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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 83/150

3:00 p.m., October 24, 1983

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

Executive Directors	Alternate Executive Directors
A. Alfidja	L. K. Doe, Temporary
	L. E. J. Coene, Temporary
B. de Maulde	X. Blandin
	M. Teijeiro
R. D. Erb	
M. Finaish	T. Alhaimus
T. Hirao	T. Yamashita
J. E. Ismael	Jaafar A.
	L. Leonard
A. Kafka	
	G. Grosche
G. Lovato	C. P. Caranicas
	G. Gomel, Temporary
	A. S. Jayawardena
	J. E. Suraisry
	T. de Vries
	K. G. Morrell
	O. Kabbaj
F. Sangare	E. I. M. Mtei
M. A. Senior	J. L. Feito
J. Tvedt	A. Lindø
N. Wicks	T. A. Clark
Zhang Z.	Wang E.

L. Van Houtven, Secretary
R. S. Franklin, Assistant

Also Present

Administration Department: G. E. Gondwe, J. D. Huddleston. African Department: O. B. Makalou, Deputy Director; E. A. Calamitsis, F. d'A. Collings, C. N. Egwim, A. G. A. Faria, J. M. Jimenez, B. A. Sarr, J. D. Simpson, A. C. Woodward. European Department: B. Rose, Deputy Director. Exchange and Trade Relations Department: D. K. Palmer, Associate Director; W. A. Beveridge, Deputy Director; S. Mookerjee, Deputy Director; M. Guitian, S. Kanesa-Thasan, D. A. Lipton. External Relations Department: A. F. Mohammed, Director. Fiscal Affairs Department: V. Tanzi, Director; W. R. Mahler. Legal Department: G. P. Nicoletopoulos, Director; J. G. Evans, Jr., Deputy General Counsel; Ph. Lachman. Middle Eastern Department: B. A. Karamali. Research Department: A. Crockett, Deputy Director; N. M. Kaibni. Secretary's Department: J. W. Lang, Jr., Deputy Secretary; A. P. Bhagwat, G. Djeddaoui. Treasurer's Department: W. O. Habermeier, Counsellor and Treasurer; D. Williams, Deputy Treasurer; D. S. Cutler, T. M. Tran, G. Wittich. Bureau of Statistics: J. B. McLenaghan. Personal Assistant to the Managing Director: S. P. Collins. Advisors to Executive Directors: S. R. Abiad, A. A. Agah, E. A. Ajayi, C. J. Batliwalla, J. Delgadillo, S. El-Khouri, K. A. Hansen, W. Moerke, Y. Okubo, P. D. Péroz, M. Z. M. Qureshi. Assistants to Executive Directors: E. M. Ainley, H. Alaoui-Abdallaoui, H. A. Arias, J. Bulloch, M. B. Chatah, M. Eran, I. Fridriksson, V. Govindarajan, D. Hammann, N. U. Haque, C. M. Hull, H. Kobayashi, J. A. K. Munthali, G. W. K. Pickering, M. Rasyid, A. A. Scholten, Shao Z., D. I. S. Shaw, J. C. Williams.

1. KENYA - REVIEW UNDER STAND-BY ARRANGEMENT

The Executive Directors continued from the previous meeting (EBM/83/149, 10/24/83) their consideration of a staff paper on the review under the stand-by arrangement for Kenya (EBS/83/219, 10/6/83).

Mr. Grosche observed that the Kenyan authorities had made substantial progress under the 18-month stand-by arrangement agreed in March 1983. They had been successful in adjusting public finances and the balance of payments; in addition, the competitive position appeared to be appropriate, and the Kenyan economy was in a good position to benefit from a recovery in the world economy. The economic and financial policies of the program for 1983/84 were also reasonable in Kenya's present circumstances.

On the external side, Mr. Grosche noted that the current account deficit in relation to GDP was likely to be reduced from 11 percent in 1981 to 3.4 percent in 1983, far more than originally envisaged under the program. He could therefore accept the view that no further reduction in that ratio need be targeted for 1984. The adjustment of the economy thus far had been achieved mainly through a substantial reduction in imports and larger than expected foreign assistance flows. Since neither of those developments was likely to prevail in future, the authorities should be under no illusion about the necessity for continuing appropriate incentives to the export sector. In sum, the performance under the current stand-by arrangement was encouraging, and he could support the proposed decision, as amended. If completed as envisaged, the program should go a long way toward establishing a sustainable balance of payments position.

Mr. Doe congratulated the Kenyan authorities for their determination to implement painful adjustment measures, which had led to significant progress since the inception of the program. Faced by a projected decline in the ratio of total revenue to GDP from 25.4 percent in 1980/81 to 20.0 percent in 1983/84, the authorities had applied strict measures to restrain the growth of current spending and had cut back development outlays significantly. Capital expenditures, for example, had been reduced by 35 percent in real terms between 1981/82 and 1982/83. As a result of those cutbacks and other austerity measures, total spending was currently estimated to decline from nearly 35 percent of GDP in 1980/81 to about 25 percent in 1983/84, indicating a significant decrease in government involvement in economic activity. Also, the overall cash-based deficit was estimated to decline by the equivalent of nearly 6 percentage points during the same period. Recalling that his chair had on several occasions expressed concern about the unfavorable effects of prolonged and relatively large cutbacks in development expenditure on economic activity in general and on employment, the tax base, and the export earning capacity of countries in particular, he suggested that the Kenyan authorities should implement a more selective investment policy that emphasized the reallocation of resources toward the most productive sectors. At the same time, the Fund should give serious consideration to the speed at which countries facing structural imbalances should be advised to adjust. A future weakening of the productive and export capacity and the tax base resulting from cutbacks in capital spending would certainly be detrimental to the restoration of the fiscal and external imbalances of the country.

On the external side, Mr. Doe observed that steps had been taken toward liberalizing the import system, the most important being the roll-back of quantitative restrictions on imports. A considerable reduction in the overall balance of payments deficit was forecast for 1983; however, the near equilibrium that was projected stemmed largely from a reduction in imports and an exceptional inflow of official grants following the donors' conference held in Nairobi. Given the temporary nature of those transfers and the adverse effects that a further reduction in imports might have on economic growth, it was to be hoped that there would be a sustained recovery in foreign demand for Kenyan exports and an improvement in the terms of trade in the not too distant future.

It was heartening to see that the ratio of gross official reserves to imports had continued to increase following a sharp decline in 1980, Mr. Doe said; it was equally refreshing to observe that, despite dire financial difficulties, Kenya had remained current on its external payments. He also welcomed the authorities' flexible approach to exchange rate policy. In conclusion, he reiterated his support for the authorities' resolve to take unpopular measures in an attempt to restore the economy to a viable position, and he could endorse the proposed decision, as amended.

Mr. de Vries stated that he too could support the staff appraisal of the Kenyan economy and the proposed amended decision. From a short-term perspective, the authorities seemed to have brought the economy under control; the balance of payments deficit had been reduced, and only a marginal further reduction would be necessary to achieve a sustainable position. The main focus in the short term should thus be on improving the management of public enterprises. The authorities had proved their willingness to take necessary adjustment measures, but there remained some shortcomings in the program, particularly with respect to the collection of revenue. The staff had indicated that, following exhortations by the Treasury to the revenue collecting units, revenue collections had proved greater than assumed, which suggested some leakage.

From a medium-term perspective, the situation in Kenya was perhaps less satisfactory, Mr. de Vries continued. For example, according to the staff, a more rational tariff structure was needed, and resources were being inefficiently utilized. It seemed clear in the circumstances that the Kenyan economy remained overregulated, and the staff had rightly emphasized the need for further import liberalization, which should be pursued steadily and should not be linked to the level of gross foreign reserves. The authorities had been successful in putting the economy on a trimming "diet"; it was now in need of "exercise" to give it strength.

Mr. Erb observed that the considerable reduction in Kenya's current account deficit had been due mainly to a 25 percent cumulative reduction in imports. Since reliance on import reduction could not be sustained in the long run, further improvement in the economy must be based on vigorous export growth, and he wondered whether an appropriate range of policies had been set in place for that purpose. During the Board discussion of Kenya's stand-by request in March 1983 (EBM/83/50), he had questioned whether the December 1982 exchange rate adjustment had been adequate. The chart on page 12a of EBS/83/219 seemed to suggest that there had been a slight appreciation of the rate since September, and he would therefore recommend that the authorities should re-examine their exchange rate policy and their general approach to exchange and import restrictions. The fact that only limited progress had been made toward import liberalization and the rationalization of the export incentive system reinforced his belief that further action on the exchange rate would be desirable. He noted in that regard that nontraditional exports had benefited from recent exchange rate measures and were projected to be the main source of export expansion. The implication was that structural change was beginning to take place as a result of the pursuit of a more appropriate exchange rate policy, which could be accelerated by further exchange rate adjustment and further liberalization of the exchange rate and trading regime.

The statement in footnote 3 on page 10 of EBS/83/219 suggested that the staff was planning a large follow-on program with the Fund, that would carry through to the end of 1985, Mr. Erb remarked. Without prejudging that program, he wondered whether the staff's remarks meant that there would be no further need for Fund financing beyond 1985. Also, given that the magnitude of the additional adjustment required during 1985 was only 0.5 percent of GDP, he wondered about the justification for planning at the present stage on drawings that would be equivalent to 120 percent of new quotas. It might be better to look toward a smaller Fund program.

On a related matter, Mr. Erb noted that the staff had indicated its expectation that a sustainable balance of payments position would be achieved by the end of the program period. In his view, three elements needed to be considered in making such a judgment. The first related to size of the current account deficit projected into the future and the tion of whether it could be financed over time. The second concerned maturity structure of the external debt and whether the debts coming e in the medium to longer term--1984/85 and beyond in the Kenyan case--uld be refinanced. In that regard, he observed that repurchases from the Fund would grow rapidly from 1984 through 1988 and that they would have to be financed in some way, irrespective of what happened to the current account. The third element to be considered in judging the sustainability of the balance of payments position was the strength of the country's net reserve position; and he wondered whether Kenya would be able to weather fluctuations in current and capital account flows over time.

As in other papers, the staff had presented in EBS/83/219 a useful medium-term scenario of Kenya's debt-servicing prospects and the assumptions on which they were based, Mr. Erb remarked. In the real world, however, countries did not know when they would face fluctuations; it was for that reason that he was concerned about the country's reserve position and he wondered whether Kenya would be able to deal with possible fluctuations in its external position, either by borrowing additional short-term money or by reducing gross reserves. It would be helpful if the staff, either in the current or the next review, could provide additional details on the maturity structure of Kenya's external debt--together with a judgment about whether debts coming due in the medium to longer term could be refinanced--and offer some expression of confidence that the overall net reserve position would be sufficiently strong to enable the country to withstand fluctuations in its external position in future. He realized that each economy was different; however, the staff should be able to look at the history of fluctuations in Kenya and make some judgment about what would be a reasonable level of net reserves to deal with potential fluctuations in the medium to longer term.

Mr. Suraisry stated that he was in general agreement with the staff analysis and could support the proposed decision as amended. The Kenyan authorities had thus far been successful in implementing the program under the stand-by arrangement, with performance criteria for end-March and end-June either fully observed or exceeded; they should be commended for their accomplishments and encouraged to pursue their adjustment efforts.

The main thrust of adjustment in Kenya had been in the fiscal area, Mr. Suraisry noted. Expenditures in 1982/83 had been reduced well below programmed targets, and the fiscal deficit had declined for the second successive year, both in absolute terms and as a proportion of GDP. The fiscal stance generally remained tight, even though the program for 1983/84 allowed for some expansion in budgetary operations. In the circumstances, he was concerned about the long-term impact on growth if development expenditures remained at a very low level, and he thus welcomed the authorities' intention to increase development expenditures if greater than expected foreign concessionary or domestic nonbank financing became available. He hoped that they would be successful in their efforts to attract such financing. In addition, he wondered whether there was any explicit plan for increasing exports over the medium term.

With regard to monetary policy, Mr. Suraisry considered that the targeted growth of the monetary aggregates during the program period was consistent with a resumption in growth and a simultaneous further reduction in inflation. He could therefore support the proposed performance criteria for end-1983 and the indicative targets for June 1984. On the external side, the introduction of a new import system in June 1983, which had the effect of rationalizing and liberalizing the import regime, should contribute to a better allocation of resources and facilitate the process of structural adjustment. The authorities should be commended for introducing the new system, which was a good example of effective collaboration between the Fund and the World Bank.

Finally, on a matter of Fund policy, Mr. Suraisry observed that the Executive Board was being asked to approve performance criteria for end-September 1983. He had expressed concern on previous occasions about the procedure by which Directors were asked to approve quantitative performance criteria for specific dates that had already elapsed. While the approach might be justified in some cases, its use should be as limited as possible.

Mr. Kabbaj said that he had been favorably impressed by Kenya's performance under the present stand-by arrangement. In recent years, adverse developments of both exogenous and domestic origin had prevented the authorities from fully realizing the main objectives of three successive programs; however, under the current stand-by arrangement, Kenya had met performance criteria for March and June 1983 by substantial margins. Although the overperformance had had an undesirable effect on growth and development, it was indicative of the authorities' determination to monitor various elements of the program and to act promptly to counter any adverse developments by adopting additional measures.

Substantial progress had been achieved in the fiscal area in the previous two years, with a reduction in the overall budget deficit--excluding grants--from 9.5 percent of GDP in 1980/81 to 5 percent of GDP in 1982/83, Mr. Kabbaj noted. Given the uncertainties surrounding budget revenues and the availability of foreign assistance, the bulk of the improvement in the fiscal area had been due to a significant curtailment of current and development expenditures, as total government outlays had fallen from 35 percent of GDP to about 26 percent of GDP over the period. In that regard, while the shrinking fiscal deficit had permitted a substantial reduction in the Government's recourse to bank financing, it had not led to an expansion of credit to the private sector or to a satisfactory recovery of economic activity.

Tight policies under the program had also resulted in a significantly lower than projected current account deficit, Mr. Kabbaj continued. The authorities' flexible exchange rate policy and, in particular, the large depreciation of the currency had contributed to the balance of payments adjustment and had enabled the authorities further to accelerate the liberalization of the trade system through the gradual elimination of import restrictions.

With regard to the program for 1983/84, Mr. Kabbaj welcomed the authorities' continued caution, particularly with respect to fiscal policy, and their intention to keep the budget deficit below the program target if additional concessionary foreign financing was not available. Like Mr. de Vries, Mr. Suraisry, and others, he felt that it might be desirable at the present stage for the authorities to consider the use of more growth-oriented policies and to focus more on reviving economic activity so as to sustain and strengthen the progress achieved under the program thus far. Finally, he could support the proposed amended decision.

Mr. Gomel remarked that, like others, he was in broad agreement with the staff appraisal and could support the proposed decision as amended. Noting that the program for 1983/84 envisaged a continued balance of payments adjustment and a stronger resumption of output growth, which would be mainly export led, he recalled that, on the occasion of the Executive Board discussion of Kenya's request for a stand-by arrangement in March 1983, he had expressed some reservations about the country's exchange rate policy, the incentives offered to exporters, and the likely performance of exports. However, the latest information provided by the staff had served to ease his doubts in those areas. The real effective exchange rate had recently been restored to its end-December 1982 level and, while the inflation rate had since diverged from the average trends in Kenya's trading partners, the recent 2.5 percent correction in the value of the shilling seemed to have allowed Kenya to maintain its competitive position. He presumed, in the circumstances, that more resources would be mobilized by the export producing and import competing sectors and that new industries would be developed that were sensitive to price changes; however, the staff did not appear to be projecting a sizable pickup in exports in 1984, following the disappointing performance in 1983. Countervailing factors on the demand side--such as sluggish trends prevailing in commodity markets and in traditional outlets for Kenyan exports--had apparently stymied foreign sales. It would be interesting, nonetheless, to hear some assessment by the staff of the supply response of exporters to the new and more favorable constellation of relative prices.

The marked decline in imports below the level authorized by specific import licenses had stemmed mainly from the depressed level of domestic absorption, coupled with the restraining effects associated with a devalued shilling, Mr. Gomel continued. The staff projections assumed a pickup in imports in 1984 that was only slightly larger than the anticipated recovery in GDP, and he wondered about the extent to which some import substitution was implied in that assumption, considering that imports had contracted sharply for three consecutive years and that the restraint entailed by the newly introduced import licensing scheme "does not appear very large." Perhaps there would be greater scope for import substitution beyond the program period in some specific industries, provided that an appropriate relative price structure was maintained.

The medium-term analysis supplied by the staff seemed reasonable, Mr. Gomel remarked. The target of a financeable current account deficit by 1985 was likely to be attained, with emphasis in the period ahead on a supply-oriented growth strategy together with a careful monitoring of the external debt situation. Given the country's development goals and present approach to achieving them, further use of Fund resources could be considered at the expiration of the present program. In that regard, however, he had been puzzled by the balance of payments projections in Table 6 on page 10 of EBS/83/219. It seemed unusual, from both a presentational and a substantive point of view, to describe the financing side of the balance of payments by assuming further use of Fund credit in the coming period. His preference would be to forecast the financing gap first and then to offer alternative scenarios, both with and without the use of Fund credit.

Mr. Zhang stated that, like others, he could support the proposed decision as amended.

The staff representative from the African Department, responding to questions, observed that the Kenyan authorities were concerned about the delay that had taken place in implementing the new industrial strategy that the World Bank was helping to establish. However, progress was continuing, mainly through the review of the import system and the necessary changes in import tariffs entailed by the review.

With regard to the concern of some Directors about the inability of the Kenyan authorities to plan their budgetary outturn because of delays in the disbursement of foreign resources, the staff representative noted that the easiest solution to the problem would be more timely information from the donors. It was hoped to improve the situation through periodic meetings of all the important donors, chaired by rotating ambassadors who would then meet with a selected group of Kenyan officials to discuss the proposed timing of various disbursements.

A number of Directors had expressed concern about the declining level of capital expenditures in the face of what appeared to be a rapid growth in current outlays, the staff representative recalled; the Kenyan authorities were also worried about that trend. It should be noted that, in 1983/84, the bulk of the increase in current expenditures represented increased interest payments on official debt: it reflected the large accumulation of debt--both internal and external--over the past few years and a rapid increase in domestic interest rates. Once the increased interest payments were deducted, other current expenditures would be seen to be rising by only about 4 percent. Moreover, the recent exchange rate action taken by the authorities in June and July should not be viewed as a once-and-for-all action; it was in fact the intention of the authorities to continue with a flexible exchange rate policy, and the adjustment that had taken place in June and July could be expected to be repeated as conditions warranted.

The staff believed that, despite the small growth of exports that had taken place in 1983 and that was projected for the future, the various incentives that were in place were appropriate, the staff representative continued. It had to be remembered that the level of nontraditional exports remained small and that, even though they might be responding favorably, the impact on the overall level of exports was not large. Traditional commodities, such as coffee and tea, still accounted for the overwhelming proportion of exports, and their performance had not been favorable in the recent past; but a disaggregation of exports, a look at the cost of production, and the feedback from exporters suggested that the present level of incentives was adequate. Delays in more rapid growth arose mainly from the agricultural nature of exports; it took time to plant crops and to increase herds of livestock. Still, there were also difficulties on the institutional side, as the facilities for export financing and for gathering information on the import requirements of other countries were not yet in place. Moreover, there were in many cases major constraints in the area of transportation, particularly to the growing Middle East market.

With regard to concerns expressed by Mr. Blandin and others about needed structural reforms in the agricultural sector, the staff representative observed that, while Kenya was one of the few countries in Africa that was self-sufficient in foodstuffs, it faced a rapid population growth and limited agricultural resources. More than half the land in Kenya was arid, and the rapid expansion in agriculture that had taken place in the late 1960s and early 1970s had taken up almost all the available land. The difficulties faced by the authorities at present were related mainly to the introduction of new technology that would increase the productivity of the land, and those difficulties could not be resolved simply through greater incentives to production.

The Kenyan authorities were committed--not only under stand-by arrangements with the Fund but also under structural adjustment loan agreements with the World Bank--to move quickly toward import liberalization, the staff representative noted. The new import system was a major improvement over what had existed in the past and provided an orderly approach to further liberalization. Still, Kenya's need to implement a rational industrial policy in future would require a thorough review of import tariffs by the authorities. Such a review was currently under way and was likely to be supported by a third structural adjustment loan from the World Bank. The authorities had taken a step-by-step approach in dealing with their external policies in the belief that stabilization of the economy was necessary before structural adjustment could take place and in the recognition that the number of personnel available to implement structural adjustment activities was limited. In his view, it would have been unreasonable to insist on very rapid structural adjustment when there was not a sufficient number of qualified people to do the job.

Commenting on a question raised by Mr. Erb on the staff's references to a possible follow-on arrangement with Kenya, the staff representative remarked that Table 6 on page 10 of EBS/83/219 showed that the net amount of the proposed arrangement was considerably smaller than 120 percent of Kenya's quota and that all of it would be utilized to build up reserves following some years of decline. The scenario in EBS/83/219 to a great extent reflected the staff's concern about the adequacy of reserves in the face of potentially volatile economic activity. The staff felt that the level of foreign reserves at end-1983 and end-1984 would not provide an adequate cushion; therefore, for purposes of planning, the staff had created a scenario involving the utilization of Fund resources.

With regard to questions on the debt structure, it was important to note that the "lump" in the external debt payments between 1983 and 1986 was a reflection of large repayments being carried out by Kenya on its Eurocurrency borrowings, the staff representative commented. After 1986, once all those repayments had been made, there should be a marked improvement in Kenya's debt structure; in fact, the scenario being used by the Kenyan authorities for planning purposes involved a further improvement in the structure of the debt through a reduction in reliance on commercial-type activities.

In response to a comment by Mr. de Vries on the revenue collection system in Kenya, the staff representative said that many payments on income and sales taxes were due at end-June, and the authorities had made an effort to ascertain that payments were in fact received and tabulated before the end of the month.

Remarking on the concern indicated by Directors about the pace of recovery in the private sector, the staff representative observed that the statistics for the first half of 1983--particularly those showing the stagnating demand for private sector credit--suggested a wait-and-see attitude in the private sector in advance of the September elections. Following the elections, a quick recovery of private sector demand for credit was expected, and the staff had taken care in the program to provide a sufficient margin to meet that recovery.

Finally, in answer to a question by Mr. Gomel concerning the supply response of exporters, the staff representative from the African Department remarked that, where exchange rate and price incentives were most visible, exporters had been responding as quickly as expected, given the existing institutional limitations in the country. There was room in future for import substitution, but the authorities were counting more on increasing the capacity utilization of the present import-substituting industries, which had been established some years previously with a view to covering the entire East African Common Market. Unfortunately, that market had since collapsed.

The Deputy Director of the Exchange and Trade Relations Department recalled that several speakers had touched upon the issue of whether there might have been greater scope for flexibility in drawing up the program for Kenya. In addition, some Directors had commented on the pace of adjustment and the means by which it had been accomplished. The program had been designed at a time when an earlier program had drifted off track: the foreign exchange situation had been critical, reserves had been limited, and a balance of payments financing gap had been projected for which extraordinary donor assistance was sought. In those circumstances, there had been no room for flexibility in the design of the program.

The Kenyan authorities had become acutely aware of the need to adjust promptly and to do all in their power to meet the performance criteria of the program, and they had done so, the Deputy Director said.

Some flexibility was being built into the program for 1983/84 because the situation had improved, but even that flexiblity was limited because it was necessary to ensure that the gains already made would not be lost. Finally, on another matter, he agreed with Mr. Suraisry that it was only in exceptional circumstances that the staff would approach the Executive Board with a request for approval of a performance criterion at a time following the date for which that criterion had been set. There were a number of exceptional factors that had led the staff to adopt such an approach in the Kenyan case. For instance, the actual data for end-September would not be available until mid-November.

Mr. Sangare observed that most of his colleagues seemed to recognize that Kenya had met all performance criteria under the program at the cost of economic growth, as expenditures had been cut sharply while the opportunity for increased revenues had remained limited. In fact, economic growth had fallen short of the target for 1982/83 and was currently below the rate of growth of the population. As mentioned by several Directors, that development had had an adverse effect on the standard of living of a large segment of the Kenyan population. Hence, he wished to re-emphasize the desire of the authorities to increase the rate of economic growth. The falling rate in recent years had adversely affected fiscal performance and the external sectors of the economy, creating a vicious downward spiral that could only be solved in the longer term. It was for that reason that the authorities were in the process of implementing new measures, in the context of the second structural adjustment loan with the World Bank, that would deal with the long-term problems confronting the economy. The authorities were confident that those steps, together with the measures already in place, would allow for the achievement of the goals of the program.

With regard to comments on the structural nature of the problems facing the Kenyan economy, Mr. Sangare recalled that some speakers had suggested greater diversification toward supply-side policy and had expressed doubts about the appropriateness of an extended arrangement with the Fund to deal with the long-term problems. The existence of financial difficulties at present should not change Directors' views of the nature of the problem, which could be best dealt with through long-range adjustment measures. It was clear that, for some time in future, Kenya would need to receive appropriate financial assistance from international monetary institutions, commercial banks, and friendly countries. The authorities were grateful for the assistance that had been provided from those sources thus far and remained hopeful that it would be continued.

Mr. Erb observed that, despite the clear answers to his questions, he remained uncertain about the basis for the staff's judgment that the economy would be in a sustainable balance of payments position by 1984/85. Table 6 of the staff paper seemed to suggest that the buildup in reserves planned for 1984 was less than net Fund financing. In the circumstances, the authorities should perhaps have a more ambitious plan for building up their gross reserve position to ensure that the net reserve position was strengthened.

The staff representative from the African Department replied that the Kenyan authorities were experiencing a dilemma: on the one hand, there was a need to improve the inflow of imports; on the other hand, the level of reserves should be increased. It was on that basis that the planning scenario had been signed. If they increased the level of gross reserves, the authorities would need to make some further adjustment in the level of imports; unfortunately, given the likely level of exports and other foreign exchange earning components, a further cutback on the import level would have a negative impact on the economy. In passing, he noted that the World Bank was of the view that the level of imports being projected by the Fund staff was near the bottom of the range of imports required for the needed rate of growth of the economy.

The Chairman said that a follow-on program for Kenya could certainly be considered at the appropriate time; however, it might have been preferable if the staff had presented alternatives showing what further resources would be necessary from official long-term capital sources to meet the target for the current account if Fund financing was not available. He was also concerned about the presentation of what might appear to be firm projections on official long-term capital, which could be treated as targets or even as limits.

The staff representative from the African Department commented that the figures for official long-term capital in the table were consistent with the utilization of long-term capital through the budget; the figures for private long-term capital were derived on a trend basis and then made consistent with the level of imports projected. The staff was thus fairly confident about its figures on the capital account. There were of course many ways in which additional financing could be obtained; however, the staff had felt that it would be better for Kenya to use Fund resources rather than to borrow in the commercial market to meet the deficit.

The Chairman said that he had no quarrel with the staff's logic; he was only concerned that, in presenting its table, the staff might have given the impression that the Fund was willing to fill a gap that could well be met by additional official aid. The method of presentation of that sort of table would need to be reviewed.

The Executive Board then turned to the proposed amended decision, which it adopted.

The decision was:

1. Kenya has consulted with the Fund in accordance with paragraph 4(b) of the stand-by arrangement for Kenya (EBS/83/41, Sup. 1, 3/22/83) and paragraph 16 of the letter of the Minister of Finance and the Governor of the Central Bank of Kenya dated January 28, 1983 annexed thereto in order to review policies and to establish performance criteria subject to which purchases may be made by Kenya.

2. The letter dated September 13, 1983 from the Minister of Finance and the Governor of the Central Bank of Kenya setting forth certain policies and measures which the authorities will pursue shall be annexed to the stand-by arrangement for Kenya, and the letter of January 28, 1983 shall be read as supplemented by the letter of September 13, 1983.

3. Accordingly, Kenya will not make purchases under the stand-by arrangement that would increase the Fund's holdings of Kenya's currency in the credit tranches beyond 25 percent of quota or increase the Fund's holdings of that currency resulting from purchases of borrowed resources beyond 12.5 percent of quota during any period in which the data at the end of the preceding period indicate that the limit on total domestic credit of the banking system or the limit on net credit from the banking system to the Government, both described in paragraph 7 of the letter of September 13, 1983, is not observed, provided that the purchase of the equivalent of SDR 28.2 million can proceed on the basis of the observance of the credit ceilings for June 1983 and the conclusion of this review.

4. With respect to the fiscal, monetary, import, and exchange and interest rate policies, the Fund finds that no additional understandings are necessary.

Decision No. 7551-(83/150), adopted
October 24, 1983

2. WORK PROGRAM

The Executive Directors considered the Managing Director's October 17 statement on the work program until the spring 1984 meetings of the Interim and Development Committees (see Annex), together with a revised tentative schedule of Executive Board meetings (Secretary's Circular No. 83/108, Revision 1, 10/21/83).

Mr. Wicks said that he was generally content with the work program, which at present was based on the assumption that the increase in quotas under the Eighth General Review would come into effect and that the proposed SDR 6 billion in lending to the Fund would be secured. He welcomed the intended concentration on the substance of economic policies in the surveillance exercise; it was particularly important that the question of mutual compatibility and consistency of the policies of the major industrial economies should be covered as an appropriate follow-up to the Williamsburg communiqué. Scheduling a world economic outlook discussion for March 1984 fit well with such an approach.

Noting the relatively low number of new programs envisaged in Section 4 of the Managing Director's statement, Mr. Wicks wondered how those estimates related to the projections of Fund liquidity. Many of the new programs would apparently follow on from existing programs, which suggested that there would be relatively few new Fund clients; he would appreciate hearing whether the staff expected a small number of requests for quite large amounts; and whether it envisaged relatively few new Fund clients among smaller countries in 1984.

He welcomed the proposal to circulate for discussion Mr. Mentré's interesting paper, "The Fund, Commercial Banks, and Member Countries" (EBD/83/200, 8/4/83), which should provide a useful opportunity to survey commercial debt flows and the Fund's role in reassuring or encouraging creditors. On another matter, under systemic issues, he proposed that discussion of the staff paper entitled "The Exchange Rate System: Lessons of the Past and Options for the Future" should be brought forward to January. An early discussion of that paper would assist his authorities in preparing for the 1984 economic summit. He also welcomed the proposed review of small tropical island economies.

There were two other areas in which he would like to propose additional related work, Mr. Wicks continued. The first concerned inward direct investment to developing countries, a topic referred to in a number of speeches delivered at the Interim Committee Meeting and Annual Meetings. The matter could perhaps be covered in a paper that would serve as background to a Development Committee discussion of the proposed paper, "Linkages Between Trade, Indebtedness, and Development"; but the matter of inward direct investment to developing countries was sufficiently important that it might be better if the Executive Board took up the matter separately before the Development Committee discussion.

His second suggestion for additional work was to have an early discussion of a paper on the review of policies affecting chronic users of Fund finance, which might be a useful follow-up of the 1981 review of the relationship between World Bank structural adjustment loans and Fund extended arrangements, Mr. Wicks remarked. Early Board consideration of the matter would seem appropriate, particularly in view of the Interim Committee's endorsement of the temporary character of the enlarged access facility. The Board discussion should provide an opportunity for Directors to examine the difficult problem of longer-term chronic debtors whose adjustment under initial Fund programs had been insufficient, failing to eliminate their need for Fund credit even after several programs or an extended arrangement. There were a few obvious examples of such countries at present, and their number would likely increase unless the world economy revived dramatically. There were many possible reasons for the problem: confusion of cyclical and development problems, insufficient stringency of Fund programs, poorly designed programs, and slippages in the adjustment process. Whatever the cause, the problem manifested itself in the form of "withdrawal symptoms" when Fund programs were concluded. The problem concerned both the Fund and the World Bank, and it might be appropriate if the Fund, in some cases, continued to support such countries, perhaps using a second tier of access where that was warranted; in other cases, there should be no question of the Fund providing development financing. He would like the staff to explore the possibility of "shadow programs," which were intended mainly to reassure commercial creditors but did not actually require the advancement of resources by the Fund. The issues he had mentioned were serious ones and touched upon the Fund's medium-term role. They could of course be taken up in connection with discussions on the use of Fund resources or access, or even during the world economic outlook discussions; however, the relationship between chronic debtors and the Fund's medium-term role was particularly important and perhaps merited a discussion by itself.

Mr. Jayawardena noted that the situation regarding the Fund's liquidity position and financing needs should become clearer by end-November. Hence, he was inclined to feel that the forthcoming papers, "Review of Access Limits for Special Facilities" and "Review of the Fund's Usable Resources and Implications for Policy," might better be taken up later in December. His chair had long held the view that the current financial stringency related to the enlarged access and had no bearing on special facilities; however, he recognized that the Interim Committee had directed the Executive Board to look into the matter of the special facilities. He hoped that the paper on that subject, together with the various other papers on access, would be circulated well in advance of scheduled discussions so that the views of authorities could be obtained.

He was uncertain about the value of discussing the staff paper entitled "Compensatory Financing Facility - Treatment of Import Content of Exports" which was earmarked for discussion on January 16, 1984, Mr. Jayawardena continued. The arguments in the case could easily become cyclical or even ridiculous in the extreme. For example, in the case of a country exporting bananas in wooden crates that were put together with nails made of imported steel, it was difficult to see how much the compensatory financing facility could be improved by making a minor calculation to determine the import content of the bananas. Indeed, if the bananas traveled in a vehicle that used imported tires made of rubber that had originally been exported by the country, the staff might have to perform a calculation to determine the export content of imports. If the intention was to improve the compensatory financing facility, the Executive Board might do better to look at certain other proposals that had been put forward in various international forums, such as the proposal to shield trade-vulnerable countries from sudden sharp deteriorations in their terms of trade by taking export shortfalls and import excesses together.

With regard to the section of the Managing Director's statement on surveillance and the world economic outlook, Mr. Jayawardena said that he looked forward to a comprehensive world economic outlook discussion in the second half of March 1984, in advance of the Interim and Development Committee meetings. However, he was concerned that the review was expected to give "special attention to the heavily indebted developing countries." The external debt of all low-income developing countries had risen during 1983 from 12 percent to 18 percent of export receipts, and many of those countries were currently facing a serious problem of maintaining access to markets. While the problems of the heavily indebted countries certainly deserved emphasis, the general problem of indebtedness of all developing countries should be looked at in a broader and more comprehensive manner.

Under the section on SDR matters, Mr. Jayawardena noted with satisfaction that a paper on issues pertaining to the allocation of SDRs had been scheduled for Board discussion on January 25, 1984. Despite the overwhelming evidence to the contrary, he continued to hear the argument that an SDR allocation at present would be inflationary and inimical to orderly development of the world financial system. To clear doubts on that subject, the staff paper should examine the international implications of an allocation of SDRs at present--and of regular allocations in future--from all aspects, but especially in relation to the need to augment world liquidity so as to promote greater world trade and prosperity. Noting that some casual interest had been indicated by a few Executive Directors in the idea of a conditional allocation, he observed that such a concept was contrary to the Articles of Agreement and to the evolution of the SDR. Indeed, preoccupation with such an issue could be detrimental to the larger question of making the SDR the linchpin of a future international system. His preference was to limit the forthcoming paper to a comprehensive analysis of the role of the SDR and the international implications of new allocations.

Finally, with respect to systemic issues and other policy matters, Mr. Jayawardena welcomed the staff's study on the impact of exchange rate variability on trade, which he noted would be transmitted to the GATT together with a summary of the November 2 seminar discussion of the paper. A paper of equal importance--"Linkages Between Trade, Indebtedness, and Development"--was scheduled for discussion much later, on March 9, 1984. Because that subject was crucial to the thrust of future policies of the Fund, he would prefer an earlier discussion if possible.

Mr. de Maulde stated that, like previous speakers, he had no difficulty with the broad outline of the work program. With regard to the interlinked papers on access to the Fund's resources, he assumed that decisions would not be taken at the conclusion of each individual discussion but that a set of decisions would be adopted once all discussions were completed. His views were similar to those of Mr. Wicks on the section of the work program concerning surveillance and the world economic outlook, and he looked forward to an answer to Mr. Wicks's question on the work program of the area departments.

Turning to SDR matters, Mr. de Maulde considered that it would be useful to explore further the idea of conditional SDR allocations, together with other methods for helping the poorest countries in case a general allocation was not agreed. One possibility might be for wealthier members voluntarily to channel their share of an allocation to the neediest countries, perhaps through an organization like IDA.

On systemic issues, Mr. de Maulde said that he had found Mr. Mentré's paper entitled "The Fund, Commercial Banks, and Member Countries" to be most interesting and he looked forward to its discussion in the Board. He would also welcome an early discussion of the staff paper on the review of the exchange rate system. Finally, with respect to Mr. Wicks's proposal to focus on chronic users of Fund resources, he noted that the main problem was one of cooperation between the Fund and the World Bank. Hence, while he would welcome a discussion of the problem, his preference was to introduce it in a more positive way so as not to imply that the countries themselves were mainly at fault.

Mr. de Vries stated that, like others, he had few difficulties with the work program, which seemed well designed. He was pleased to note that reviews of surveillance would in future deal with matters of substance rather than procedure, and he could support the staff's intention to prepare papers on exchange rate policy that would give renewed attention to the assessment of balance of payments developments in a medium-term framework, both for individual members and for members in a multilateral setting.

He had some concern with the section of the work program on SDR matters, Mr. de Vries continued. A method for determining the SDR valuation and interest rates had been agreed; while that method might not be the best, it was not particularly helpful continually to question it. If the staff had concrete proposals to put before the Executive Board, he was willing to look at them, but he was not happy about holding a continuing discussion about whether or not the valuation of the SDR should be changed in one way or another. He had the same concern about a discussion on conditional SDR allocations. While the ideas put forward by Mr. de Groote and Mr. de Maulde were interesting, it would be better to conclude discussions on an ordinary SDR allocation before embarking on new ideas that might detract from the basic decision.

On systemic issues, Mr. de Vries said that he could support Mr. Wicks's request to hold the discussion on the review of the exchange rate system somewhat earlier than currently scheduled, particularly if that would help the U.K. authorities. As for the study on the impact of exchange rate variability on trade, which had been prepared at the request of the GATT, he would prefer not to transmit the paper together with a summary of the seminar discussion on the matter. He saw no need for the Executive Board formally to approve the study in a discussion; it would be sufficient to approve it on a lapse of time basis for transmittal to the GATT and to reserve the Executive Board's time for more policy-oriented discussions. Similarly, he hoped that papers on International Financial Statistics (IFS) data and on annual meetings arrangements would not require Board discussion.

Mr. Grosche remarked that, given the heavy workload in late November and December, it might be useful to shorten, delay, or forgo discussions on certain matters that did not at first glance appear crucial. For example, the planned paper on the criteria governing the amount of access to Fund resources in individual cases was not likely to add much to the analysis that had been provided in the paper on general considerations of the policy on access (EBS/83/132, 6/27/83). As the June 27 paper had been thoroughly discussed in the Executive Board, it might be better simply to refer to the earlier discussion in connection with other issues related to the enlarged access policy rather than to hold a separate new discussion on the matter. Finally, he had some sympathy for Mr. Wicks's comments on the need to think about the Fund's medium-term role and about its cooperation with the World Bank.

Mr. Kafka said that, like Mr. Grosche, he was not convinced that it would be helpful to discuss criteria governing the amount of access in individual cases. He also shared Mr. Jayawardena's doubts about the value of discussing a paper on the import content of exports for the purposes of the compensatory financing facility.

With regard to the section of the work program on surveillance and the world economic outlook, Mr. Kafka remarked that he was of course in favor of strengthening surveillance; however, he was convinced that that was not enough. He welcomed the proposal to discuss exchange rates and the debt problem in a medium-term context, although he wondered whether the world economic outlook should be discussed twice a year, unless sensational occurrences between spring and autumn warranted a second review. He also wondered whether it was necessary on a routine basis to hold Interim and Development Committee meetings prior to the Annual Meetings of the Fund and the Bank. Unless there was a special reason for holding fall meetings of those Committees, it would be easier to bring Ministers to Washington for two or three days only in the spring of each year.

The heavy workload of the area departments suggested an early review of the mobility policy, which was creating serious problems for some departments, Mr. Kafka continued. On SDR issues, he wondered whether it would be possible to discuss the SDR interest rate together with other SDR matters on January 20. Also, he was not in favor of discussing conditional allocations of SDRs unless the borrowing operation and quota increase failed to materialize.

On systemic issues, Mr. Kafka suggested that the paper on multilateral debt restructurings might better be considered after discussion of the medium-term prospects of indebted countries in the context of the world economic outlook. On other matters, he was grateful to the Managing Director for initiating a discussion on the exchange rate system, which should perhaps become an ongoing activity of the Fund. In that regard, the discussions might benefit from papers produced outside the staff, since some elements of the subject could be considered by members too delicate to be taken up in staff papers.

Like others, he looked forward to the discussion of Mr. Mentré's paper on "The Fund, Commercial Banks, and Member Countries," as well as the study of the distinctive features of small tropical island economies and the paper reviewing experience with multiple exchange rates, Mr. Kafka commented. Much unnecessary anguish was created by the Fund's insistence on the early removal of multiple exchange rates, which were often legitimately replaced by other measures that had identical effects. He hoped the paper would give special attention to the interpretation of the concept of "temporariness" in that context. Finally, with regard to the section on annual meetings arrangements, he was uncertain that a paper was necessary at the present stage. He proposed that Executive Directors with concerns should communicate them to the Deputy Managing Director; if warranted, a paper could then be produced that would cover specific problems. A similar approach might be employed with respect to difficulties experienced with the new telephone system.

Mr. Hirao said that he too could generally endorse the work program and would therefore limit his remarks to a few topics that deserved special emphasis. First, Executive Directors should always bear in mind the prospects for financing the Fund's operations when reviewing access policy. In that regard, he looked forward to the next review of the Fund's liquidity position, when prospects for the Fund's financing for the year ahead would be considered in light of potential commitments. Second, he welcomed the special attention that would be given in the next world economic outlook exercise to the heavily indebted developing countries. Such a focus would provide an important medium-term perspective to the discussion of the problems of external debt servicing in a broad context. Third, it would be useful for the Fund to participate in the study of the present system of international exchange arrangements, and he hoped that the staff paper on that matter would identify issues, review the strengths and weaknesses of current exchange arrangements, and examine the advantages and disadvantages of various reform proposals. He would be willing to hold a discussion on the paper in January if that would be helpful to Mr. Wicks's authorities. Finally, he would find it useful if the experience with the 1983 Annual Meetings arrangements could be reviewed with an eye to improving arrangements for the 1984 Meetings.

Mr. Lovato, stating that he too could support the work program, agreed that little could be done until the end of November on issues relating to the Fund's liquidity. He hoped that greater emphasis could be given to exchange rate policies in all discussions concerning surveillance and that the world economic outlook discussions would focus more sharply on the need to reduce protectionism. On SDR matters, he could support the initiatives aimed at promoting the attractiveness and use of the SDR and he could go along with the paper on conditional SDR allocations, but only as a way of keeping alive interest in the asset. It was his impression that a conditional SDR allocation would represent only a line of credit and would thus be a step backward from the goals originally set for the SDR.

Mr. Suraisry remarked that, like others, he could support discussion of Mr. Mentré's paper entitled "The Fund, Commercial Banks, and Member Countries" as well as the staff paper, "The Exchange Rate System: Lessons of the Past and Options for the Future," which could usefully be circulated for discussion earlier along the lines of Mr. Wicks's suggestion. On other matters, it would be helpful if the Executive Board was given an opportunity to review the experience of the 1983 Annual Meetings. Even if Executive Directors felt there was no need for a paper on the subject, there should perhaps be an informal meeting of Directors to discuss the issues. Finally, he would be interested in the staff's answer to Mr. Wicks's question on the work program of the area departments.

Mr. Morrell welcomed the intention to give special emphasis to the heavily indebted developing countries in the context of the world economic outlook discussions. Similarly, he was happy to hear that greater attention would be paid to systemic issues, and he looked forward in particular to the paper on the exchange rate system.

He was pleased that a paper on small tropical island economies was scheduled for discussion, Mr. Morrell continued. However, noting that the paper had not yet been issued and that the relevant countries should be given an opportunity fully to review the text, he wondered whether the discussion might not be postponed to give countries at least two months to comment. Finally, while it might be useful to consider experience with the 1983 Annual Meetings, he was uncertain whether a Board paper on the subject was necessary. Perhaps the matter could be discussed in committee.

Mr. Sangare commented that, like others, he was in broad agreement with the proposed work program. He could support the idea of avoiding individual decisions at the conclusion of each session on the interrelated issues on access to be discussed between November 28 and December 5. On the subject of SDRs, he looked forward to the technical matters scheduled for discussion on October 31, and he welcomed the proposed staff paper on considerations pertaining to the allocation of SDRs. However, no useful purpose would be served by any paper on conditional SDR allocations, a concept which seemed inconsistent with the purposes for which the asset had been created.

On systemic issues, Mr. Sangare welcomed the staff study, "The Exchange Rate System: Lessons of the Past and Options for the Future," in which it was intended to review the strengths and weaknesses of current exchange arrangements and to examine a number of reform proposals. He also looked forward to the proposed paper, "Linkages Between Trade, Indebtedness, and Development." Finally, he was in favor of a review of experience with the 1983 Annual Meetings arrangements. In future, it might be better if all ancillary and group meetings were held in the Fund's meeting rooms before participants moved to the Sheraton-Washington Hotel for the Joint Annual Meetings. For 1983, his constituency meeting and the meeting of the African Caucus had been held at the Sheraton-Washington Hotel; he had then been required to return to the Fund for the Interim and Development Committee meetings before going back to the hotel for the remainder of the week.

Mr. Kabbaj indicated that he too was in broad agreement with the work program, the validity of much of which was related to the resolution of the liquidity and financing problems facing the Fund. In that regard, he took note of the possibility of a revision of the work program, if warranted.

On general matters, he could associate himself with the observations of Mr. Jayawardena, although he did wish to point out the necessity for a more regular scheduling of policy issues. He could not support Mr. Kafka's suggestion to limit the world economic outlook discussions to one per year. The papers on the world economic outlook were most helpful to the members of his constituency; and, in that regard, he would prefer to see them issued sufficiently in advance of the discussion to enable his authorities to reflect on them.

With regard to the interrelated papers on access to Fund resources, Mr. Kabbaj hoped that the number of meetings could be reduced. On SDR matters, he welcomed the discussion of the paper entitled "Considerations Pertaining to the Allocation of SDRs" scheduled for Board discussion on January 25, 1984. Like Mr. de Vries, he felt that the Board should concentrate on the basic issue of allocations, and he was therefore opposed to the preparation and discussion of a paper on conditional SDR allocations.

Commenting on the section on systemic issues, Mr. Kabbaj said that he looked forward to discussions of the papers proposed, particularly Mr. Mentré's paper entitled "The Fund, Commercial Banks, and Member Countries." Finally, he also welcomed the scheduling of a discussion on small tropical island economies.

Mr. Alfidja observed, first, that he too was interested in the answer to Mr. Wicks's question on the work program of the area departments. Second, with regard to the paper on small tropical island economies, he had some concern about the use of the word "tropical" to define the economies focused upon in the study; there were a number of small islands in his constituency that might not be considered tropical, and he wanted some assurance that they would nonetheless be included in the paper. Also, he could support Mr. Morrell's proposal to allow for additional time before the discussion so that the countries concerned could properly study the document.

Under the section on the use of Fund resources, Mr. Alfidja continued, he had been impressed by the concentration of papers to be discussed between November 28 and December 5. As he understood it, none of the papers had yet been circulated, and he wondered whether the discussions might be delayed to give some of the members of his constituency an opportunity carefully to review them. He agreed with others that individual decisions should not be taken at the conclusion of discussions on each of the papers and, if the currently scheduled dates were maintained, he would suggest holding only preliminary discussions on the issues. Finally, while he was uncertain what was involved in conditional SDR allocations, he could support the preparation and discussion of a paper exploring various ways of giving additional help to member countries in need.

Mr. Erb, indicating that he too could go along with the proposed work program, hoped that the paper, "Issues in the Assessment of Exchange Rates of Industrial Countries in the Context of Their Economic Policies" would include policies affecting trade and capital flows. He had no difficulty with the proposals in the section on SDR matters and agreed with Mr. Wicks and others that the proposed paper on the exchange rate system could usefully be moved forward. Finally, he looked forward to the paper on the coverage and currentness of data published in IFS; a decision could be taken later about whether the matter needed to be discussed in the Executive Board.

Mr. Zhang remarked that, in general, he also could support the proposed work program. With regard to the section on SDR matters, he was uncertain whether it was appropriate to begin discussions on conditional SDR allocations at present. He agreed with those who felt that the study requested by the GATT should be transmitted to the GATT without Board discussion. Finally, he asked the staff to produce a very brief paper covering exchange rate policies of developing countries in the context of Fund programs.

Mr. Leonard said that he was satisfied with the work program and the emphasis that had been given to particular items within it. In his view, the issue of the Fund's liquidity and financing needs would be of the highest priority in the next few months and, if the institution's liquidity position were to weaken beyond present prospects, it would be necessary for the Executive Board to give the matter its full and immediate attention.

Noting that the schedule called for a November 28 discussion of access limits under the special facilities, with a discussion on the enlarged access policy to be held a week later, Mr. Leonard wondered whether it might not be preferable to reverse the order of those two items in order to take the wider issue first. He welcomed the proposed discussion on the simplification of the administration of the enlarged access policy, a matter that had been in need of review for some time. With regard to SDR matters, he agreed with those who felt that a paper on the option of conditional SDR allocations would be useful at some stage, but he was not entirely convinced that it was necessary to hold a discussion on that option during the period covered by the proposed work program. It might be better to defer the matter until April or May 1984.

Like others, Mr. Leonard continued, he had a special interest in the study on small tropical island economies. Nevertheless, he took Mr. Morrell's point that it would be useful to ensure that the countries concerned had sufficient time to comment on the paper, and he could agree to postpone discussion on the issue for that purpose. As for the paper on the coverage and currentness of IFS data, unless there were specific policy issues to be discussed, his preference was to avoid an Executive Board discussion and to address the issues bilaterally with the Bureau of Statistics. In that regard, his authorities had recently been concerned about the timeliness of data in IFS, although they recognized that the Bureau of Statistics had little control over that problem.

On other matters, his authorities looked forward to the paper reviewing the rate of the remuneration, Mr. Leonard said. They hoped that the staff would include in the paper a proposal to raise the rate of remuneration to 100 percent of the interest rate on the SDR. Finally, a review of the future role of the Fund would be particularly useful at the present stage.

Mr. Coene stated that he was in broad agreement with the proposed work program and could in particular endorse the emphasis on substance rather than procedure in reviews of surveillance activities. He could also support Mr. Wicks's suggestion to look at the medium-term use of the Fund's resources in the framework of cooperation between the Fund and the World Bank. Finally, it might be useful to take a close look at the possibility of conditional SDR allocations as a way of breaking the apparent deadlock on more regular allocations of that asset.

Mr. Senior commented that he was in general agreement with the proposed work program and that he could support Mr. Kafka's comments on the need to analyze staff mobility.

The Chairman, summing up the discussion thus far, observed that all Directors had indicated their agreement with the main thrust of the work program. With regard to suggestions for change, an effort would be made to meet the concern of Mr. Wicks and others by bringing forward to January the paper, "The Exchange Rate System: Lessons of the Past and Options for the Future," although the necessary reordering of priorities to fulfill that request might have consequences for the scheduled circulation of other papers.

As for the study on small tropical island economies, the Chairman continued, more time between the circulation of the paper and its discussion in the Board would be provided to ensure that interested countries had an opportunity to review the paper in detail.

Several suggestions had been put forward with respect to the three interlinked papers and meetings relating to access to the Fund's resources, the Chairman recalled. Mr. Grosche, for example, had wondered whether a new paper addressing the criteria governing the amount of access in individual cases was necessary, since that matter had already been fully explored in an earlier paper. Mr. Leonard had asked whether a different order of discussion might not be preferable to the one proposed, and Mr. de Maulde and others had expressed support for a single set of decisions once each of the interrelated discussions had been concluded.

The Deputy Director of the Exchange and Trade Relations Department observed that the paper on the criteria governing the amount of access in individual cases, together with the paper on new guidelines on quota limits for enlarged access, could certainly be discussed on the same day if the Board so desired. As Mr. Grosche had suggested, the criteria governing access had already been explored at length in an earlier paper; the intention was to produce a succinct new paper, highlighting some of the elements earlier discussed and including a section on the liquidity implications for 1984. The paper on guidelines on quota limits for enlarged access would be of a legal nature and would be derived in part from the more general discussion on criteria.

Following a further brief discussion, it was agreed that the papers in question would be discussed on the dates originally scheduled and that they would be circulated sufficiently in advance of the Board discussion to allow ample time for their review.

The Treasurer, responding to a question by Mr. Wicks on the relationship between the staff's projections for the Fund's liquidity and the relatively low number of new programs envisaged in the work program of the area departments, said that the indication that 17 new programs might come to the Board in the period up to March 1984 was only tentative and that the list in Attachment II of the work program was by no means exclusive. A more informative projection was that, through the summer of 1984--or even later--20-24 new arrangements might be brought to the Board on present assumptions.

In its analysis of the Fund's liquidity position, the staff was estimating that, through March/April 1984, the Fund could have new net commitments of about SDR 4.5-5 billion, based on present quotas and existing guidelines for access, the Treasurer continued. Of course, those figures too might change as a result of the quota increase and new guidelines on access. Still, even on the assumption that 17 new arrangements were negotiated involving commitments of SDR 4.5-5 billion, the inference should not be drawn that the amounts in individual cases would by any means be enormous. Much depended upon the size of the quotas of the countries involved in the new arrangements and on whether the arrangements were for one, two, or three years. For example, two or three larger members coming forward with requests for new arrangements beyond one year could readily account for half the total projected commitment; for the other half, the average amount of commitment for the remaining 14 or 15 countries would be very small.

The Chairman, continuing his summary remarks, observed that all speakers were in agreement that a meeting on considerations pertaining to the allocation of SDRs should be held on January 25, 1984. It was clear that the Interim Committee had placed a great deal of emphasis on a study of the possibility of allocations in the light of global liquidity considerations and other criteria. In the circumstances, it would probably be preferable to limit the January 25 discussion to that matter. Consideration of other ideas--including the possibility of conditional SDR allocations--should perhaps be postponed until a later stage.

With regard to the more technical issues referred to in the section of the work program on SDR matters, the Chairman said that he had noted with some sympathy the observation by Mr. de Vries that, unless specific improvements were being made, it might be counterproductive for the image of the SDR if the asset was continually subject to review for possible technical improvements.

The Treasurer indicated that, in his view, it would be desirable if Executive Directors could take a decision on the paper entitled "Simplification of Operations in SDRs" (SM/83/187), which had been circulated some time ago. The other paper, the "Establishment of Special Procedures for Operations to Set Aside SDRs to Secure the Performance of Obligations" (SM/83/188) was far less urgent, although it could be dealt with at the same time. Two further papers investigating the possibilities for enhancing the role of the SDR as a medium of exchange were in preparation on the basis of a request by Executive Directors made some 18 months previously for a consistent exploration of all the ways in which SDRs could be improved. The papers would thus represent efforts to improve the reserve asset characteristics of the SDR and make it a more valuable asset. In his view, there was at present no urgent operational need to discuss those papers. However, the staff had been operating on the assumption that the Executive Board would wish to look at new ideas, in advance of any immediate need for them, as part of an evolutionary policymaking approach. He was not wedded to any particular approach for generating papers, although he would be grateful if the Executive Board could take decisions on the papers currently scheduled for discussion on October 31 and could agree to review the paper, "Possible Wider Scope for Fund Transactions in SDRs" if it contained a specific proposal.

The Chairman commented that the two papers already circulated would be brought to the Board for discussion as scheduled. One paper that had attracted the attention of Mr. de Vries and others--a study on the manner in which the basket of the SDR interest rate and its level were determined--was tentatively scheduled for discussion on December 9. He wondered whether any specific proposals were included in that paper and whether its discussion was particularly urgent.

The Treasurer responded that some members of the Executive Board had requested that the issue of the level of the SDR interest rate should be brought to the Board for discussion, apparently to clarify whether or not the present level was appropriate. The determination of the appropriateness of the level of the SDR interest rate was an important element in any decision on whether or not to raise the rate of remuneration. He assumed that Directors requesting the paper had felt that greater certainty on the appropriateness of the SDR interest rate would provide a firm foundation on which to discuss the rate of remuneration. It should perhaps be noted that the staff felt that, all things considered, no change needed to be made in the SDR interest rate at the present time.

Mr. de Vries remarked that the troubling element in the proposed paper was the use of the word "basket," and he was worried that the whole issue of the five-currency basket might be reopened.

The Treasurer observed that there was no intention to reopen the issue of the five-currency basket for determining the SDR interest rate. However, some Directors had felt that the instruments used to derive the combined interest rate were not necessarily the right ones. At present, the SDR interest rate was based on domestic government interest rates, and there were those who felt that the use of those instruments might have underplayed the role of Euromarket interest rates in the reserve investments of central banks, thus making the SDR less competitive in their view than it might have been. While that argument might have some bearing, the staff would not recommend a change in the existing instruments.

In response to a question by Mr. Erb, the Treasurer commented that, of the two papers envisaged for Board consideration on January 20, 1984, one would examine the question of whether the Article in the Fund Agreement allowing the Fund to decide to buy and sell SDRs against members' currencies could be used to improve the role of the SDR in transactions among official parties. Certain holders of SDRs found it difficult to buy or hold the asset, mainly because there was no ready market for SDRs if those institutions needed to sell them. They could not, for example, go through the designation plan. However, it might be possible, under precisely defined circumstances, for the Fund to buy some SDRs from those other holders and, in that way, act at least as a partial clearing facility for official SDR transactions. The second paper, for which he felt no great urgency and which had been proposed for Board discussion at the request of an Executive Director, was related to the question of whether the private use of SDRs should be promoted.

Mr. Erb and Mr. de Maulde expressed a desire to have the two papers in question distributed but they saw no need to schedule them for early discussion.

Mr. Suraisry said that he looked forward to discussing all the papers on SDR matters, particularly those investigating the possibilities for enhancing the role of the asset.

The Chairman observed that Directors were apparently agreed that the two papers already circulated would be discussed on October 31 as scheduled. The paper entitled "Possible Wider Scope for Fund Transactions in SDRs" and the paper examining the role that a possible clearing facility might play in promoting the private use of SDRs should be circulated; however, there was no need to decide at present on a particular time for discussing them. In view of Mr. de Vries's concerns, management would look at the paper on the manner in which the SDR interest rate basket and the rate itself were determined; if appropriate, it would propose a firm date for discussion of the paper.

Mr. Erb said that, in view of the growing use of SDR-related interest rates for several types of borrowing, it might be useful at some stage to have a paper on the use of various SDR interest rates based on the different maturities of the underlying instruments.

Mr. Kafka stated that he could support the Chairman's proposal to hold to the date of October 31 for the discussion of those papers already circulated. On the matter of the SDR interest rate, he had suggested that the matter be taken up in connection with other SDR matters on January 20, and he continued to feel that such an approach would be helpful.

The Chairman replied that, if the papers were circulated in good time, the issues in question could be discussed on the same day. With regard to other matters, all speakers seemed to agree that Mr. Mentré's paper, "The Fund, Commercial Banks, and Member Countries" (EBD/83/200, 8/4/83) should be discussed on November 12. There was not much enthusiasm for a Board seminar on the study that had been requested by the GATT (SM/83/203, 10/6/83).

The Executive Board agreed that the staff study on the impact of exchange rate variability on trade (SM/83/203, 10/6/83) would be transmitted to the GATT without being taken up in a seminar discussion.

The Deputy Managing Director, responding to a concern by Mr. Alfidja on the proposed study of small tropical island economies, noted that the paper would cover Mauritius, Cape Verde, São Tomé and Principe, and other small islands not necessarily falling into the category of "tropical."

The Chairman said that he had taken note of Mr. Jayawardena's doubts on the usefulness of holding a special session on the import content of exports for the purposes of the compensatory financing facility. However, the matter had been specifically requested by one Executive Director and would therefore be discussed as scheduled.

On Annual Meetings arrangements, the Chairman proposed that Executive Directors submit to the Deputy Managing Director in writing their comments on experience with the 1983 Annual Meetings. If warranted, a paper could then perhaps be produced for discussion in Committee; at the very least, the comments would provide an indication of where changes, if any, were needed.

Finally, with regard to suggestions by Mr. Wicks for additional issues for discussion, the Chairman noted that an effort would be made to look into the question of direct investment in developing countries. No date for discussion of the matter could be promised, however, because already agreed changes in the work schedule of the Research Department had created some uncertainty about when a paper on the topic could be circulated. The question of the chronic users of Fund resources was already being taken up in connection with the medium-term review of experience with the use of Fund resources. Finally, the staff would make an effort to meet Mr. Zhang's request for a brief paper on exchange rate policies of developing countries in the context of Fund programs.

The Executive Board then concluded its discussion of the work program.

APPROVED: March 21, 1984

LEO VAN HOUTVEN
Secretary

Statement by the Managing Director on the Work Program Until the Spring 1984 Meetings of Interim and Development Committees

This is the usual time for us to review the tasks in hand and to have an exchange of views regarding our work program for the next few months, keeping in mind the indications received from the Interim and Development Committees and from the statements by Governors during the Annual Meeting. The dates for the spring 1984 meetings of the Interim and Development Committees have not yet been set. Pending a decision on this matter--on which we will start the usual consultation soon--let us make the working assumption that the meetings would take place in the first half of April 1984.

With regard to the Eighth General Review of Quotas, as of October 13, 1983, we have received consents from 66 members accounting for 31.17 percent of quotas on February 28, 1983. Taking into account Governors' statements during the meetings about their intentions in this regard, we shall proceed in our planning on the assumption that the participation requirement will be met by November 30 and that the new quotas would have become effective by the end of 1983. On that basis, I am putting before you here what seems to me to be the main elements of our work program for the period until early April 1984. If that assumption does not remain viable, we would need to take another look at it promptly. Otherwise it is proposed that we review this work program in the second half of January 1984.

The Fund's liquidity position and financing needs

This was one of the principal topics of discussion by Governors during the recent meetings. Since then we discussed on October 3 the implications of the liquidity position of the Fund at the present time for our policies in the immediate period. It was agreed at that time that we should address the issue again at the end of November; accordingly, that review has been scheduled for November 30, for which an update of the paper, "The Fund's Liquidity Position" will be issued. Obviously, the scope of the review will depend on developments between now and end-November, relating to borrowing from official sources to cover the Fund's existing commitment gap and to the coming into effect of the Eighth General Review and the revised and enlarged General Arrangements to Borrow (including the associated borrowing arrangement with Saudi Arabia).

After attending the Basle Group meetings in the second week of November, I expect to be able to report to you on the status of new borrowing arrangements. Papers on the new arrangements would be brought to the Board as needed.

Executive Directors have already received a paper reviewing the guidelines for borrowing by the Fund. This subject has been tentatively scheduled for the agenda on December 19, before the increased quotas and the revised GAB become effective.

The next semiannual review of the Fund's liquidity position and financing needs would be timed with the Interim Committee meeting in mind, i.e., tentatively for the second half of March. This will provide us with an opportunity to consider the Fund's borrowing needs for the year ahead in the light of potential commitments, as was suggested during our Board discussion on October 3.

Finally, it is planned to circulate for the information of Executive Directors a paper on the impact of the mismatch in the maturities of the Fund's operations on its liquidity position.

Use of Fund resources

At its meeting on September 25, 1983, the Interim Committee considered the subject of access to the Fund's resources after the quota increases under the Eighth General Review become effective and requested the Executive Board "to take, as soon as possible, the necessary action in order to implement the conclusions reached in the Committee." This task should be completed at about the time the participation requirement for the Eighth General Review of Quotas is achieved and, accordingly, a number of interlinked papers will come to the agenda in late November/early December. A paper dealing with the access limits under the special facilities during 1984 has been scheduled for Board consideration on November 28. A few days later, on December 2, we could take up a paper addressing the criteria governing the amount of access in individual cases, and on December 5, we would have on the agenda for adoption the new guidelines on quota limits for enlarged access agreed in the Interim Committee. On the same day, we would address ourselves to proposals for simplification of the administration of the enlarged access policy. Directors will recall that these issues were presented in the paper, "Review of the Policy on Access to the Fund's Resources - Financial Considerations" (EBS/83/133), which was discussed by the Board last July 25. The decision extending the enlarged access policy to the end of 1984 would also be adopted and it would be proposed that the annual review of the enlarged access policy, which under the existing decision is required to be carried out by June 30, should be changed to the end of the calendar year from 1984 onward.

A paper reviewing upper credit tranche arrangements approved in 1981 and some issues related to conditionality has been circulated to Executive Directors (EBS/83/215, together with background material included in EBS/83/216) and is now scheduled for Board consideration on November 16.

As requested by Executive Directors, the staff will prepare a paper on the treatment of the import content of exports for the purposes of the compensatory financing facility. It has been tentatively scheduled for Board consideration on January 16.

At the meeting on October 3, the Board agreed not to take decisions regarding possible measures to conserve the Fund's usable resources, in part because of the view of many Directors that the Fund's current liquidity problems are likely to be temporary in character. As I mentioned earlier, the matter is scheduled for review at the end of November. As a matter of prudence, and if circumstances so warrant, we may at that time have to be prepared to take decisions on the question of conserving the Fund's usable resources.

Surveillance and world economic outlook

The procedures for surveillance adopted in 1977 provide that the general implementation of the Fund's surveillance over members' exchange rate policies shall be reviewed annually and that the document entitled "Surveillance over Exchange Rate Policies" shall be reviewed at an interval of two years. It is proposed that a staff paper combining the two reviews be tentatively scheduled for the agenda on March 21; the reviews are to be conducted not later than April 1. At the conclusion of our annual discussion on this subject earlier this year, we had agreed that we should devote the next few reviews to matters of substance rather than procedure, viz., to discussions on the extent to which the countries that have strong influence on the international monetary system are following policies that are mutually compatible and consistent. A number of Governors voiced a similar concern during the recent meetings. In this respect, it is encouraging that the Williamsburg declaration included a strong commitment from the larger industrial countries to multilateral cooperation with the Fund in its surveillance activities. Indeed, one of the best ways of improving the working of the international monetary system is to strengthen the surveillance function of the Fund. To this end, our efforts should now be directed to enhancing the extent to which member countries take account in their policy formulation of indications arising from the multilateral surveillance exercised in collaboration with the Fund.

The Board has been informed of the staff's intention of preparing papers over a period of time on exchange rate policy, giving renewed attention to the assessment of balance of payments developments in a medium-term framework, both for individual members and in a multilateral setting. The first of these papers pertaining to the approach to surveillance, "Issues in the Assessment of Exchange Rates of Industrial Countries in the Context of Their Economic Policies" has been tentatively scheduled for a seminar discussion on January 23.

The next world economic outlook discussion in the Board is proposed to be scheduled in the second half of March, about two weeks before the Interim and Development Committee meetings. The staff paper will be based, as usual, on a comprehensive interdepartmental review of international economic prospects; in addition to an assessment of the current economic recovery and of the process of balance of payments adjustment, it will give special attention to the heavily indebted developing countries in order to develop a medium-term perspective to the discussion of the problems of external debt service.

The preparation of the above paper for the Board will coincide with the preparation of the version of the World Economic Outlook to be published. It is intended to circulate the draft version of the World Economic Outlook publication at the same time as the Board paper, and to invite comments on the draft from Executive Directors in the weeks preceding the Board discussion. It will be the plan to publish the Occasional Paper as soon as is practicable after the Interim Committee meeting.

As agreed at the time of our last review of surveillance in March 1983, a determined effort is being made to ensure more regular scheduling of Article IV consultations, and an interim report on the frequency of Article IV consultations will be circulated shortly for the information of Executive Directors.

Area departments' work program

During the period to March 1984, we can expect to have for our consideration over 60 reports on consultations under Article IV and about 40-50 reports on the use of Fund resources under the conditional facilities, of which about two thirds would be reviews under existing stand-by and extended arrangements. The area departments' work program for the period up to the end of January 1984 relating to Article IV consultations and reviews under existing arrangements is summarized in Attachments I and II. There will also be a number of requests for use of Fund resources under the special facilities.

SDR matters

The papers entitled "Simplification of Operations in SDRs" (SM/83/187) and "Establishment of Special Procedures for Operations to Set Aside SDRs to Secure the Performance of Obligations" (SM/83/188) were circulated to Executive Directors before the Annual Meeting and are now scheduled for Board discussion on Ocotber 31. Two further papers under preparation would investigate the possibilities for enhancing the role of the SDR as a medium of exchange. One of them would study the possible wider scope for Fund transactions in SDRs and the other would examine the role that a possible clearing facility might play in promoting the "private" use of SDRs. It is planned to circulate these papers in time for Board consideration on January 20. Also a paper on the manner in which the basket of the SDR interest rate and its level are determined will be circulated for Executive Board discussion, tentatively scheduled for December 9.

On the question of allocations of SDRs, the Interim Committee "agreed that discussions of the issue, which could lead to a proposal by the Managing Director commanding broad support among members of the Fund, should be pursued as a matter of priority." It is my intention to pursue such consultations as may be appropriate to enable me to ascertain whether a broad enough support has emerged among the membership to enable me to make a proposal for allocations. In any case, the Executive Board will revert to this subject in early 1984 and the staff will prepare a paper on considerations pertaining to the allocation of SDRs for Board discussion on January 25. Also, during our recent discussions on the question of allocations, there was some interest in the possibility of "conditional" SDR allocations. If Directors so desire, the staff could prepare a paper on this option for Board consideration during the present work program period.

Systemic issues

It is now evident that the problems associated with the management of a heavy external debt while carrying out a difficult adjustment process are going to confront the Fund for some time to come both at the country level as well as at the systemic level. As I mentioned earlier, special attention will be paid to this aspect in the next staff paper on the world economic outlook. Also, it is now proposed to schedule a seminar session on December 12, for which Directors would have available a staff paper entitled "Recent Experience with Multilateral Debt Restructurings with Official Creditors and with International Banks" (which is to be circulated shortly with a request for the approval of the publication of the paper in the Occasional Paper series). I have also received a request from an Executive Director to have a discussion of Mr. Mentré's paper, "The Fund, Commercial Banks, and Member Countries" (EBD/83/200, 8/4/83) and we could have that paper on the agenda for December 12. The paper entitled "Fund Policies and External Debt Servicing Problems" (SM/83/45) discussed by the Board earlier this year, together with my summing up of that meeting (Buff document 83/96, 4/14/83) would provide background information. Also of relevance would be a paper to be circulated, reporting the first results of the Fund's project on international banking statistics, and describing directions for further work on improving the data base. In preparation for the seminar, the staff will prepare a short note for assistance in focusing the discussion.

As we know, the present system of international exchange arrangements continues to evoke much debate among policymakers as well as academicians. Experience has tended to belie widely held expectations, e.g., that floating would result in lower demand for international reserves or that it would tend to insulate domestic economic policies from international concerns. In order to give a focus to the debate, the staff is preparing a paper entitled "The Exchange Rate System: Lessons of the Past and Options for the Future" that would review the strengths and weaknesses of the current exchange arrangements and examine the relationship of a number of "reform" proposals to these strengths and weaknesses. It is expected that the paper would be ready for circulation to Executive Directors about February/March and would be the subject of an Executive Board seminar.

A staff study on the impact of exchange rate variability on trade, prepared at the request of the GATT, has been circulated to Executive Directors (SM/83/203, 10/6/83) and has been scheduled for a seminar discussion on November 2. It is proposed to transmit the staff paper, together with a summary of the Executive Board seminar discussion, to the GATT.

Other policy matters

In addition to the above, the following policy matters will also be included in the work program:

a. A paper on linkages between trade, indebtedness, and development will be prepared for the next Development Committee meeting. It is related to paragraph 9 of the recent communiqué of the Development Committee and will review developments in the external debt and trade of developing countries. Consideration by the Committee of the Whole has been scheduled tentatively for March 9, 1984.

b. A paper reviewing the experience with multiple exchange rate regimes was requested by Executive Directors and is planned to be circulated in time for Board consideration on January 18.

c. A study by Mr. Legarda providing a general overview and discussing the distinctive features of small, tropical island economies is planned to be circulated about the end of October. It is envisaged that we could discuss it in a seminar session on November 23.

d. It is anticipated that a paper on the coverage and currentness of data published in International Financial Statistics (IFS) would be circulated for the information of Executive Directors by December. It could also be brought to the agenda if requested by Executive Directors.

Operational matters

The Board would need to give consideration to the following operational matters during the period under consideration:

a. The entry into force of the enlarged and revised General Arrangements to Borrow (GAB) will require consequential amendments to some existing Fund decisions, in particular the ones on the attribution of reduction of the Fund's holdings of currencies and transferability of GAB claims. A paper entitled "General Arrangements to Borrow - Transferability of Claims" is planned to be circulated in the first part of November for discussion in the light of progress regarding the coming into force of the increased quotas and the revised GAB. It has been scheduled tentatively for the agenda on December 19.

b. The Board's decision on the level of the Fund's holdings of SDRs, taken last May, provided for a guideline of reducing the Fund's SDR holdings to a level of approximately SDR 1.5 billion by the end of 1983 and called for a review by the end of December 1983. There is thus need for short paper dealing with the level of the Fund's holdings of SDRs and the use of currencies under the operational budget. It has been scheduled for Board consideration on December 21.

c. A paper on the review of the rate of remuneration, including consideration of the financial implications, will be circulated shortly for discussion on November 23. A paper on the method of setting the Fund's charges and the level of the Fund's reserves has been scheduled for the agenda on December 7 and the midyear review of the Fund's income position could then be carried out in the following week, on December 14.

d. The Board's decisions on the attribution of reductions in the Fund's holdings of currencies, taken in April 1981 and dealing with the "floating" of the reserve tranche, need to be reviewed before April 30, 1984.

e. Our quarterly considerations of the designation plan and the operational budget have been scheduled tentatively for December 12 and March 12.

Annual Meetings arrangements

The arrangements for the conduct of the 1983 Annual Meetings of the Boards of Governors and related meetings differed from past years when meetings have been held in Washington, D.C., in that meetings such as those of the Interim and Development Committees, the Group of Ten, and the Group of Twenty-Four were held in the new facilities of the headquarters building. If Directors were to find it useful, the staff could prepare a paper reviewing the experience with these arrangements.

Administrative matters

My annual midyear statement on the budget to the Executive Board is scheduled for discussion on December 14 and, as usual, we will take up about mid-April the administrative budget for FY 1985. (It has been scheduled tentatively for April 16 but the date may have to be changed, depending upon the timing of the Interim and Development Committee meetings.)

A paper reviewing the medical benefits plan (EB/CAP/83/6, 8/19/83) has been circulated to members of the Committee on Administrative Policies and is expected to be brought to the Committee's agenda by December.

Timetable for Article IV Consultations Included in the Work Program Until the End of March 1984

Country	Tentative Expected/ Scheduled Date for Board Discussion
1. Haiti	November, early
2. Indonesia	November 14
3. Maldives	November 14
4. Singapore	November 16
5. Bhutan	November 18
6. Netherlands Antilles	November 18
7. China	November 21
8. Jordan	November 21
9. Australia	November 23
10. Peru	November 23
11. Guyana	November
12. Madagascar	November
13. Mali	November
14. Trinidad and Tobago	November
15. Zimbabwe	November
16. Qatar	December, early
17. Paraguay	December, late
18. Philippines	December, late
19. Honduras	December, end
20. Iceland	December
21. Iraq	December
22. Pakistan	December
23. Zaïre	December
24. Nigeria	December/January
25. Belgium	January, early
26. Hungary	January, early
27. Jamaica	January, early
28. Mexico	January, early
29. Austria	January, middle
30. Canada	January, middle
31. Italy	January, middle
32. Western Samoa	January, middle
33. Solomon Islands	January, second part
34. Chile	January, late
35. Fiji	January, late

Timetable for Article IV Consultations Included
in the Work Program Until the End of March 1984 (cont'd)

Country		Tentative Expected/ Scheduled Date for Board Discussion
36.	Denmark	January, late
37.	Dominican Republic	January, late
38.	Nicaragua	January, late
39.	Botswana	January, end
40.	Gabon	January, end
41.	Djibouti	January, end
42.	Greece	January, end
43.	India	January, end
44.	Morocco	January, end
45.	Sri Lanka	January, end
46.	Thailand	January, end
47.	Burma	February, early
48.	Finland	February, early
49.	Lao People's Democratic Republic	February, early
50.	Suriname	February, early
51.	Antigua and Barbuda	February, middle
52.	Netherlands	February, middle
53.	Swaziland	February, middle
54.	Uganda	February, middle
55.	Algeria	February, late
56.	Bolivia	February, late
57.	Brazil	February, late
58.	United Kingdom	February, late
59.	Uruguay	February, late
60.	Yugoslavia	February, late
61.	Iran	February, end
62.	Japan	February, end/March, early
63.	Burundi	March, early
64.	Liberia	March, early
65.	New Zealand	March, early
66.	Ivory Coast	March, middle
67.	Chad	March, second part

Reviews Under Stand-By and Extended Arrangements Included in the Work Program Until the End of March 1984

Country	Tentative Expected/ Scheduled Date for Board Discussion
1. Ghana	October 24
2. Kenya	October 24
3. Brazil	November 18
4. Mauritius	November, second part
5. Morocco	November, late
6. Ecuador	November, late
7. Barbados	December, late
8. Jamaica	January, early
9. Mexico	January, early
10. Solomon Islands	January, second part
11. Western Samoa	January, middle
12. Chile	January, late
13. Dominican Republic	January, late
14. Zambia	January, late
15. Grenada	January, late
16. Sri Lanka	January, end
17. India	January, end
18. Ghana	February, first part
19. Malawi	February, first part
20. Panama	February, early
21. Uganda	February, middle
22. Ecuador	February, middle
23. Peru	February, middle
24. Turkey	February, late
25. Brazil	February, late
26. Mauritius	February, end
27. Liberia	March, early
28. Madagascar	March, early
29. Senegal	March, middle
30. Zimbabwe	March, middle
31. Portugal	March, end