production for 1980. Furthermore, world coffee stocks were at an extremely high level. In view of those two factors, the expectation was that the frost would moderate the current decline in coffee prices, but was unlikely to have the same upward thrust as had resulted from the frost five or six years earlier. The staff would have a more complete report on the matter in the near future.

The Acting Chairman made the following summing up:

Directors are in broad agreement with the thrust of the views expressed in the staff appraisal in the 1981 Article IV consultation with Rwanda. They noted with much satisfaction that over the last four years Rwanda has achieved steady and relatively rapid economic growth in a climate of financial stability, and that the Rwandese authorities have followed prudent financial policies, including cautious management of external debt. In contrast, because of weaknesses in world market conditions for the country's principal exports, notably coffee, the medium-term outlook is less favorable. Although net inflow of capital is expected to remain large, both the budget and balance of payments are expected to come under growing pressure. In view of these prospects, Directors emphasized the importance of tight demand management, including fiscal restraint, as well as a continued sound monetary policy.

There is a need to broaden the revenue base and to strengthen tax administration, to contain the fast growth of current expenditures and to strengthen the financial position of public enterprises. Meanwhile, supply policies should continue to accord priority to the development of agriculture, transport, and manufacturing sectors, with particular emphasis on productive and employment-generating investments. Directors stressed the vital role of appropriate pricing policies, particularly producer prices and exchange rate policies, and supported urgent re-examination of these areas. Directors welcomed the authorities' intentions to make appropriate changes in these policies, as this would assist in achieving the country's development objectives.

Ambassador Ubalijoro commented that, in view of the recent decline in coffee prices, it was likely that his authorities would, in due course, request Fund assistance under the compensatory financing facility and the extended Fund facility.

The Executive Board turned to the draft decision concluding the 1981 Article XIV consultation with Rwanda, which it approved.

The decision was:

1. The Fund takes this decision relating to Rwanda's exchange measures subject to Article VIII, Section 2(a) and in concluding the 1981 Article XIV consultation with Rwanda, in the light of the 1981 Article IV consultation with Rwanda conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).
2. The Fund notes that Rwanda continues to maintain a liberal system of payment and transfers for current international transactions. The Fund encourages the authorities to remove the remaining restriction described in SM/81/162.

Decision No. 6930-(81/115), adopted
August 24, 1981

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/81/114 (8/5/81) and EBM/81/115 (8/24/81).

2. YUGOSLAVIA - EXCHANGE SYSTEM AND WAIVER UNDER STAND-BY ARRANGEMENT

1. In July 1981, Yugoslavia intensified the restriction, maintained under Article XIV, on the availability of foreign exchange for travel, as described in EBS/81/161 (7/31/81). The Fund notes the intention of the authorities to remove this measure as soon as possible and, in the circumstances of Yugoslavia, the Fund grants approval of this measure until the review of the next Article XIV consultation with Yugoslavia or March 31, 1982, whichever is the earlier.

2. The Government of Yugoslavia has consulted the Fund in accordance with paragraph 28 of the Letter of Intent attached to the stand-by arrangement for Yugoslavia (EBS/81/5, Sup. 2, 2/2/81), concerning the intensification of restriction referred to in paragraph 1 above. The Fund finds that no additional understandings are necessary.

Decision No. 6931-(81/115), adopted
August 5, 1981

3. BORROWING - CENTRAL BANK OF IRELAND

The Executive Board authorizes the conclusion of a borrowing agreement between the Fund and the Central Bank of Ireland as set out in the attachment to EBS/81/173.

Decision No. 6932-(81/115), adopted
August 20, 1981

4. BORROWING - SOUTH AFRICAN RESERVE BANK

The Executive Board authorizes the conclusion of a borrowing agreement between the Fund and the South African Reserve Bank as set out in the attachment to EBS/81/172.

Decision No. 6933-(81/115), adopted
August 20, 1981

5. EDUCATION ALLOWANCE - REVIEW

The Executive Board approves the proposal set forth in EBAP/81/263, Supplement 1 (8/7/81).

Adopted August 12, 1981

6. PROFESSIONAL AND CAREER DEVELOPMENT - EXTERNAL ASSIGNMENTS

The Executive Board approves the proposal set forth in EBAP/81/264, Supplement 1 (8/7/81).

Adopted August 12, 1981

7. AUDIT COMMITTEE, FY 1982 - COMPOSITION

The Executive Board approves the recommendation set forth in EBAP/81/259 (8/4/81).

Adopted August 7, 1981

8. EXECUTIVE DIRECTORS - REMUNERATION OF ADVISORS

The Executive Board approves the recommendation of the Committee on Executive Board Administrative Matters set forth in EBAP/81/266 (8/7/81).

Adopted August 14, 1981

9. 1981 ANNUAL MEETING - REPRESENTATION EXPENSES

The Executive Board approves the recommendation of the Committee on Executive Board Administrative Matters set forth in EBAP/81/265 (8/7/81).

Adopted August 14, 1981

10. 1981 ANNUAL MEETING - FORMAL NOTICE AND BRIEF AGENDA

The Executive Board approves the draft formal notice and brief agenda for the 1981 Annual Meeting as set forth in EBD/81/207 (8/7/81).

Adopted August 12, 1981

11. UN CONFERENCE ON LEAST DEVELOPED COUNTRIES - FUND REPRESENTATION

The Executive Board approves Fund representation at the United Nations Conference on Least Developed Countries to be held in Paris, as set forth in EBD/81/209 (8/10/81).

Adopted August 14, 1981

12. ANNUAL REPORT, 1981

The Executive Board approves the transmittal of Chapters 1, 2, 3 and Appendices to the 1981 Annual Report to the Board of Governors, under cover of the letter attached to EBD/81/196, Supplement 1 (8/12/81).

Adopted August 13, 1981

13. APPROVAL OF MINUTES

The minutes of Executive Board Meetings 81/33 through 81/37 are approved. (EBD/81/205, 8/6/81)

Adopted August 14, 1981

14. APPROVAL OF MINUTES

The minutes of Executive Board Meetings 81/38 through 81/42 are approved. (EBD/81/206, 8/7/81)

Adopted August 17, 1981

15. APPROVAL OF MINUTES

The minutes of Executive Board Meetings 81/43 through 81/47 are approved. (EBD/81/208, 8/10/81)

Adopted August 18, 1981

16. EXECUTIVE BOARD TRAVEL

Travel by Executive Directors as set forth in EBAP/81/261 (8/5/81), EBAP/81/262 (8/6/81), EBAP/81/272 (8/14/81), EBAP/81/273 (8/14/81), and EBAP/81/275 (8/20/81), and by Advisors to Executive Directors as set forth in EBAP/81/260 (8/5/81) and EBAP/81/270 (8/11/81), is approved.

APPROVED: February 10, 1982

LEO VAN HOUTVEN
Secretary