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#8

INTERNATIONAL MONETARY FUND

FILES

Minutes of Executive Board Meeting 75/46

10:00 a.m., April 4, 1975

W. B. Dale, Acting Chairman

Executive Directors	Alternate Executive Directors
	C. P. Caranicas
P. Åsbrink	J. H. Kjaer
	R. S. Deane
S. Y. Cross	C. R. Harley
	H. G. Schneider
N. Deif	F. K. Hussein, Temporary
B. J. Drabble	G. Reynolds
R. Gavaldá	J. L. Zabala
A. Kafka	C. L. A. Albuquerque
K. Kawaguchi	M. Wakatsuki
B. Kharmawan	
P. Lieftinck	T. de Vries
H. R. Monday	J. B. Zulu
	J. L. Mora
	G. Laske
	W. M. Tilakaratna
	T. P. Sweeney, Temporary
F. Suárez	
J. H. Wahl	

R. V. Anderson, Acting Secretary
D. H. Ross, Assistant

Also Present

African Department: D. Boushehri, M. Russo. Asian Department: P. Quirk. Exchange and Trade Relations Department: E. Sturc, Director; D. K. Palmer, Deputy Director: T. Sweeney. Fiscal Affairs Department: A. M. Abdel-Rahman, R. S. Latham. Legal Department: J. Gold, General Counsel and Director; J. G. Evans, Deputy General Counsel; G. P. Nicoletopoulos, Deputy General Counsel; S. A. Silard. Middle Eastern Department: A. K. El Selehdar, Deputy Director; M. T. Dajani, B. A. Karamali, A. Kayoumy, H. E. Jakubiak, A. S. Shaalan, E. W. M. Taha. Research Department: J. J. Polak, Economic Counsellor and Director; A. D. Crockett, R. R. Rhomberg. Treasurer's Department: W. O. Habermeier, Treasurer; R. J. Familton, Deputy Treasurer; R. Dunn, A. Watkins, G. Wittich. Information Office: H. M. Koelle. Advisor to Executive Director: A. Malek. Technical Assistants to Executive Directors: S. Arancibia, M. Berger, D. C. Chessell, J. A. Crosby, M. Danusaputro, A. Doizé, B. Goos, G. Heyden Q., R. Khonsary, E. Leung, H. McCamey, A. K. Mullei, A. B. Nymark, M. Pietinen, Z. Porath, S. B. Satyal, F. Saccomanni, A. Takahashi, S. P. Upasani, J. R. Vallet, M. A. Wasfy, A. G. Zoccali.

1. APPROVAL OF MINUTES

The draft minutes of Meetings 75/1 and 75/2 were approved.

2. ZAMBIA - SCHEDULE OF REPURCHASES

The Executive Directors considered a request from Zambia for a schedule of repurchases, together with the staff's analysis and recommendation (EBS/75/98, 3/21/75).

Without discussion the Executive Directors approved the proposed decision.

The decision was:

> Zambia has proposed that repurchase of the outstanding balance equivalent to SDR 18,985,987 in respect of the gold tranche purchase equivalent to SDR 19,001,219 on March 9, 1972 (Executive Board Decision No. 3593-(72/20), adopted March 8, 1972) be made in two installments equivalent to SDR 9,492,994 and SDR 9,492,993 not later than March 9, 1976 and February 1, 1977, respectively. The Fund agrees to the proposal of Zambia.
>
> Decision No. 4629-(75/46), adopted April 4, 1975

3. KUWAIT - EXCHANGE SYSTEM

The Executive Directors considered a paper on the exchange system of Kuwait, together with the staff's analysis and recommendation (EBS/75/101, 3/26/75). They also had before them a communication from the Central Bank of Kuwait (EBS/75/93, 3/18/75).

Mr. Laske noted that the exchange rates for the Kuwaiti dinar would be maintained on the basis of its value in terms of the weighted average of currencies of Kuwait's main trading partners. However, there was no indication in the staff paper (EBS/75/101) about the composition of the currency basket against which the dinar would be maintained. Further, no particular margins had been fixed in relation to that basket, and he therefore wondered whether the dinar would be more or less freely floating.

Mr. Wahl inquired whether the staff knew the reasons why the Kuwaiti authorities had chosen a currency basket of their own, since other countries that were not participants in the Special Drawing Account had chosen to maintain their currencies against the SDR.

Mr. Cross commented that, as countries adopted exchange rate systems by which they tied their currencies in some way to an unspecified basket, it had become increasingly difficult to know whether particular countries were following guidelines or rules and whether others were not. Such an uncertain situation confirmed his view that the kinds of guidelines suggested by the Fund for floating currencies should be applicable to all countries. It seemed to make little difference whether a country was deemed by the Fund to be floating as defined by the Fund, or was pegging its currency to a basket of currencies. Countries should have considerable freedom to select the exchange system best suited to their own needs, and the Fund should look for guidelines that would emphasize the importance of countries following orderly exchange practices.

Various staff papers had referred to the weakening of the U.S. dollar against other currencies, Mr. Cross observed. People tended to view the dollar in terms of their own currency, and would usually conclude that their own currency was not strengthening, but that the dollar was weakening; rather, currencies should be viewed as moving against each other. From September 1974 to February 1975 the dollar had declined relative to certain currencies, but, in fact, that decline had followed an earlier increase, and the dollar was higher now than a year earlier.

Mr. Kharmawan hoped that Executive Directors would abide by the conclusions reached by the Committee of Twenty on guidelines for floating, as long as they were not reversed by another body. Countries should be free to determine how they wished to express their exchange rates. Kuwait had decided to express its exchange rate against a basket of currencies of its main trading partners. From a theoretical point of view that seemed to be a better system than pegging the exchange rate to the SDR basket of 16 currencies.

The Acting Chairman noted that a currency that was pegged to a composite basket was not subject to the guidelines on floating.

The staff representative from the Middle Eastern Department said that the authorities had been asked to provide information regarding the composition of the basket, but they had not yet done so. Neither had the authorities explained why they had selected a basket of their own, rather than the SDR. Finally, the staff had asked the authorities to explain their statement that no particular margins had been fixed in relation to the basket.

The Acting Chairman recalled that when the Executive Board had discussed the implementation of guidelines, it had hoped that countries whose currencies were pegged to a composite would indicate to the Fund the nature of the composite to which they had pegged their currencies. Only if the Fund had some information on the composite could the staff assure itself that the status adopted by a member was in accordance with the guidelines.

The Executive Directors turned to the proposed decision, which they approved.

The decision was:

The Fund notes the exchange rate actions taken by the Kuwaiti authorities (as described in EBS/75/93) and welcomes their intention to collaborate with the Fund in accordance with Article IV, Section 4(a), of the Articles of Agreement. The Fund will remain in close consultation with the Kuwaiti authorities and in this respect the Managing Director will take appropriate initiatives.

Decision No. 4630-(75/46), adopted
April 4, 1975

4. QATAR - EXCHANGE SYSTEM

The Executive Directors considered a paper on the exchange system of Qatar, together with the staff's analysis and recommendation (EBS/75/105, 3/31/75). They also had before them a cable from the Qatari authorities (EBS/75/97, 3/20/75).

Without discussion the Executive Directors approved the proposed decision.

The decision was:

1. Qatar advised the Fund that with effect from March 19, 1975 it ceased to peg the Qatar riyal to the U.S. dollar and that it will maintain the exchange rates for the Qatar riyal on the basis of QR 4.76190 for one special drawing right. Qatar will continue to avail itself of wider margins of 2.25 per cent.

2. The Fund notes the intention of the Qatar authorities to maintain the exchange rate of the riyal in terms of the value of the special drawing right as defined by Rule O-3 and to continue to avail themselves of wider margins.

Decision No. 4631-(75/46), adopted
April 4, 1975

5. SAUDI ARABIA - EXCHANGE SYSTEM

The Executive Directors considered a paper on the exchange system of Saudi Arabia, together with the staff's analysis and recommendation (EBS/75/106, 3/31/75). They also had before them a communication from the Governor of the Saudi Arabian Monetary Agency (EBS/75/91, 3/14/75).

The staff representative from the Middle Eastern Department indicated that the lower equation in the first paragraph on page 4 of EBS/75/106 should read SRLs 4.28255 times 0.9775 = SRLs 4.18620 per SDR.

The Executive Directors turned to the proposed decision, which they approved.

The decision was:

1. Saudi Arabia has advised the Fund that with effect from March 15, 1975, it ceased to peg the Saudi Arabian riyal to the U.S. dollar and that it will maintain exchange rates for the Saudi Arabian riyal on the basis of SRLs 4.28255 for one special drawing right. Saudi Arabia will continue to avail itself of wider margins of 2.25 per cent.

2. The Fund notes the intention of the Saudi Arabian authorities to maintain the exchange rate of the riyal in terms of the value of the special drawing right as defined by Rule O-3 and to continue to avail themselves of wider margins.

Decision No. 4632-(75/46), adopted
April 4, 1975

6. COUNCIL FOR ARAB ECONOMIC UNITY - TECHNICAL ASSISTANCE

The Executive Directors considered a request for technical assistance from the Secretary-General of the Council for Arab Economic Unity (EBD/75/83, 3/28/75). They also had before them a memorandum on technical assistance to international organizations (EBD/75/85, 4/1/75).

The staff representative from the Middle Eastern Department remarked that the request might involve the assistance of the Legal Department, in the form of drafting the Council's Articles of Agreement or reviewing a draft that might be prepared by the Council.

Mr. Lieftinck supported the proposal that the Fund should give technical assistance to the Council for Arab Economic Unity, as it had the same objectives as the Fund, although on a regional scale. Moreover, it would be highly beneficial to the Council to receive advice from the Fund, and for the Fund to be close to such developments.

More generally, Mr. Lieftinck wondered what the practice of the Fund was with regard to bearing the full costs of technical assistance. He inquired whether there were any arrangements between the Fund and members having the ability to pay, by which those members would pay at least the local currency expenditures incurred in connection with the assistance received.

The Acting Chairman explained that in a case such as the one under discussion, where a staff member was to provide assistance on a fairly short-term basis, the Fund did not request partial cost reimbursement or even a contribution to the local costs. However, in other technical assistance activities, such as those provided through the Central Banking Service or the Fiscal Affairs Department, the Fund normally asked the member receiving the technical assistance to provide at least a portion of the local costs and, to an increasing extent, to do more than that when the financial circumstances of the member permitted.

Mr. Cross shared Mr. Lieftinck's views and suggested that the matter of payment for technical assistance should be examined, particularly where the capacity to pay was clearly evident.

Mr. Deif said that he would support such an examination as part of a general policy review.

Mr. Kharmawan asked whether the technical assistance that might be provided by the Legal Department would be approved at the present discussion.

The General Counsel explained that at present the Legal Department did not know what might be involved. The scrutiny of the Council's Articles could be undertaken in Washington. However, if the Legal Department had to draft the whole charter, the entire task could not be performed in Washington.

The Acting Chairman noted that if travel by members of the Legal Department became necessary, standard procedures would be followed.

The Executive Directors then turned to the proposed decision, which they approved.

The decision was:

> The Executive Directors approve the request for technical assistance set forth in EBD/75/83 (3/28/75).

Adopted April 4, 1975

7. SPECIAL SUBSIDY ACCOUNT

The Executive Directors continued from a previous meeting (EBM/75/17, 2/14/75) their discussion of a Special Subsidy Account for the most seriously affected countries drawing under the 1975 oil facility (SM/75/40, 2/10/75). They also had before them a memorandum on legal aspects of the proposed Special Subsidy Account (SM/75/38, 2/7/75).

The Acting Chairman placed on record the Managing Director's statement.

When the Executive Directors discussed last month the staff papers on this subject (SM/75/38 and SM/75/40), a considerable number of comments and suggestions were made, particularly as to the criteria on which contributions should be based, and as to how the list of members eligible for the subsidy should be determined. Several Executive Directors held the view that the total contributions should not be made on a 50:50 distribution between the major oil exporting countries as a group and the OECD members as a group. They felt that the less "affluent" countries could contribute proportionately somewhat less than the more "affluent" countries. Suggestions were also made that the UN list of most seriously affected countries need not necessarily be the basis for subsidy payments.

I have since reflected on these matters and feel that a somewhat modified approach might help us to come more quickly to a positive conclusion about the main features of a Subsidy Account so that we may proceed with its establishment. I have been encouraged by the positive attitudes taken and the favorable consideration promised by some member countries already, but consider that we should make further progress without too much delay.

In order to facilitate agreement, it would seem to me reasonable to take some account of the argument that some potential contributors have relatively low national incomes per capita. Using estimated national income per capita for 1974 as a basis, some modification of the original calculations could be introduced in two steps: first, by not asking for a contribution if a member has national income per capita of less than SDR 400; and second, by providing for a reduction of potential contributions by one half if a member has national income per capita of SDR 400-1,500. The other elements on which the original amounts were calculated would be left unchanged. I attach a table (see Annex) calculated on this basis which shows potential contributions compared with the amounts illustratively set out in Table 1 of SM/75/40. It will be noted that this modification will reduce the total amount of the contributions originally envisaged by about SDR 38 million, and thus reduce the possible maximum subsidy to a lower figure than the 5 per cent originally sought. However, such a reduction does not seem too serious in relation to the proposed charges, and it will, perhaps, prove possible to receive contributions from some other members not listed. Indeed, I would propose that these members also be invited to contribute.

As regards the list of potential recipients of the subsidy, there was support from some Executive Directors for the use of the UN list, but suggestions were also made that the list of eligible countries could be determined by the Fund on the basis of other criteria, such as very low national income per capita. This approach would introduce another concept, namely relative income levels, as distinct from the concept of being most seriously affected by the higher cost of imports of oil. It would also entail adding several more countries to the 33 included in the UN list. I would therefore suggest that the list of potential recipients be established as the same as those on the UN list.

Finally, I believe that every effort should be made to operate the Subsidy Account in a simple and convenient manner, as envisaged in the staff paper. This would be facilitated if the subsidy is paid annually and contributions are also paid annually or preferably in advance for the full amount committed so that investment income could augment the amount available. It would also be helpful if contributions are paid in a currency, preferably the U.S. dollar, that the recipients of the subsidy could use to acquire another currency which would be acceptable to the Fund in exchange for SDRs that the recipients would use to pay charges.

Mr. Gavaldá recalled that paragraph 4 of the communiqué of the Interim Committee had emphasized the need for decisive action to help the most seriously affected developing countries. From that reference it seemed clear that the Special Subsidy Account should be regarded as a device to assist those less developed countries that were also the most seriously affected by the increase in the price of oil. In that context, his authorities believed that the list (in SM/75/40) was too restrictive. If the Executive Directors were to be faithful to the communiqué of the Interim Committee, he could not support the proposal that per capita income should be the basic element in defining the seriously affected countries. There were several developing countries that did not have a very low income, but that did seem to have been seriously affected by the increase in the price of oil. Although it was not very easy to reach the optimum solution, an effort should be made to review the criteria that would be used to define the list of potential recipients of the subsidy; at least, he was confident that some improvement on the UN list could be achieved. Moreover, the UN list should be regarded as the minimum for access to the subsidy.

His authorities believed that the criteria for determining potential recipients of the subsidy should be simple and objective, Mr. Gavaldá continued. The ratio of oil price increase to the balance of payments deficit or the ratio of oil price increase to the current account deficit would be appropriate criteria. Access to the subsidy would be restricted to those countries for which the value of the first ratio exceeded the average for the group of countries presently included in the UN list.

From calculations using the ratio of oil price increase to the balance of payments deficit, the average for countries in the UN list that had made purchases under the 1974 oil facility was 105.45 per cent, while the same ratio for developing countries not now included in the UN list, that had used the 1974 oil facility, was 160 per cent.

The most seriously affected countries, as defined by the United Nations Emergency Operation, were listed for potential maximum access to the oil facility of SDR 1.35 billion, Mr. Gavaldá observed. If the list were to include the less developed countries that had used the oil facility in 1974, and for which the ratio of the increase in the cost of oil imports to the balance of payments deficit exceeded the average ratio of the UN list of countries, the total subsidy to potential recipients would increase by SDR 259.7 million. If there were uncertainties regarding the possibility of raising the necessary additional resources, he would suggest that at least some of the countries now not included in the UN list could remain as potential recipients of the subsidy. His criteria were by no means exhaustive, and therefore it might be useful if the staff could make some additional calculations before the Executive Directors took a final decision on the Special Subsidy Account.

Mr. Laske remarked that his authorities continued to feel that their participation as a contributor to the Special Subsidy Account would depend on the willingness of the other countries listed in Table 1 of SM/75/40 to contribute. Moreover, contributions should be split evenly between the OECD countries and the oil exporting countries. Further, if some of the countries with a low per capita income were relieved from making a contribution, or some decided not to make funds available, that should not imply an increased contribution from other countries. Specifically, the German authorities regarded the amount set out in Table 1 of SM/75/40 as the maximum that they should contribute.

Concerning Mr. Gavaldá's remarks, Mr. Laske believed that it would be time consuming to work out new criteria for a longer list of more seriously affected countries, and he therefore felt that the UN list should be adopted.

Mr. Kawaguchi commented that, as his authorities believed that a 50:50 split between the OECD and the oil exporting countries had been agreed upon in principle, it should be maintained. If any adjustment of contributions was needed, it should be made within each group. As to the list of potential recipients, he agreed with Mr. Laske that any extension of the list might open a "Pandora's Box"; the list of potential recipients should therefore be the same as that of the UN.

Mr. Kharmawan indicated that he supported the proposals of the Managing Director regarding the prospective donor countries. If, as he believed, it had been argued that contributions were to be voluntary, it was difficult to understand why certain countries wanted to adopt a 50:50 split between the OECD and the oil exporting countries as a mandatory target. Such a split would contradict the realities of economic life, whereas the criteria used by the Managing Director were most reasonable, since they gave an indication of those countries that could be considered as prospective donors. In view of the voluntary nature of the contributions, every country was free to deviate from the figures shown in Table 1 of SM/75/40. Further, the Executive Board should not be guided by the condition that if the oil producers reduced their contribution, the OECD countries should similarly reduce theirs.

Regarding the list of prospective recipients, Mr. Kharmawan recalled that during the Interim Committee meetings his constituency had argued that the UN list was not appropriate for use by the Fund. For instance, one of the criteria adopted by the United Nations to determine the most seriously affected countries was the use of food. However, there were developing countries that were food producers, so that their balance of payments might not seem to reflect a need for assistance. Nonetheless, such countries might still require the kind of assistance that would be provided by the Special Subsidy Account. Some flexibility was certainly required as far as the UN list was concerned.

Mr. Deif, like Mr. Kharmawan, believed that contributions should be regarded as voluntary. However, he sought some assurance that the Fund would not impose an obligation on members to contribute the amount shown in Table 1 of SM/75/40. In addition, as the United Nations had set a deadline of April 27 for examining new applications, he assumed that not only the present UN list as modified by that date would be used. Further, he wondered whether Mr. Laske's reference to the willingness of countries to participate as donors, as a condition for German participation, referred to all countries or specifically to the OECD countries.

Mr. Laske expressed the view that all the countries listed in SM/75/40 should show a willingness to contribute to the Special Subsidy Account.

The Acting Chairman observed that the Fund could not impose any obligation on members to make a contribution to the Special Subsidy Account. In that sense the contribution would be voluntary, but he hoped that members would feel a certain moral responsibility to donate to the Account. Nonetheless, it was a cooperative endeavor, and therefore members' responses might depend on what their perception was of the likelihood of other members contributing.

The Director of the Exchange and Trade Relations Department indicated that Mr. Deif was correct; by April 27 the United Nations would have a definitive list of most seriously affected countries.

Mr. Monday remarked that in general he would support the Managing Director's proposals. Although the UN list of most seriously affected countries might not be the most suitable for the purposes of the Special Subsidy Account, he would be prepared to accept it, as it would be difficult and time-consuming for the Fund to devise another one. However, like Mr. Kharmawan, he believed that the UN list should be used flexibly.

Regarding Mr. Laske's comments that contributions should be on a 50:50 basis between the OECD and the oil exporting countries, Mr. Monday recalled that at the January meeting of the Interim Committee some Governors had argued that contributions should be on a 50:50 basis, while others believed that they should not. In his view, the Managing Director's proposal, that per capita national income should be the basis for contributions was realistic. Indeed, the fourth paragraph of the communiqué of the Interim Committee said that "the Committee emphasized the need for decisive action to help the most seriously affected developing countries. In connection with the oil facility, the Committee fully endorsed the recommendation of the Managing Director that a Special Account should be established with appropriate contributions by oil exporting and industrial countries... ." "The appropriate contributions" should be based on per capita national income, as proposed by the Managing Director.

Mr. Lieftinck stated that his authorities were prepared to accept the suggestions of the Managing Director with respect to the oil exporting countries, namely, that some account should be taken of per capita national income in determining their contributions. Moreover, his authorities believed that the distribution of the contributions by the OECD countries should be based on present Fund quotas.

Concerning the list of potential recipients, Mr. Lieftinck agreed with the Managing Director's statement that it would be difficult to improve on the UN list. If the United Nations were to add or delete some countries, his authorities could go along with those changes. Finally, the Special Subsidy Account was a cooperative effort, and, although contributions were voluntary, appropriate burden sharing should be accepted by the potential contributors. In that context, his Netherlands authorities were prepared to make their contribution, as shown in Table 1 of SM/75/40.

Mr. Kafka said that he would support the Managing Director's proposals regarding prospective donors. Concerning the list of potential recipients, he believed that Mr. Gavaldá had made a very sensible proposal, which he would support.

Mr. Caranicas commented that there would be problems if the Fund attempted to revise the UN list. The technical difficulties and the length of time required for such a revision led him to believe that the Fund should not undertake a revision of its own. Moreover, the United Nations was currently reviewing its most seriously affected countries list, and would probably add to it by April 27. One country deserving mention in a revised list was Afghanistan, which had a very low income per head. Either the Executive Directors should attempt to establish a new list or, as he had proposed, they should accept the UN list as modified by April 27.

He approved of the Managing Director's inclusion of national income per head among the criteria for establishing contributions, Mr. Caranicas continued; and he welcomed the inclusion of a second column calculated on an income basis in the Managing Director's statement showing the voluntary contributions of several countries at a lower level. Moreover, he welcomed the suggestion that countries with a per capita national income between SDR 400 and SDR 1,500 should have their potential contributions reduced by half. However, he wondered why only members of the OECD--apart from the oil exporting countries--had been included in the list of potential contributors, as a few of the OECD countries had an income per head somewhat lower than some of the countries classified as developing. There were several less developed countries that had an income per head above the SDR 400 level, and those might be prepared to contribute to the Special Subsidy Account.

Finally, Mr. Caranicas remarked that, as contributions were voluntary, he failed to understand why the German authorities should insist that the division between contributions by the OECD and by the oil exporting countries should be on a 50:50 basis.

The Acting Chairman noted that the Managing Director's reference to the UN list should be understood to mean the list as modified by April 27. The Interim Committee communiqué referred to "appropriate contributions by oil exporting and industrial countries, and possibly by other members capable of contributing...," as it had always been the Fund's intention to have an open list of potential contributors. Indeed, Brazil had been included because of comments made by the Minister representing that country during the January meeting of the Interim Committee.

Mr. Caranicas wondered whether other countries that were able to contribute could be added to the list that presently included Brazil, as a kind of moral suasion to those members; a new list might make up for the lack of contributions from other members.

The Acting Chairman believed that it would be better to proceed on the basis of the present list, and to approach other potential contributors in a more informal manner.

Mr. Kharmawan agreed with the Acting Chairman that countries other than from the OECD and the oil exporting countries should not be asked to contribute, but should be free to do so if they wished. Indeed, to include members that have not been "designated" by the Interim Committee would be a kind of "taxation without representation."

Mr. Suárez commented that Mr. Gavaldá's proposal for adjusting the formula for determining donors' contributions was practical, as it took account of the relative wealth of countries and their ability to provide aid. His Venezuelan authorities were prepared to donate to the Special Subsidy Account subject to the condition that the major countries would also contribute.

The UN list of most seriously affected countries should be regarded as a good starting point, Mr. Suárez continued. However, it would be useful to introduce some elements of flexibility. Certainly, Mr. Gavaldá's proposal should be studied to see whether it could have built-in flexibility. While there were uncertainties about the final implementation of the Special Subsidy Account, some most seriously affected countries had taken contingency measures to finance their balance of payments deficits. Some of that finance had been obtained through commercial borrowings at market rates and terms. As it would be the purpose of the Special Subsidy Account to help countries avoid excessive debt burden, he asked whether the staff could find a method by which those countries could derive benefits from the subsidy, which would represent a considerable advantage over previously contracted market borrowing. Specifically, could those countries substitute subsidized oil facility drawings for their previously negotiated commercial borrowings, or could some other way be found to enable the most seriously affected countries to derive benefits from the subsidy?

Mr. Mora remarked that his Italian and Spanish authorities were in principle prepared to contribute to the Special Subsidy Account the amount specified in Table 1 in SM/75/40. However, his Portugese authorities could not at present contemplate any contribution. He inquired whether it would be possible to circulate the table of estimated per capita national income for 1974.

Mr. Drabble indicated that his Canadian authorities accepted as reasonable the donation for which they had been put down. More generally, the modifications to the potential contributions introduced in the Managing Director's statement were sensible and pragmatic. However, his authorities were concerned that what might be appropriate for the Special Subsidy Account should not be regarded as a precedent for major aid contributions to the World Bank's "third window" or the replenishment of IDA. Indeed, the contribution to the Special Subsidy Account should be regarded strictly as a special one for the purposes of the subsidy.

As to the list of potential recipients, Mr. Drabble said that his Canadian authorities believed that the UN list was appropriate, although he had some personal sympathy with the problems raised by some Executive Directors, and he wondered whether it would be possible to introduce some flexibility. There were five countries, for example, that were eligible for "IDA only" financing by the World Bank that were not included in the present UN list. If countries were deemed by the World Bank to be deserving of aid on the softest possible terms, it could be embarrassing to the Fund if they were not included among those eligible for the Special Subsidy Account merely because their oil imports, and hence their access to the facility, were relatively low. Further, he sympathized with Mr. Gavaldá's remarks; undoubtedly there were some countries seriously affected by the rise in oil prices that were neither in the "IDA only" list or in the UN list, because their per capita national income was above the cut-off level. Certainly, the plight of such countries could not be ignored, although he doubted whether the present time was suitable for a discussion of the matter.

His Irish authorities had noted that some countries on the list of potential contributors might not be able to contribute immediately, Mr. Drabble continued, but might be prepared to do so later during the life of the Subsidy Account, while others might contribute immediately, but in an amount less than that determined by the formula. Finally, his Irish authorities doubted the appropriateness of Fund quotas for determining the potential contribution of non-oil exporting countries; on that basis Ireland's proposed share would be no less than 10 per cent of that calculated for Japan.

The Acting Chairman observed that the Managing Director had envisaged that the contributions would be of a one-time nature exclusively for the Special Subsidy Account for the 1975 oil facility, with no implications for other aid-giving activities.

Mr. Cross commented that his authorities shared the desire of other countries to find effective techniques to assist the most seriously affected countries in the difficult financing problems that they faced. While the United States would not make a direct contribution to the Account, the United States was very substantially extending its own bilateral economic aid programs to those countries. Indeed, during the current fiscal year the United States was increasing its aid to the most seriously affected countries on the UN list by more than $500 million through its own programs, through channels that were consistent both with U.S. legislative requirements and with U.S. aid policies. Certainly, he would not wish to discourage bilateral contributions from other countries. On the contrary, members that had aid policies more in line with the concepts of the Special Subsidy Account should be encouraged to find ways whereby they could contribute.

The contributors to the Subsidy Account would receive generous treatment, Mr. Cross remarked. For instance, a country that had experienced a capital inflow would be able to lend to the Fund at 7.25 per cent, a rate that was above the liquid short-term dollar interest rates, and would receive guarantees from the Fund of an SDR valuation for its contribution, together with transferability and usability of currencies in case of need. If there was a shortfall because of the introduction of the per capita income criterion or because of the inability of some of the potential contributors to donate funds, the Subsidy Account could be increased by a sale of a small portion of the Fund's gold holdings. Such a sale would be legally feasible and should therefore be given careful consideration. The Account should be operated as an agency arrangement, rather than on the basis of a trust fund, as it would be a more appropriate scheme for an operation that was expected to be of a limited and temporary nature.

The intention of the Subsidy Account, Mr. Cross noted, was to reduce by 5 percentage points, from 7.75 per cent to 2.75 per cent, the interest charge on purchases from the oil facility by the most seriously affected countries. However, assuming that sufficient funds were received to make such a subsidy tenable, he believed that the Account should not be operated in such a way as to provide too much of an incentive to members to borrow from the oil facility. Of the 33 countries presently on the UN list, 13 had not drawn from the oil facility in 1974, and it seemed ill-advised to set up procedures that would encourage some of those countries to utilize the oil facility simply in order to obtain the subsidy. Therefore, the subsidy should not reduce the interest payable on purchases by as much as 5 percentage points; rather, the interest rate should be reduced to 4 per cent, which was the charge for use of the Fund's regular resources. If there was an excess of funds, either they could be used to provide assistance to the most seriously affected countries in other ways or, as suggested by Mr. Gavaldá and other Executive Directors, consideration could be given to whether some countries not presently included in the UN list should be added.

Looking at the longer term, Mr. Cross remarked, there was the question of what was to be done with respect to the financing problems of the most seriously affected countries after 1975. The United States had suggested a trust fund, to be partly financed through the sale of some of the Fund's gold, as a means to help meet some of those problems.

The Acting Chairman agreed with Mr. Cross that there were uncertainties both about the amount of funds that would be available and about the number of countries that would be included in the UN list. However, one possibility of avoiding the kinds of incentive to which Mr. Cross alluded would be to reduce all charges on the most seriously affected countries with respect to any drawing that might be made in 1975, whether under the oil facility or under the Fund's regular operations.

Mr. Cross replied that he could not support the Acting Chairman's suggestion. Another way should be found to utilize the funds for the benefit of the most seriously affected countries.

Mr. Sweeney commented that his authorities attached some importance to the 50:50 split between the OECD and the oil exporting countries and to the use of a GNP criterion for calculating the distribution of contributions among the OECD countries. However, as the subsidy was important and would involve a very small amount for a specific purpose--which should not be held to create a precedent for any future contributions--his authorities were prepared to be flexible and would not oppose the Managing Director's proposals, or insist on their own preference to the point of delaying the implementation of the subsidy.

Concerning the list of potential recipients, Mr. Sweeney indicated that his authorities were unlikely to accept Mr. Gavaldá's suggestions, as the UN list had been carefully negotiated and was one on which it would be difficult to improve. Finally, his authorities were not ready to make a firm financial commitment. While they would not attach any conditions to a contribution, they preferred to wait to see how many other countries would be willing to contribute and in what amounts.

Mr. Wahl recalled that when the Managing Director had made his first proposal for a Subsidy Account, the details of his proposition had had the very great merit of simplicity, which had enabled the proposal to draw considerable support. Now, however, Executive Directors had become involved in a polemic about contributions and were even considering the possibility of sales of gold in order to compensate for the default of some of the major contributors. His authorities were prepared to contribute the figure shown in Column A of the Managing Director's statement, their participation being subject to the condition that there would be a 50:50 split between the OECD and the oil exporting countries, and that the OECD members would contribute the amount shown under Column A. While the oil exporting countries were at very different stages of economic development, which resulted in great differences in their per capita income and their ability to contribute to the subsidy, the OECD countries had contributed large amounts to the replenishment of IDA and they were also financing important bilateral development assistance programs. It therefore seemed fair that contributions to the Subsidy Account should be split 50:50 between the two groups of countries.

Dealing with the list of potential recipients, Mr. Wahl said that he would go along with the UN list as modified on April 27. Finally, in response to Mr. Cross' comments, he was opposed to financing the Subsidy Account through sales of gold, as his authorities maintained that the best solution to the question of gold was to return it to the members in proportion to their quotas. Indeed, such a return would bring relief to several developing countries.

Mr. Kafka remarked that his Brazilian authorities regarded their proposed contribution to the Subsidy Account as a special donation that should not be considered to create a precedent. Selling some of the Fund's gold to supplement the resources of the Account raised a number of questions. Such a sale of gold might make the distribution of liquidity among members more uneven than it was at present. While the suggestion of the Acting Chairman to use any excess of funds from the Subsidy Account generally to reduce the Fund's charges on most seriously affected countries was attractive, it would also have some far-reaching implications.

Mr. Deane commented that his Australian authorities would consider any contribution to the Subsidy Account in the context of related contributions to the World Bank's "third Window" and within the framework of their overall aid program. In addition, his New Zealand authorities were very sympathetic toward the idea of the Subsidy Account. On a technical point, his authorities favored contributions on a call basis, rather than as a lump sum in advance.

Turning to the list of potential recipients, Mr. Deane considered that, to some extent, it should be determined by the Fund; certainly, the Fund should not accept the UN list in an unquestioning way. Although he knew that a considerable amount of effort had been expended on the preparation of the list, he was unhappy that some countries with a low real GNP per head were not included while some others with a higher real GNP per head were. Although some of those low income countries might not have had such serious balance of payments difficulties as others on the list, they might, nonetheless, be very severely affected by the higher cost of oil. It would be potentially inequitable if such countries were to be denied access to the concessionary oil facility funds.

Of course, the underlying objective and the criteria involved in preparing the list of most seriously affected countries, Mr. Deane continued, suggested that the assistance should not be limited solely to dealing with the effects of the higher cost of oil. In fact, the United Nations Emergency Operation implicitly recognized that the oil problem could not be treated in isolation, as the criteria took into account projected payments that would enable countries to meet their essential import requirements in 1974 and 1975. The UN list had been based on financial need after adjusting for expected normal capital inflows. Since the list was based partly on unreliable forecasts, some doubts had been expressed by several Executive Directors regarding the applicability of the UN methods for the Fund's particular purposes. Therefore, it was essential that the Fund should review the most seriously affected countries list with a view to ensuring that it was equitable on the basis of criteria that were clearly appropriate to the Fund. In addition, it was essential to incorporate the kind of flexibility referred to by several Executive Directors.

Like Mr. Drabble, Mr. Deane believed that the Fund should look carefully at the "IDA only" list, as it might well be the most suitable and appropriate list for the Fund to use. Certainly, the Fund should ensure that there were no countries on the "IDA only" list that were excluded from using the Fund's Subsidy Account simply because of an unquestioning acceptance of the UN list. In that context, Mr. Gavaldá's proposal deserved careful consideration by the staff. Finally, he was somewhat disturbed to note that the Managing Director had dismissed the use of relative income levels as a measure for eligibility merely on the grounds that it was a concept not wholly related to the higher cost of imports of oil; the issue deserved more deliberate consideration.

Mr. Åsbrink remarked that only one of his constituents had reacted to the proposals for a Special Subsidy Account, and that country had adopted a positive attitude. His other constituents wanted to wait and see what the attitude would be of the more important countries. In addition, his constituents had very specific organizations for aid that made it difficult for them to start distributing foreign aid of the type, and through channels contemplated, in connection with the Special Subsidy Account.

Mr. Caranicas commented that Mr. Deane had mentioned the balance of payments situation of the most seriously affected countries as a relevant criterion for determining access to the Subsidy Account. However, he did not believe that the Subsidy Account was connected with the balance of payments problems of those countries; it was in fact an exercise in foreign aid given to the most seriously affected countries as a political gesture, and should be considered as such. Mr. Drabble had said that the "IDA only" list should be taken into account by the Fund, but he himself felt that if the Fund were to begin examining lists, it would meet with some difficulties. Therefore, he repeated that he would support the Managing Director's proposal to adopt the UN list as modified by April 27.

Referring to SM/75/40, Mr. Caranicas noted that it did not contain a draft decision, but did include a summary with recommendations, which he would fully endorse. However, several Executive Directors had expressed reservations regarding paragraph "c," which said that "individual commitments to contribute should not be dependent upon commitments by others." He wondered when the urgently needed contributions would be forthcoming if most countries adopted a wait-and-see attitude. Finally, he assumed that under paragraph "g" the Managing Director would send letters to the authorities of potential contributors, whom he hoped would respond to the request without delay and without waiting to see how others were reacting.

The Acting Chairman observed that the Managing Director's proposal was for a Subsidy Account with respect to purchases under the 1975 oil facility, and that the assessment of balance of payments need was involved in that facility. Therefore, it seemed that at least a balance of payments deficit would be required before eligibility to the Subsidy Account could be established.

Mr. Schneider indicated that his constituents were, at present, not in a position to say whether they would contribute to the Subsidy Account. Both in Austria and in Belgium domestic legal problems had arisen in connection with a possible contribution, and those would have to be overcome before any positive action could be taken. In addition, the Turkish Government had only recently been formed and had not yet been confirmed by the parliament; it would therefore be some time before the Turkish authorities could take any action. Like Mr. Caranicas, he hoped that non-OECD countries in a comfortable position would be included in the list of potential contributors, as there was a certain distinction to be drawn between those that were on the list and those that were not.

The Acting Chairman observed that, with respect to procedure, the first priority would be given to obtaining more detailed knowledge about the probability of receiving contributions from members, and perhaps one nonmember. The Fund would probably wish to send communications to all members--excluding the most seriously affected countries themselves--to indicate that the Account would be open-ended and to invite them to make contributions if they felt able. The communication to members in the table of potential contributors might be drafted in a somewhat different way from the more general communication to other members.

The second priority, the Acting Chairman continued, would be to decide on a list of beneficiaries, as the Subsidy Account could not operate until a finite list had been established. While he understood that a number of Executive Directors had found the list of most seriously affected countries established by the United Nations to be unsatisfactory, he agreed with Mr. Kawaguchi that a "Pandora's Box" might be opened if the Fund were to attempt to determine a new set of criteria. Moreover, the Managing Director viewed the current situation of the most seriously affected countries as an urgent problem, which should be tackled as soon as possible through the introduction of the Subsidy Account. Undoubtedly, a delay of many months would result if the Fund were to try to define new criteria at the present time.

The third priority, the Acting Chairman noted, would be to settle the operational aspects of the Account; and fourth, the Executive Directors would have to take a decision on the establishment of the Account and similar matters. Finally, he hoped that Executive Directors would agree at the present meeting that the Managing Director could begin to approach both members and nonmembers that might be expected to make contributions.

The Director of the Exchange and Trade Relations Department recalled that the United Nations Emergency Operation had been established by a resolution of the General Assembly in order to help the most seriously affected countries to pay for their most essential import requirements and to prevent a deterioration in their already desperately poor conditions of life. In devising the list of most seriously affected countries the UN staff had been assisted by the staffs of the Fund, World Bank, FAO and UNCTAD, and had been guided by a number of considerations. The level of imports that would permit countries to maintain the growth of gross domestic product as established by historical trends had been taken into account, and particular attention had been paid to the minimum import requirements for food and fertilizers. Exports as well as imports had been projected on the basis of most recent forecasts, and the figures had been constantly reviewed to ensure that no countries had been either favored or disadvantaged. Again on the basis of historical trends, projections had been made of capital movements and what could be expected in terms of capital inflows. From those various considerations the balance of payments deficits had been calculated. A country had been included in the list if its overall balance of payments had been not smaller than 5 per cent of the minimum level of imports deemed essential for reasonable development.

When the list had first been published, the Director of the Exchange and Trade Relations Department continued, there had been 20 countries on it, but by January 1975 it had increased to 33 countries. In addition, it seemed likely that a further three or four countries would be added by April 27. Although the UN list might be seen to address itself to a very specific problem, it had been accepted by nearly all the agencies in the UN family.

The Acting Chairman remarked that Executive Directors should note that the Fund staff had had a full opportunity to make their contributions to the analysis that had produced the list adopted by the United Nations.

The Deputy Treasurer commented that the staff had looked at other possibilities in relation to the UN list, but an examination of alternative criteria had led to the conclusion that in the circumstances the UN list was the most appropriate one to take as the basis for determining potential beneficiaries. However, the staff had not explored the criteria mentioned by Mr. Gavaldá. The estimated per capita national income figures used for calculating the table in the Managing Director's statement were for 1974 based on whether members' per capita incomes fell within broad ranges; the most recent published detailed tables were for 1972.

The General Counsel noted that one or two Executive Directors had referred to the mode of establishing the Account, but that question could perhaps be deferred until an actual decision was under consideration.

Mr. Gavaldá said that the explanation of the criteria for the UN list had convinced him that it was not appropriate. Whereas those related to food, access to capital markets, and imports and exports, the criteria envisaged by the Interim Committee would relate specifically to the problem of the increased cost of oil imports. As the UN would have a modified list by April 27, the Fund could in the meantime undertake an examination of alternative criteria more related to the new oil prices and less related to the problem of poverty. The modified UN list could be compared with a Fund list to determine the potential beneficiaries of the Subsidy Account.

Mr. Deane, after noting that the Executive Directors had discussed the need for greater flexibility with respect to the Fund's operations several times recently, remarked that the problem of inequities and the concerns of some Executive Directors would not be eliminated simply by accepting the UN list. Executive Directors should listen very carefully to those concerns and take appropriate measures, although he realized that to do so would be difficult because of political and other complications. The Executive Directors had been given specific suggestions by Mr. Gavaldá with respect to oil costs, and by Mr. Drabble regarding the "IDA only" list, and they should be responsive to those suggestions. Countries might still be dissatisfied and, at least, the Executive Directors should endeavor to discuss those dissatisfactions and try to be equitable.

Mr. Kafka reiterated that both Mr. Gavaldá's and Mr. Drabble's suggestions were imminently sensible, and that it was not beyond the ingenuity of the Fund to examine lists of potential recipients and come up with a specific proposal.

The Acting Chairman suggested that any efforts to establish an entirely new list that would eliminate any of the countries on the present UN list, or the list as modified, would not be satisfactory. The Executive Directors should therefore agree that the UN list should be regarded as a minimum irrespective of any revision by the Fund.

The General Counsel indicated that it would be necessary to have a definitive list of potential recipients before a decision was taken. Whatever the form of the Account, the Fund would be administering the contributions of members, and both contributors and the Fund would have to know precisely which members were to be beneficiaries.

Mr. Lieftinck commented that the Executive Directors had to decide on which countries needed concessional conditions for borrowing from the Fund. The criteria to be used in determining those countries should only be partly influenced by the impact of the higher cost of oil; rather, the overall situation in which those countries found themselves should be examined. He continued strongly to support the use of the UN list, as he had been impressed by the thorough way in which the list had been prepared. It would not now be appropriate for the Fund to try to establish a more direct relationship between the Subsidy Account and the impact of higher oil prices.

Mr. Drabble said that he did not wish to imply that the UN list was inappropriate. On the contrary, the Acting Chairman's suggestion that the UN list should be regarded as a minimum was entirely acceptable to him.

Mr. Cross observed that if the UN list were to be subjected to a review, those members presently included should be as subject to question as those currently excluded.

Mr. Wahl remarked that he was more concerned about the sharing of the contributions than with the sharing of the benefits by the potential recipients, since once the Subsidy Account had been financed, the Fund would have little difficulty finding the right beneficiaries. However, he was perplexed that no agreement had yet been reached on the financing of the Account. For instance, some developed countries were linking their contributions to those of the major OECD members. Further, if there was a lack of contributions from the OECD group of countries, the oil exporting countries would reconsider their contributions. A deadlock existed, and it was therefore not a certainty that a Subsidy Account would function in 1975.

The Acting Chairman said that he hoped that Executive Directors would agree that the Managing Director should be free to approach potential donor countries in whatever way he felt would be most appropriate.

Mr. Monday agreed that the Managing Director should be free to approach potential donors in the manner that seemed most appropriate. Like Mr. Drabble, he did not want to see any of the countries presently included in the UN list being deleted, as his constituency would find it politically difficult to accept a reduced list.

Mr. Gavaldá reiterated that the UN list, as modified by April 27, should be regarded as a minimum.

Mr. Lieftinck said that, while he understood that some Executive Directors considered the UN list as a minimum, if the Fund were to develop its own criteria those would have to be accepted, even if that resulted in some countries being deleted from the UN list. The Executive Directors would have to apply one set of criteria or another, rather than part of one and part of another.

Mr. Caranicas agreed with Mr. Lieftinck. Regarding the management's intention to send communications to all members--except those that would be on the list of beneficiaries--requesting contributions, he wondered whether the Managing Director would send one written communication to the countries included in the list of potential contributors and another drafted differently to all other members.

The Acting Chairman commented that the Managing Director should not be tied down as to how he would choose to communicate with countries. An invitation to contribute would in principle be extended to all Fund members, other than the most seriously affected countries, to give them an opportunity to contribute if they so desired. However, the nature of the communication to those countries listed as potential contributors might be different from the others not so listed.

Mr. Kafka said that, while he sympathized with the pleas by Messrs. Lieftinck and Cross for consistency, he associated himself with the remarks of Messrs. Monday and Drabble.

Mr. Cross inquired whether the Managing Director would invite non-members to contribute to the Subsidy Account.

The Acting Chairman replied that he would not want to preclude a possible communication to Switzerland. On whether the UN list should be accepted, he believed that the majority of Executive Directors would be prepared to accept that list as modified by April 27. However, the staff could undertake a study to see whether there was any consistent set of criteria that would serve the purposes of the Fund. In that context, if such a set of criteria were not forthcoming within a very short time, the Executive Directors should retain the UN list, so that the Subsidy Account could be implemented as soon as possible.

Mr. Kafka believed that the Fund should at least have an escape clause in case a country made an appeal to be included in the list.

The Acting Chairman observed that any such appeal would have to be made before the establishment of the Account, since countries that were contributing had the right to know whom they were supporting.

Mr. Monday agreed with Mr. Kafka; the oil exporting countries especially might wish to know if there was an escape clause for those countries that were seriously affected but not included in the UN list, in order that they might be considered by the Fund.

Mr. Caranicas said that if such a procedure were followed, he would like to appeal immediately for the inclusion of Afghanistan in the list of potential beneficiaries of the Subsidy Account.

Mr. Laske repeated that, because the Subsidy Account was to be a short-term operation that would be limited to the 1975 oil facility, his authorities were content with the present UN list. He wondered whether he was right in believing that if the UN list were extended in 1976 or 1977, countries would not be able retroactively to claim drawings from the Subsidy Account. Finally, with the Fund's purposes as a benchmark, he proposed that the staff prepare a paper on the appropriateness of the criteria used to determine the present UN list.

The Acting Chairman remarked that the UN list might be extended by the addition of three or possibly four countries, of which one was Afghanistan. Further, the Fund had no reason to believe that the list would be extended after April 27. There would, however, be many difficulties if it were decided to make further additions.

The General Counsel explained that if all the donors and the Fund as Administrator of the Account agreed, members could be added as beneficiaries after the Account had been established.

Mr. Drabble said that the specific request that he had made had referred to the five countries that were on the "IDA only" list and that had access to the oil facility, but were not on the UN list. Of those five, two were likely to be on the revised UN list, but there were still three countries--all of which were small in terms of the oil facility and would make little difference to the total amount of financing involved--which would probably be excluded from the UN list. If the staff were satisfied that those particular countries excluded from the list were clearly in a different category from those that were on the list, he would let the matter rest. However, he had not yet received a clear indication that those three countries were in a different situation.

The Acting Chairman replied that the information sought by Mr. Drabble would be given to him by the staff on a bilateral basis.

The Deputy Treasurer observed that the "IDA only" list had been determined on the criterion of a per capita national income of $400 or less. In 1972 there were 74 Fund members, including some that presently appeared in the table as potential contributors to the Subsidy Account, that had a per capita income of less than $400 and would have to be included in the list of potential beneficiaries if the IDA criterion were used. Therefore, the question of a cut-off at a particular level of per capita income would arise.

The Acting Chairman noted that Executive Directors had not raised any objections to his suggestions that the Managing Director be authorized to approach potential donors in whatever manner he deemed most appropriate. Although most Executive Directors favored the use of the UN list, the staff would examine whether there were any feasible alternatives, and would pay particular attention to the suggestions of Mr. Gavaldá and Mr. Drabble. In the meantime, the Subsidy Account should be planned on the basis of the UN list, subject to there being a reasonable time for countries to make a special appeal to the Executive Board for inclusion in the list.

Mr. Kawaguchi commented that the formal decision should not give the impression that a country had to make a firm commitment to contribute before the Account was formally established. He asked that an explanatory clause be included, for the benefit of national legislatures, to stress that even under the present Articles of Agreement the Subsidy Account would be entirely within the competence of the Fund.

The Acting Chairman indicated that SM/75/38 dealt with the legal aspects of the proposed Subsidy Account.

The Executive Directors agreed to return to the Special Subsidy Account in due course.

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Directors without meeting in the period between EBM/75/45 (4/3/75) and EBM/75/46 (4/4/75).

8. UPPER VOLTA - REPRESENTATIVE RATE FOR UPPER VOLTA CFA FRANC

The Fund finds, after consultation with the authorities of Upper Volta, that the representative exchange rate for the Upper Volta CFA franc under Rule O-3, paragraph (c)(i), against the U.S. dollar, is the rate obtained on the basis of the official rate for the Upper Volta CFA franc against the French franc and the representative rate for the French franc. The Banque Centrale des Etats de l'Afrique de l'Ouest, Ouagadougou, will immediately communicate to the Fund any change in the relationship between the Upper Volta CFA franc and the French franc when it occurs (EBD/75/86, 4/2/75).

Decision No. 4633-(75/46) S, adopted April 3, 1975

9. AUDIT COMMITTEE, FY 1975

The Executive Board approves the proposal set forth in EBAP/75/61, Supplement 1 (3/31/75).

Adopted April 3, 1975

10. EXECUTIVE BOARD TRAVEL

Travel by an Executive Director as set forth in EBAP/75/82 (4/2/75) is approved.

APPROVED BY THE EXECUTIVE BOARD:
Meeting 75/137, August 18, 1975

H. JOHANNES WITTEVEEN
Chairman

W. LAWRENCE HEBBARD
Secretary

Possible Contributors to the Interest Subsidy Account

	Contributions (SDR millions)		
	A1/	B2/	Reduction
Oil exporters			
Algeria	2.00	1.00	1.00
Iran	27.70	13.85	13.85
Iraq	9.80	4.90	4.90
Indonesia	3.00	--	3.00
Kuwait	17.20	17.20	--
Libyan Arab Republic	5.80	5.80	--
Nigeria	12.40	--	12.40
Oman	1.50	0.75	0.75
Qatar	4.00	4.00	--
Saudi Arabia	72.90	72.90	--
United Arab Emirates	12.60	12.60	--
Venezuela	6.10	6.10	--
	175.00	139.10	35.90
OECD members			
Belgium & Luxembourg	5.80	5.80	--
Canada	9.50	9.50	--
France	12.90	12.90	--
Germany	13.70	13.70	--
Italy	8.60	8.60	--
Japan	10.30	10.30	--
Netherlands	6.00	6.00	--
Sweden	2.80	2.80	--
United Kingdom	24.10	24.10	--
United States	57.60	57.60	--
Australia	5.70	5.70	--
Austria	2.30	2.30	--
Denmark	2.20	2.20	--
Finland	1.60	1.60	--
Greece	1.20	0.60	0.60
Iceland	0.20	0.20	--
Ireland	1.00	1.00	--
New Zealand	1.70	1.70	--
Norway	2.10	2.10	--
Portugal	1.00	0.50	0.50
Spain	3.40	3.40	--
Turkey	1.30	0.65	0.65
	175.00	173.25	1.75
Brazil	3.70	1.85	1.85

1/ Same as Table 1 of SM/75/40, February 10, 1975, p. 5.

2/ Based on national income per capita for 1974 estimated by the Area Departments; members with less than SDR 400, no contribution; members with national income per capita between SDR 400-1,500, contribution in A is reduced by one half.