

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 92/34

10:00 a.m., March 23, 1992

M. Camdessus, Chairman
R. D. Erb, Deputy Managing Director

Executive Directors

G. K. Arora
Che P.

T. C. Dawson
J. de Groote
E. A. Evans
R. Filosa
M. Finaish

H. Fukui
B. Goos
J. E. Ismael
A. Kafka
J.-P. Landau
A. Mirakhor
L. B. Monyake
D. Peretz
G. A. Posthumus

A. Torres
A. Végh

Alternate Executive Directors

A. Al-Tuwaijri
L. E. N. Fernando
Wei B.
D. Powell, Temporary
J. M. Abbott, Temporary
J. Prader
R. L. Knight
J. Papadakis
A. F. Mohammed
J. A. Solheim
N. Tabata
B. Esdar
T. Sirivedhin
J. C. Jaramillo
P. Bonzom, Temporary
O. Kabbaj
L. J. Mwananshiku

Z. Trbojevic
Y.-M. T. Koissy
R. Marino
A. G. Zoccali

L. Van Houtven, Secretary and Counsellor
L. Collier, Assistant

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Also Present

African Department: J. A. Clement. European I Department: M. Russo, Director; P. Thomsen. European II Department: J. Odling-Smee, Director. Exchange and Trade Relations Department: J. T. Boorman, Director; J. Ferrán, Deputy Director; T. Leddy, Deputy Director; M. E. Edo, G. R. Kincaid, J. P. Pujol. External Relations Department: M. R. Kelly, Deputy Director; E. Ray, R. W. Russell, M. Seeger. Legal Department: F. Gianviti, General Counsel; W. E. Holder, Deputy General Counsel; R. H. Munzberg, Deputy General Counsel; J. L. Hagan. Middle Eastern Department: E. W. Saunders. Research Department: M. Mussa, Economic Counsellor and Director; F. Larsen, G. Hacche. Secretary's Department: J. W. Lang, Jr., Deputy Secretary; G. Djeddaoui, B. R. Hughes, A. Jbili, S. Nath. Treasurer's Department: D. Williams, Treasurer; G. Wittich, Deputy Treasurer; E. Decarli, D. Gupta, K. M. Kenney, O. Roncesvalles, T. Voulgaris. Western Hemisphere Department: S. T. Beza, Counsellor and Director. Office of the Managing Director: P. R. Narvekar, Special Advisor to the Managing Director; B. P. A. Andrews, Personal Assistant to the Managing Director. Advisors to Executive Directors: M. B. Chatah, B. R. Fuleihan, M. Galán, M. J. Mojarrad, A. Raza, N. Toé, S. von Stenglin. Assistants to Executive Directors: J. R. N. Almeida, B. Bossone, Chen M., S. B. Creane, S. K. Fayyad, A. Giustiniani, S. Gurumurthi, K. Ishikura, V. Kural, R. Meron, F. Moss, M. Mrakovic, P. L. Rubianes, D. Saha, F. A. Sorokos, D. Sparkes, N. Sulaiman, R. Thorne.

1. REPORT BY MANAGING DIRECTOR

The Managing Director reported to Executive Directors that he had met on March 20 in New York with the Secretary-General of the United Nations, Mr. Boutros-Ghali, to discuss the social and economic role the UN could play in the new global situation. He had suggested that it was time to end the rhetorical debates between the North and the South and to mobilize support for the structural adjustment programs, particularly the early establishment of safety nets. The Secretary-General, drawing on his personal experience, had noted the importance of serious program implementation, and he had asked how the UN institutions could help to ease the task of adjustment and increase the chances of success.

While implementation of any proposals in that connection would no doubt take time, it was noteworthy that the Secretary-General was taking bold steps to streamline the UN Secretariat, the Managing Director commented. He himself had pointed to three instances of duplication in the UN system: between the Economic and Social Council and the Second Committee of the General Assembly (Economic and Financial Committee); between the four agencies in Rome dealing with food and agriculture (Food and Agriculture Organization, International Fund for Agricultural Development, World Food Council, and World Food Program); and between the UN Conference on Trade and Development and the UN Development Program. The elimination of such overlaps would provide ample opportunity to redistribute resources and channel talent toward reaching the important social objectives of the present time.

The Executive Directors took note of the Managing Director's report.

2. STATUS OF CONSENTS TO INCREASES IN QUOTAS UNDER NINTH GENERAL REVIEW AND OF ACCEPTANCES OF PROPOSED THIRD AMENDMENT OF ARTICLES OF AGREEMENT, AND SUBSTITUTION OF ORDINARY FOR BORROWED RESOURCES UNDER ENLARGED ACCESS POLICY - REVIEWS

The Executive Directors considered a report on the status of consents to increases in quotas under Board of Governors Resolution No. 45-2 and of acceptances of the proposed Third Amendment of the Articles of Agreement (Sec. Circ. No. 92/28, 3/20/92). They also had before them an earlier statement by the Managing Director on the same subject made at EBM/91/163 (12/4/91) as well as a staff paper reviewing the Fund's liquidity position and financing needs (EBS/92/54, 3/19/92).

The Chairman reported that 125 members had consented to increases in quotas, while 101 members, with some 66.55 percent of total voting power, had advised the Fund formally that they wished to accept the Third Amendment. He invited Executive Directors to provide any further information on the status of consents and acceptances for those members that had not yet acted.

Mr. Fukui made the following statement:

It is a matter of great regret that the quota increase under the Ninth Review and the Third Amendment of the Articles have not yet become effective, even though three months have already passed since the original deadline for consent.

According to information I received from the staff, while the total voting share of the members that have agreed to the quota increase is more than 71 percent, the voting share of members that have agreed to the Third Amendment is far below the majority needed for ratification. However, the Managing Director has explained that by the time of the Interim Committee meeting, the total voting share of members that are expected to consent to the Third Amendment will be approximately 68 percent. Assuming that the figure mentioned by the Managing Director is realized, if the United States both consents to the quota increase and accepts the Third Amendment, or accepts only the latter, both the quota increase and the Third Amendment will be ratified.

Consequently, whether the quota increase and the Third Amendment become effective depends critically upon the policy of the United States. In this context, we must examine precisely what we can do to help achieve early ratification.

Today's discussion has two purposes: first, to investigate what can be done by the Executive Board to bring about early ratification of the quota increase and the Third Amendment; and second, to examine the measures that could be submitted for consideration by the Interim Committee.

Regarding the first point, I would like to propose two practical steps which could be taken by the Managing Director. Following the previous discussion of this matter in December (EBM/91/167, 12/11/91), on the recommendation of the Executive Board, the Managing Director sent a letter to the Governors of the members that had not completed procedures for the quota increase and the Third Amendment, urging them to do so as soon as possible. This timely action by the Managing Director had a favorable effect. I therefore propose that the Managing Director write again to the members that have still not approved the quota increase and the Third Amendment, urging their approval. At the same time, in view of the importance of the consent of the United States, I would like to ask the Managing Director to write a letter to President Bush requesting that he take every possible measure to ensure early approval.

I propose that the Interim Committee recommend that those countries that have not yet approved the quota increase and the Third Amendment make every effort to obtain prompt approval. In

particular, the Committee should call on the United States for strong efforts to obtain approval. In addition, the Committee's recommendation on this matter should be stated clearly in the communiqué.

At the same time, I would like to remind Board members that when the states of the former Soviet Union join, there will be a great demand for the Fund's resources, and this will make the liquidity ratio of the Fund decline to below the minimum level. According to the staff's estimates, the Fund's liquidity position declines by 3.5 percentage points with each increase in lending of SDR 1.0 billion. Therefore, if the states of the former Soviet Union draw approximately SDR 4-5 billion by the end of this year, the liquidity ratio will decline to below 30 percent by the end of the year, which will be the lowest level ever. Taking these factors into account, it is imperative that the Interim Committee examine the steps necessary to ratify the quota increase under the Ninth Review as soon as possible.

Regarding the substitution of ordinary for borrowed resources in financing purchases under the enlarged access policy, I can go along with the extension of the policy until the new quota becomes effective, or June 30, 1992, whichever is earlier.

Finally, I would like to reiterate that the authorities of the member countries that have not yet accepted the quota increase and the Third Amendment, particularly the United States, should make every effort for early ratification.

Mr. Dawson commented that, as reported in the press, sentiment in the U.S. Congress concerning the quota increase seemed to have become more favorable in view of the need to support the prospective use of Fund resources by not only the former Soviet Union but other regions as well. The House Banking Committee would be marking up the quota legislation, but he could not state when that legislation would be passed. Both his authorities and Congress recognized that in the next few months, legislation would be necessary for a variety of efforts to help the former Soviet Union, including the IMF quota increase.

As to the formal legislative request, the continuing resolution for foreign operations would expire at the end of March, Mr. Dawson said. While the resolution might be continued for three more months--until June 30--or perhaps longer, there seemed to be growing belief that the quota legislation could not be postponed, and that there was a need for positive, substantive, as well as symbolic assistance to the former Soviet Union.

A number of opportunities in the next several months could provide the vehicle for passing the quota legislation, Mr. Dawson continued. For example, the previous week, Secretaries Brady and Baker had written a letter

to all members of Congress urging them to pass the quota legislation, and similar efforts were being mounted by both the Administration and outside groups that were supportive of the legislation. Therefore, while his report did not move the United States into a different category in the staff's report, it did give cause for more optimism than previously, and he would hope for consent in the next several months. While the prospect of the Third Amendment, and not the quota increase, being passed by Congress was a legal possibility, it was not a practical possibility. There was, perhaps surprisingly, some opposition to the Third Amendment in the U.S. Congress on the grounds that it was too punitive. When the legislation moved forward, both aspects would move forward together.

To assist in moving the legislative process forward in the United States in particular, but in other countries as well, a communication similar to, or perhaps stronger than, the one sent earlier by the Managing Director to the Governors of the Fund was particularly appropriate to meet a valid concern, Mr. Dawson stated. However, the suggestion to write a letter to President Bush should be taken only after careful consideration; he was not sure that it would be productive. The problem clearly lay in achieving the right orientation in Congress in an election year. Fund management and staff had been helpful through a variety of efforts in explaining the institution to various interested groups, including members of Congress and Congressional staffs. However, the institution must avoid any actions that could be used by those who did not want the quota increase to pass for a variety of reasons, and he would include a letter to the President as such action. The same point would in any event be made in a letter to Governors. Moreover, it did not seem appropriate to single out the Head of State of the United States in that manner.

Mr. Landau made the following statement:

There is little comfort to be found in the fact that the liquidity ratio for end-1992 is now projected to reach 45 percent instead of 43 percent, as projected by the staff previously. Indeed, the following points are worth stressing.

First, this projection, which is based on a strong increase in the demand for Fund resources, does not include possible use by an industrial country or--which is even more probable--by the former Soviet Union. Even without taking into account this important factor, the number of stand-by and extended arrangements and the total of Fund credit outstanding are scheduled to increase, respectively, by 24 percent and 31 percent between now and next December.

Second, adjusted and uncommitted usable ordinary resources will, in the same period, decrease by 34 percent. This figure could indeed turn out to be optimistic given--as stressed by the staff--"the considerable uncertainty" which affects the list of

countries with sufficiently strong external positions, in a situation characterized by weak recovery at the global level.

In such a context, it is not particularly reassuring to see that, even under very conservative assumptions for the quota of the 15 republics, taken as a whole, they could be entitled to draw at least SDR 3 billion on an annual basis, which could translate into a liquidity ratio of about 34 percent. Such a prospect is clearly unsustainable in the medium term and could seriously undermine the institution's credibility in its task of acting as the catalyst in the strategy for the rehabilitation of the republics' economies.

A determined effort is thus required on the part of all national authorities to ensure approval of the quota increase. All conditions would be met for this increase to be implemented by a 70 percent majority if it were not for the link with the Third Amendment. This link, by itself, would not be a problem if the major shareholder, which insisted upon having the Amendment in the package agreed last year, could ratify it. The link should certainly be a matter for further consideration if it were not possible to have the Amendment approved by 85 percent of the votes.

As to the legislative process in the United States, I am puzzled by Mr. Dawson's remark that the Third Amendment and the quota increase are part of the same legislation. I had understood that the Third Amendment authorization bill could go through before the quota increase appropriation bill.

Finally, under such circumstances, there is clearly a need to maintain the decision on substitution as it stands. Indeed, in the present environment, I would argue in favor of a solution that would not create any uncertainty for the staff and for countries under programs. The decision on substitution should thus be maintained as long as the quota increase has not been implemented or another decision has not been explicitly taken by the Board.

Mr. Solheim said that he noted with deep regret that 30 members had yet to approve the quota increase and 55 members had yet to accept the Third Amendment. It was well known that the IMF needed the additional financial resources resulting from the quota increase in order to do its job properly in the period ahead. That fact was clearly illustrated in the paper reviewing the Fund's liquidity position and financing needs.

It was particularly disappointing that the largest member country, the United States, was still unable to approve the quota increase, Mr. Solheim continued. However, he noted the somewhat more optimistic assessment

presented by Mr. Dawson. Other industrial countries--Italy and Spain--still had work to do in that regard, and it was disappointing that several larger developing countries had not yet accepted the Third Amendment.

He commended the Chairman for his efforts outside the Fund to speed up the approval process, Mr. Solheim concluded. In the period ahead, a letter to, and in some cases direct contact with, those countries that had not yet consented to the quota increase or accepted the Third Amendment would appear to be appropriate. In that regard, he agreed with Mr. Fukui's proposals.

Mr. Filosa remarked that Italy had not yet consented to the quota increase or accepted the Third Amendment. Parliament had been dissolved, following initial consideration of the quota increase and the Amendment, but no decision could be taken until the new Parliament was in place. However, a few weeks previously, the Governor of the Fund and he had decided that it would be useful to indicate clearly the importance Italy attached to the matter. Thus, a decree/law on the quota increase had been approved by the Council of Ministers; it had not been possible to issue a similar decree for the Third Amendment because it required ratification by Parliament.

Final legislation on the quota increase would need to be approved by Parliament within 16 days of the Council's approval and signed by the President, Mr. Filosa continued. There was no political objection to the matter, and he was optimistic that both the Third Amendment and the quota increase would be approved by Parliament by the end of June.

The projected end-year liquidity position of the Fund was rather low; therefore, there was no alternative other than to maintain the substitution of ordinary for borrowed resources until the quota increase had been approved, or the end of June, Mr. Filosa stated.

His Polish authorities had informed him that there were a few practical issues to be resolved before Poland could consent to the increase in quota, and he would contact the authorities to obtain further information, Mr. Filosa reported. Meanwhile, to demonstrate the importance Poland attached to the quota increase, it had already ratified the Third Amendment.

Mr. Kafka stated that all the countries in his constituency except two had consented to the increase in quota: one--Haiti--could not consent as it was in arrears, through no fault of its own, because its foreign assets had been frozen; the other, a small country, had not yet been able to communicate its intentions, but he hoped to have an answer soon.

Guyana and Panama had notified acceptance of the Third Amendment, while Brazil and Colombia had already submitted legislation, with a strong recommendation by the Executive, to Congress and he expected approval shortly, Mr. Kafka reported. Similarly, he expected prompt action in Trinidad and Tobago, particularly in view of its parliamentary system of government. Two countries--the Dominican Republic and Ecuador--had stated their intention to submit their acceptances shortly to Congress, and another country, where

there had been a legal problem, had recently solved the matter and had submitted legislation to Congress. Finally, in Haiti, obviously Congress would not accept the Amendment until it could consent to the quota increase; and, as mentioned earlier, he was still waiting for communication from one member.

He was encouraged by Mr. Dawson's statement on the attitude of the U.S. authorities, Mr. Kafka commented. If the quota increase was not approved shortly, the Fund would have to start borrowing again. He recalled that at one time the Board had discussed the possibility of borrowing not only from central banks but from the market. Perhaps it would be appropriate to consider the latter approach again.

Mr. Arora said that Sri Lanka had consented to the quota increase and had completed legislative action for accepting the Third Amendment with formal notification expected soon. He continued to be in contact with Bhutan with respect to the Third Amendment; the member had already consented to the quota increase.

While the outlook for U.S. legislative approval seemed to be more optimistic, he hoped that Mr. Dawson would convey to his authorities the unanimous recommendation of the Board that the United States move more expeditiously in consenting to the quota increase, Mr. Arora stated. As to the link between the Third Amendment and the quota increase, he considered that the developing countries realized that the Amendment was the necessary price to pay for the quota increase. Moreover, if the quota increase were implemented without the participation of the largest shareholder, it would leave the institution in a somewhat weaker financial position.

He strongly endorsed Mr. Kafka's suggestion to study borrowing by the Fund, Mr. Arora said. He recalled that when the Executive Board, and subsequently the Board of Governors, had considered the quota increase, the requirements of the former Soviet Union had not been adequately taken into account. The concept of using only the Fund's internal resources could warrant reconsideration. Meanwhile, he could go along with continuing the decision on the substitution of ordinary for borrowed resources until the effectiveness of the quota increase.

Mr. Torres reported that Spain was the only country in his constituency that had not communicated its consent to the quota increase; however, the formal procedures were under way, and he hoped that Spain would be able to communicate its consent in the next few weeks. Three countries in his constituency had not yet accepted the Third Amendment: Costa Rica and Guatemala would probably communicate their acceptance in the next few weeks; but for the time being, Venezuela was not expected to accept the Amendment.

He supported the decision to continue the substitution of ordinary for borrowed resources, and he could also go along with the comments of Mr. Landau in that regard, Mr. Torres concluded.

Mr. Végh noted that of the six countries in his constituency, four had completed the legislative process for both the increase in quota and the acceptance of the Third Amendment, namely, Argentina, Bolivia, Chile, and Paraguay. The process was well advanced in Uruguay and could be finished before the end of May. He had no recent information on Peru, but, in any case, because of its arrears it would be unable to consent to the quota increase until end-1992 or early 1993.

Ms. Powell said that in her constituency, Canada, Ireland, and six Caribbean countries had consented to the quota increase and accepted the Third Amendment. Two other Caribbean countries--St. Vincent and the Grenadines, and St. Kitts and Nevis--had consented to the quota increase but had not yet accepted the Third Amendment, although they were expected to do so shortly. Antigua and Barbuda, as well as The Bahamas, had not yet taken any action. A mission was currently in Antigua and Barbuda, and the matter had been raised with the authorities by both the staff and Mr. Clark. While the authorities had made it known that they intended to approve the quota increase and the Third Amendment, the timing was not clear. Action in The Bahamas might be delayed until after the forthcoming election, scheduled for June.

Mr. Peretz commented that the staff's most recent liquidity projection suggested no less urgency about the quota increase than before. His chair was content to keep the linkage between the quota increase and the Third Amendment, basically on the grounds that there seemed to be a broader consensus for supporting both measures together than for either individually. He understood the U.S. reluctance to act on the Third Amendment before consenting to the quota increase, and he also agreed with the points made by Mr. Arora on the matter. The Interim Committee should urge all members that had not done so to make every effort to move both on the quota increase and on the Third Amendment as quickly as possible.

In light of Mr. Dawson's remarks, he was inclined to offer any assistance with the U.S. Congress that his U.K. authorities could appropriately provide, at the request of the U.S. authorities, Mr. Peretz commented. If the Managing Director were to send a letter to President Bush, a similar letter should be sent urging all heads of governments that had not yet accepted the quota increase or the Third Amendment to do so.

Mr. Dawson observed that he was not certain that a letter to heads of state would be the most effective measure, but various positive steps could be taken by Fund management and staff, such as those he had described earlier, to help the legislative process toward approval.

While it was possible to separate the legislations on the quota increase and the Third Amendment because the Third Amendment required authorization and not appropriation, in fact, present strategy called for an appropriation bill--incorporating both the quota increase and the Third Amendment--rather than an authorization bill, Mr. Dawson said. At the present time, as occurred almost every year, most of the business of

Congress was conducted on appropriation bills, which pertained to the less popular issues of international activities.

Implementation of the quota increase without the United States would be undesirable, because prospects for passing the legislation would then be poor, Mr. Dawson said. One argument in support of the quota legislation was the tabulation indicating that, for example, 121 members--and 4 new members--had consented to the quota increase. It was a matter of some embarrassment to his authorities that the legislation had not been passed to date. Maintaining the linkage was in the best interest of passing the legislation, which was in the longer run important for the institution's effectiveness.

An effective argument in dealing with members of Congress on the Fund's liquidity ratio, which was projected to fall to about 45 percent at end-1992, was the prospective use of resources by the former Soviet Union, as well as some other major countries, under multiyear commitments, Mr. Dawson commented. The general desire in the United States to help the former Soviet Union could provide the context for approval, in an election year, of the foreign legislation. For example, a Democratic candidate for President had urged the Administration to be aggressive in its response to developments in the Soviet Union, and the U.S. Ambassador to Russia had made an effective case for the role of the Fund. Reports in the media indicated that the Fund was expected by the international community to play a key part, and those reports were noted by Congress.

Mr. Landau remarked that in the longer run, the question was the link between the Third Amendment and the quota increase. If in the future there appeared to be no possibility that legislation would be approved by Congress, the only option open to the institution would be to delink the Third Amendment and the quota increase, thereby allowing the quota increase to be implemented by the 70 percent majority already in place.

Mr. de Groote suggested that a clear, concise paper, without Fund jargon, could be prepared by the staff describing the benefits for taxpayers and others of Fund operations.

The Chairman noted that the Bretton Woods Committee had written such a paper, but perhaps the time was appropriate to reissue it.

Mr. Posthumus reported that the quota increase and the Amendment had been accepted by the countries in his constituency except Yugoslavia and Romania, which had taken all legislative decisions but had to conclude a few formalities.

He was worried about the leisurely atmosphere surrounding approval of the quota increase, Mr. Posthumus said. He supported Mr. Fukui's proposals for action by the Board and by the Interim Committee. The situation did not give rise to optimism, and the Fund should not be reluctant to speak out. Therefore, the Managing Director's recent speech in California was

especially appropriate. The United States had accepted that the quota increase would become effective after January 1 with 70 percent of the votes, rather than 85 percent. It had also been considered assured that the Amendment would be accepted, which was the main reason for the linking. However, in view of the situation, he would suggest that the United States and the Fund should, at a later stage, consider delinking both decisions.

The liquidity position was of great concern because the needs were growing faster than had been expected when the quota increase had been proposed, Mr. Posthumus remarked. Acceptance of the increase under the Ninth Review was not assured; therefore, if by June the quota increase was still not in place, then action should be considered in light of developments in the liquidity situation. On the substitution of ordinary for borrowed resources, he had hoped that the issue would be discussed by March, but he would take up the matter in the Board's discussion in June.

Mr. Dawson, replying to a question raised by Mr. Peretz, said that the point had been reached where it would be effective to point out that 70 percent of the Fund's voting power had already consented to increases in quotas and that a broad range of countries had accepted the Amendment. In fact, that argument of reverse U.S. leadership in the face of international consensus could have some leverage, especially considering some of the other countries on the negative list.

Mr. Mohammed observed that reverse leadership could also be used as an argument by other members to delay action to accept the Third Amendment.

Mr. Koissy informed the Board that all but four countries in his constituency had consented to the increase in quota; Benin and the Congo had reassured him that the process had reached Parliament and should be completed in two or three weeks, Zaire was in arrears, and the Central African Republic's situation could not be ascertained.

Six countries had not yet accepted the Third Amendment, Mr. Koissy reported. The Congo and Djibouti had assured him that agreement would be reached in two or three weeks, but he had no information from the Central African Republic, Gabon, Guinea-Bissau, and Sao Tome and Principe. On the question of liquidity, he could go along with the continuation of the decision on substitution.

Mr. Kabbaj said that all countries in his constituency had consented to the quota increase. As to acceptance of the Third Amendment, two countries were in the process of finalizing approval. Afghanistan was in consultation with the staff, and Mr. Mirakhor, who would visit Kabul in the near future, would confirm acceptance on his return. Morocco's authorities intended to vote favorably on acceptance but had been prevented from doing so by a long, drawn-out discussion on whether parliamentary approval was required. If so, legislation could be passed before the end of June, but if approval was not necessary, which was more likely, the matter could be settled in the near future; meanwhile, the authorities were in close contact with the staff.

As to the Fund's liquidity position and the need for the quota increase, Mr. Kabbaj stated that he had some sympathy for the proposals of Mr. Fukui and Mr. Landau, but with the qualification set out by Mr. Dawson.

Mr. Monyake commented that the main reason members of his constituency had not acted on the quota increase and the Amendment was a lack of understanding of what was required, not a lack of will. He was in constant touch with the authorities to clarify the matter and offer guidance, and he expected more responses as a result. The present discussion was useful in illustrating to the Board the problem that authorities could have in implementing legislation promptly; even under different circumstances, delays arose because of procedures, not because of the lack of will. He hoped that in future, Directors would be sympathetic to his authorities if certain measures were not undertaken as promptly as scheduled.

Communications with heads of state were not necessarily effective, and he would suggest that, rather than write to President Bush, the established channels of communication should be followed, Mr. Monyake concluded.

Mr. Ismael reported that nine out of the ten countries in his constituency had consented to the increase in quota. The tenth, Viet Nam, was in arrears with the Fund. On acceptances of the Third Amendment, three countries had met all the legal requirements: Fiji, the Lao People's Democratic Republic, and Tonga. Another three countries, namely, Singapore, Malaysia, and Indonesia, had notified their acceptance, but clarification of the legal requirements involved was under way; he was in constant touch with the staff in order to facilitate the solution of some of the legal aspects involved. Four countries--Myanmar, Nepal, Thailand, and Viet Nam--had not yet notified their acceptance. The Governor of the Bank of Thailand had just informed him that Thailand was in the final stage of preparations to formally accept the Amendment, after which the Fund would be notified as soon as possible. In Nepal, the legal aspects of whether the Minister of Finance or the Cabinet should accept the Amendment were being studied. As to Myanmar, the proposal for acceptance had been submitted to the Minister of Finance for his approval.

With regard to liquidity, he was in favor of the continuation of the decision on substitution, Mr. Ismael stated. On delinking the Third Amendment and the quota increase, he agreed that although the issue was not urgent at present, it should be considered seriously in the near future if there was no change in the situation. At the same time, the Board should be mindful that the decision to delink the two Resolutions had to be taken by the Board of Governors, not the Executive Board, and an 85 percent majority vote was required. Therefore, the process would again be a difficult one that could lead back to the same limbo.

Mr. Evans stated that most of the countries in his constituency had completed the necessary actions on both the quota increase and the Amendment. He would not give an exhaustive listing because the Board was aware that the necessary--and virtually sufficient--condition for passage of

the quota increase was action by the U.S. Government. In that regard, it was pleasing to hear Mr. Dawson's more optimistic assessment of the likelihood of that action being completed in the near future, although for reasons that had not existed at the time of agreement on the size and nature of the quota increase and that would not exist when a further quota increase would be proposed. To encourage the process, Mr. Fukui had mentioned the possibility of a letter to the President of the United States. He himself would be guided by Mr. Dawson's views on what action would be useful, although press reports indicated that Mr. Fukui's reference to the President might not be without substance. While a letter from the Managing Director could be effective, perhaps the Group of Seven could more appropriately play a role in expediting approval of the quota increase. The Group had played an important part in determining some aspects of the Ninth Quota Review, without reference to the Board or the rest of the membership. Mr. Fukui, as the representative of the potentially second largest member in the organization, might wish to take up that suggestion.

Mr. Fukui commented that he welcomed the encouraging statement of Mr. Dawson, and he hoped that his optimism would not be misplaced. He agreed with Mr. Mohammed that some smaller countries were losing their momentum as a result of the largest shareholder's inaction. The position of that shareholder was very important, as was becoming increasingly clear. For that reason, he had suggested that the extraordinary step of some communication between management and the U.S. Administration might be warranted under the circumstances. Nevertheless, he would be guided by Mr. Dawson; he understood his point that the Fund should not be perceived as being involved in a political process in an election year.

Mr. Goos said that he wished to join other speakers who had expressed their concern about the liquidity situation of the Fund as well as the delays in consenting to the quota increase and accepting the Amendment, particularly by major shareholders of the institution. He was encouraged by Mr. Dawson's presentation on the outlook for the necessary legislation to be adopted by Congress, although a more concrete description of the specific steps to be adopted by Congress would have been welcome. At any rate, it would be appropriate to send, again, a letter to those members that had not consented to the quota increase and accepted the Amendment.

He could sympathize with the position of those who had supported delinkage, Mr. Goos remarked. It was difficult to accept the fact that the quota increase was being held up by a few countries, including the major shareholder. The possibility of delinkage should be kept under consideration. As to the proposed decision, the extension of the substitution of ordinary for borrowed resources remained appropriate for the time being.

He had very strong reservations about the proposal to reconsider the possibility of Fund borrowing in the market, Mr. Goos stated. He was concerned that such a move would fundamentally alter the character of the institution, and it would become increasingly an agency for permanent and longer-term lending. In that connection, he had some difficulties with the

innovative reformulation of the Fund's purposes in the paper reviewing the Fund's liquidity position (EBS/92/54), which, in stating that the Fund would facilitate the financial and economic rehabilitation of its current and prospective members, described the mandate of the World Bank. He assumed the language was due to poetic license, but he would suggest that the Articles of Agreement described unambiguously the mandate of the Fund.

Mr. Mohammed stated that ten countries in his constituency had consented to the quota increase. Communications with Somalia's authorities were difficult, and Iraq's problem was somewhat similar to that of Haiti.

On acceptances of the Third Amendment, nine countries had not agreed, Mr. Mohammed continued. In ongoing contacts with the authorities, it had been learned that a large group believed that, rather than vote against a proposal they did not like, they would not vote at all. He wondered whether it would be legally impossible to carry a resolution on delinking without the 85 percent majority.

The General Counsel explained that, as reflected in the Managing Director's statement at EBM/91/163 (12/4/91), after careful examination of precedents, it had been decided that an 85 percent majority would be needed to delink the quota increase from the Third Amendment. The logic of that decision was that, when the Board of Governors had adopted the Resolution proposing the quota increase, it had set out a number of conditions that had to be met. The adoption of the Resolution, including those conditions, had required an 85 percent majority of the total voting power. Because the link between the Third Amendment and the quota increase was one of the conditions of the proposal, a change in that condition would also require an 85 percent majority.

Mr. Kafka observed that, normally, while a parliamentary vote was required to approve the Third Amendment, it was not needed to remove the link. Delinking could be decided by the Board of Governors.

The Chairman commented that the tour de table had been useful and positive, since it reflected all speakers' agreement on the urgent need to implement the decisions on the quota and the Third Amendment as soon as possible. He wished to thank Executive Directors, particularly those with large and diversified constituencies, who had worked hard and productively with their authorities.

He had noted Mr. Dawson's remarks on the intentions of his authorities, the nuances concerning the sequence of steps he envisaged in Congress, and the concern for the Fund's liquidity situation in the short and medium term in view of the prospective high demand for resources under multiyear commitments, the Chairman continued.

Following the suggestion of Mr. Fukui, which had been endorsed by many Directors, he would write to all Governors who had not yet acted, the Chairman said. Also, he would suggest to the Interim Committee that it

introduce in its communiqué a note of urgency--which was well warranted--in describing the matter. He was certain that all members of the Board had taken note of the words of Mr. Dawson on how management and the members of the Board could continue to be helpful vis-à-vis the efforts of the U.S. Administration.

Several Directors had commented on the possibility of delinking the quota increase and the Third Amendment, the Chairman remarked. Not all speakers were in favor of removing the link, but it was clear that the issue should remain open and be considered again at a later stage if the situation were to become critical.

On the review of the Fund's liquidity and financing needs, the Chairman concluded that there was a consensus to continue the decision on the substitution of ordinary for borrowed resources under the enlarged access policy until the effectiveness of the quota increase, or June 30, 1992, whichever was earlier.

The Executive Board then took the following decision:

The Fund has concluded the reviews prescribed by Decision No. 9874-(91/167), adopted December 11, 1991.

Decision No. 9953-(92/34), adopted
March 23, 1992

3. TENTH GENERAL REVIEW OF QUOTAS - PROPOSED ESTABLISHMENT
OF COMMITTEE OF THE WHOLE

The Chairman noted that the report of the Executive Board to the Board of Governors on the increases in quotas under the Ninth General Review stated that the Tenth General Review of Quotas would have to be conducted before March 31, 1993. Consequently, pursuant to Rule D-1, the Executive Board must appoint before March 31, 1992 a Committee of the Whole for the work on the Tenth Review. A paper would be issued shortly ^{1/} proposing the establishment of the Committee, for approval on a lapse of time basis. After the spring meeting of the Interim Committee, the Executive Board could discuss the organization and timetable for that work. As agreed during the Ninth Review, an examination of the working of the quota formulas would also be undertaken in the context of the preparatory work on the Tenth Review.

^{1/} EBD/92/55 (3/24/92).

4. INTERIM COMMITTEE - PROVISIONAL AGENDA

The Executive Directors considered a draft provisional agenda for the Thirty-Eighth Meeting of the Interim Committee (EBD/92/52, 3/18/92).

The Chairman remarked that, for the first substantive item to be taken up in the morning session, 3(i) "Industrial Countries: Prospects for Recovery and the Need to Reinvigorate the Medium-Term Strategy," members of the Committee would assess the strength of the early signs of economic recovery in the industrial countries in 1992 and the conditions under which the momentum of growth could be sustained in the medium term. Although concern about the short-term outlook would no doubt be expressed during the discussion, the aim should be to focus on the medium term. Chapters 1 and 2 of the World Economic Outlook, the Board discussion at the beginning of April, and his usual memorandum on the world economic outlook would provide background for the Committee's discussion.

For the second substantive item, 3(ii) "Developing Countries: Economic Prospects and Management of the Debt Situation," documentation would consist of Chapter 3 of the World Economic Outlook, as well as a brief report summarizing the forthcoming Board consideration of the staff paper on the management of the debt situation (EBS/92/52, 3/17/92), which would be taken up in the context of the world economic outlook discussion in early April, the Chairman continued. The third substantive item of the morning session, 3(iv) "Bringing the Current GATT Round to a Successful Conclusion," would be taken up at a critical point in the trade talks.

During lunch, he would report informally to Interim Committee members on the status of consents to the Ninth Quota Increase and acceptances of the Third Amendment--item 4--and he hoped that the next few weeks would be particularly productive in that regard, the Chairman remarked. He would also report on the strengthened collaborative approach in dealing with overdue financial obligations to the Fund--item 6--guided by the summing up of the discussion on that subject scheduled for April 17.

He would suggest that, for the afternoon session, members take up all the matters relating to economic stabilization and systemic reforms in Eastern Europe and the republics of the former Soviet Union--item 3(iii)--as well as the status of membership and Fund activities in the republics--item 5--the Chairman said.

It was expected that the Russian representative would be invited to participate in the afternoon discussion, the Chairman noted. Other institutions with which the Fund collaborated closely in its work in the republics of the former Soviet Union, and in Eastern Europe, could also be present. The EC Commission, in view of its important activities, could be invited by Chairman Solchaga to make a brief presentation.

He understood that Chairman Solchaga intended to write to Committee members about discussing, over dinner, the external financing prospects and

needs of the former Soviet Union republics and of Eastern Europe, but without the participation of the Russian representative, the Chairman commented. In addition, issues such as access policy and the outlook for Fund liquidity could be raised.

Mr. Fukui said that he had no difficulty with the Chairman's proposals, and his authorities were in general agreement with the provisional agenda. He would, however, appreciate clarification of certain aspects. For item 3(i), "Industrial Countries: Prospects for Recovery and the Need to Reinvigorate the Medium-Term Strategy," he wondered why "reinvigorate" was used when in fact a medium-term strategy seemed always to be in place. Perhaps more precise wording could be found.

Concerning item 3(iii), "Eastern European Countries and Republics of the Former Soviet Union: Economic Stabilization and Systemic Reforms," equal attention should be paid to those Asian countries--such as Mongolia, Viet Nam, and Cambodia--that were also striving to shift from centrally planned to market-oriented economies, Mr. Fukui noted. If the intention was to take up all countries with transforming economies, it would be preferable to change the heading to refer to the economic stabilization and systemic reforms of all former centrally planned economies. As he understood that the World Economic Outlook was compiled along the lines of the agenda heading, his question applied to that document also. He hoped that the item could be reworded to reflect the content of the discussion. He wondered why only the Russian representative would be invited to participate in the afternoon session, and how requests from other republics would be handled.

On item 3(iv), to the extent that the Board had frequently emphasized the importance of the GATT Round, he could agree to discuss the matter in general terms, but he would not support a negotiating session that examined numerous details of the Round, Mr. Fukui remarked.

Item 6, "Overdue Financial Obligations to the Fund--Review of the Strengthened Collaborative Approach," was an important issue involving technical matters, Mr. Fukui commented. An in-depth discussion was required, and he questioned the appropriateness of including the item for consideration during the luncheon meeting.

He would again urge the staff to make the draft press communiqué as concise and well focused as possible, Mr. Fukui stated. Finally, he would like to know whether the lead speaker system would be used again at the coming meeting.

The Chairman remarked that he recognized the legitimacy of Mr. Fukui's point concerning attendance by the Russian representative. However, an important reason for Russian participation was that the authorities were much more advanced than the other republics in the process of defining macroeconomic policy, and they had prepared a memorandum of economic policy for consideration by the Fund. Also, the other republics' intentions with respect to joining Executive Directors' constituencies were still unclear.

Because he considered overdue financial obligations a serious issue, he had proposed its consideration during the luncheon, when specific points could be raised, the Chairman stated. He felt certain that if the item were placed on the agenda for the morning or afternoon, the discussion would be more limited. However, if Executive Directors preferred, the item could be prepared for the afternoon's agenda.

Mr. Monyake said that he, too, had wondered why the Russian representative, and not the other republics' representatives, would be invited to participate. As to the agenda, while the rest of item 3 would be discussed in the morning, subitem (iii) would be addressed separately in the afternoon, and he wondered why the agenda items were not taken up in sequence. Also, while he understood that item 5 on the status of Fund membership of the republics could be of interest to Ministers, he did not recall such an item being considered previously by the Committee, and he would underline the need to maintain evenhanded treatment of countries.

Mr. Abbott said that, in light of Mr. Fukui's remarks, item 3(i) could be entitled "...the Need to Reinvigorate Growth" to reflect the presence of that pressing issue in many industrial countries. It would be useful to focus on how to achieve growth consistent with the medium-term strategy. Items 3(iii) and 5 could be folded together in the afternoon discussion rather than considered separately, which might extend the discussion unnecessarily. Items 4 and 6 would provide adequate topics for the luncheon discussion; he appreciated the Chairman's remarks on the seriousness of the matter of overdue obligations and the appropriateness of its discussion in the context of the progress report on the Ninth Review.

His chair strongly preferred that the dinner provide the opportunity for members to concentrate on developments discussed earlier and that consideration of the communiqué be taken up outside the dinner, Mr. Abbott concluded.

Mr. Evans commented that he was in general agreement with the proposed agenda. Like Mr. Fukui, however, he had wondered about the wording of item 3(i). The World Economic Outlook referred to the need to reinvigorate efforts to achieve the objectives of the medium-term strategy, which differed somewhat from Mr. Abbott's interpretation. Members should address both immediate and medium-term policy requirements, and the agenda should encompass that time frame. The luncheon would be appropriate for taking up item 4, although members had addressed the status of consents over lunch several times. He hoped that some thought might be given to making the discussion somewhat more pointed.

Mr. Goos said that he agreed with many of the remarks made by previous speakers, particularly Mr. Abbott. The agenda should be structured so as to show explicitly the timing and subjects of discussion in the morning, at lunch, in the afternoon, and over dinner. He would suggest that item 3(i) be amended to "...the Need to Reinvigorate the Conditions for Growth" to indicate the proper emphasis of economic policy.

Like Mr. Fukui, he wondered why it was necessary to review the strengthened collaborative approach at the luncheon discussion, Mr. Goos continued. No major changes had been made in the strategy, and a progress report would seem sufficient to meet the concern about the impact of arrears on the financial integrity of the Fund.

Perhaps the Chairman could rethink the issue of inviting the Russian representative as opposed to other representatives, with the objective of being consistent with diplomatic practices, Mr. Goos concluded.

Mr. Peretz said that he welcomed the proposal to invite the Russian representative to participate. A date was being discussed for Russia's membership, and in those discussions there had been general agreement that Russia should be entitled to a seat on the Board, either as a leader of a constituency or on its own. As a consequence, Russia would presumably then become a member of the Interim Committee. In that sense, it seemed fitting, meanwhile, to invite the Russian representative to attend the present Committee meeting.

Mr. Bonzom said that he fully agreed with the proposed agenda. His only suggestion would be to find a way for the Committee to continue its reflections and discussions on the potential ex ante shortage of savings and, more generally, of financing at the global level. Given the increasing need for investment in traditional developing countries, formerly planned economies, and industrial countries, the risks of the forthcoming competition for capital would be enormous, and inaction would undoubtedly be detrimental to everyone. The issue, which crossed the borders between industrial, developing, and formerly centralized economies, would be difficult to tackle fully in the agenda as drafted. He thus proposed a fifth item on global financing problems, under the world economic outlook, to precede the discussion on the GATT Round. Also, for item 3(i), he would have preferred a reference to the notion of a strategy for growth.

Mr. Posthumus said that he could agree with Mr. Goos's proposal for item 3(i), but perhaps any further difficulties could be avoided by simply repeating the same subtitle used for the October meeting. On item 3(iii), he wondered whether it was appropriate to group together the Eastern European countries, which were members of the institution, and the republics of the former Soviet Union, which were not yet members, especially as the discussion, taking items 3(iii) and 5 together, would essentially focus on the republics. He suggested that under item 3(iii) only the Eastern European countries and perhaps "other former centrally planned economies" be mentioned while "Republics of the Former Soviet Union: Economic Stabilization and Systemic Reforms" could be the subject of item 5. He supported Mr. Bonzom's proposal to add an item on global financing.

On representation, he would not suggest that all the republics should be invited to make statements, but he wondered about the validity of a situation where only the Russian representative would participate, based on a future chair on the Board, Mr. Posthumus remarked. The situation remained

unclear for many republics which had not yet been able to state clearly their intentions regarding membership in a constituency.

He understood that the draft press communiqué would be distributed for comment at the end of the afternoon session, Mr. Posthumus said. Recent experience with that procedure had not been satisfactory, and he would want to ensure that members' opportunity to comment on the draft before finalizing the text would not be lost.

Mr. Evans pointed out that the proper classification for Mongolia should be considered when referring to the item on Eastern European countries and the republics of the former Soviet Union.

The Secretary remarked that Chapter 4 of the World Economic Outlook was entitled "Eastern Europe and the Republics of the Former U.S.S.R," and in the next few weeks, a series of premembership economic reviews of the 15 republics would be released. There had been no indication in the current work program that the Board wished to undertake a comprehensive discussion of former centrally planned economies, and the Committee agenda had been drafted accordingly.

Mr. Peretz said that he agreed with Mr. Goos that it would be helpful if the agenda were set out in the order of discussion. The present listing with notations was rather confusing. On item 3(i), he would like to retain the reference to medium-term strategy, but wording referring to policy implications could usefully be added. He would not support an item on global financing because the Board had not had a chance to prepare for such a discussion.

He agreed with those who believed that, to allow members to have a substantive discussion during dinner, the communiqué should be dealt with mainly elsewhere, Mr. Peretz commented. On representation, he saw some merit to inviting those republics that had indicated their intention to join a constituency to attend as observers in the delegation of that particular member of the Interim Committee, while the others could be invited to send observers to the meeting.

Mr. de Groote said that he was in favor of reformulating item 3(i) to refer to the prospects for the recovery of growth and the policy implications. He supported the proposal of Mr. Posthumus to rearrange the presentation of items 3(iii) and 5, and he agreed with Mr. Fukui that item 3(iv) should not be taken up in detail again but should provide the opportunity to stress the need to reach a decision on the GATT Round. Also, he was in favor of Mr. Bonzom's proposal to add to the agenda an item on global financing problems.

He believed that Russia should participate because it was a prospective Interim Committee member, Mr. de Groote concluded.

Mr. Solheim observed that although he recognized Russia's special position, the question of invitations to the representatives from the Baltic countries should remain open for the time being.

Mr. Kabbaj said that he could go along with the proposed Interim Committee agenda, except that he could support Mr. Bonzom's proposal to add the discussion on global financing. He had no problem with inviting Russia to participate in the meeting, but he was not comfortable with the present arrangements for the other republics, and he could, on an exceptional basis, support the issuing of additional badges to those constituencies representing the interests of those republics.

Mr. Fernando stated that he endorsed the proposal to rearrange the agenda in chronological order. More important, however, he would welcome the members' views on the need for action to support recovery without prejudice to fiscal consolidation, as set out in a medium-term strategy. Both monetary policy and fiscal stimuli should create conditions for recovery without forcing automatic stabilizers to operate. Therefore, he supported a reformulation of item 3(i) that focused attention on the need to reinvigorate the conditions for growth in a medium-term context.

He was in complete agreement with Russian representation at the afternoon session, Mr. Fernando continued. He wondered whether it might not be helpful to the Russian representative to repeat the procedure whereby, for example, some Eastern European countries familiar with transitional problems--notably privatization and structural reform as a complement to stabilization policies--had made a presentation to the Committee.

Finally, he wondered whether the Working Group on Capital Flows should not report on its study on the measurement of capital flows, which had been initiated by the Interim Committee, Mr. Fernando inquired.

Mr. Filosa said that he concurred with the suggestion to reformulate item 3(i) to refer to the recovery of growth and the policy implications. He could support the proposal of Mr. Posthumus concerning the discussion of former centrally planned economies and the republics of the former U.S.S.R., mindful of the remarks made about including Mongolia.

He was not sure that the item on the GATT Round should be on the agenda, Mr. Filosa continued. He would propose a meeting of the Executive Board's Committee on Liaison with the CONTRACTING PARTIES to the GATT and the Fund's Special Trade Representative, who could provide updated information on the trade negotiations, before the Interim Committee meeting.

Mr. Kafka endorsed Mr. Bonzom's proposal to discuss global savings and liquidity. As to the form of the Committee's discussion, he could go along with the comments made by Mr. Abbott, Mr. Goos, Mr. de Groote, and--related to Russian representation--Mr. Peretz. Regarding the press communiqué, it was important to give all constituencies the possibility of participating in its discussion.

He would suggest again, as he had in September 1991, that, instead of having two formal sessions where statements were read, it would be much more interesting if the morning and afternoon meetings provided the opportunity for an exchange of views between members, who would still be able to submit formal statements for the record, Mr. Kafka said. A reformulation of item 3(iii) to read "Recent and Prospective Members of the Fund: Economic Stabilization and Systemic Reforms" might answer the concerns raised by Mr. Fukui and Mr. Monyake.

Ms. Powell agreed with Mr. Peretz on changing the heading for item 3(i). She considered that an additional item on global savings and reserves, for which no background paper had been prepared, should not be added to the agenda, although it could be part of any member's intervention under the other World Economic Outlook items. She also agreed that an invitation to the Russian representative was appropriate.

Mr. Torres reported that the Chairman of the Interim Committee agreed with the basic structure of the agenda and would, no doubt, go along with speakers' proposed modifications. Personally, he could agree with the rewording of item 3(i) proposed by Mr. Posthumus, as well as the differentiation between Eastern Europe and the former U.S.S.R. republics in items 3(iii) and 5.

On the procedure for drafting the communiqué, he believed that the members were content with using their time to discuss major issues rather than concentrate on the press release, and he believed that the Chairman of the Interim Committee would propose the continuation of that procedure, Mr. Torres concluded.

The Chairman remarked that every effort would be made to ensure that the communiqué reflected the input of all constituencies.

Mr. Monyake inquired whether arrangements could not be put in place to provide added seats to accommodate the associate members who worked along with the members representing a large constituency.

The Secretary noted that it was generally agreed that Russia should be invited to participate in the afternoon session. As the Chairman had indicated, Russia would not be invited to attend the dinner session, when the Committee Chairman intended to put forward as a substantive subject for discussion the external financing prospects and needs of the republics of the former Soviet Union and of Eastern Europe. In that case, a chronological reordering of the agenda would be awkward by listing a dinner discussion to which an interested party would not be invited. It would be possible to invite the other republics as observers for the afternoon session, but their presence could also cause some awkwardness, considering those members that had not been able to attend the meetings because of the constraints on the number of participants in a delegation. In that connection, suggestions similar to that of Mr. Monyake had been put forward on a number of occasions in the past, and members of the Board had concluded that

it was advisable to retain the formally agreed number of associates, although a few extra entrance buttons had been made available, depending on the circumstances, to provide delegations with an element of flexibility.

On the suggested reformulations of the agenda, there was support for rewording item 3(i) to read "Industrial Countries: Prospects for the Recovery of Growth and Policy Implications in a Medium-Term Context," the Secretary said. Item 3(ii) would remain unchanged. On item 3(iii), to avoid excessive complexity in the formulation of the agenda, there might be advantage in changing the heading to "Former Centrally Planned Economies and Republics of the Former Soviet Union: Economic Stabilization and Systemic Reforms." Items 3(iv), 4, and 5 would not change. Item 6 would be redrafted to "Overdue Financial Obligations to the Fund - Progress Report on the Strengthened Collaborative Approach."

Finally, with regard to the dinner discussion, there was a suggestion, which found some support, that the Committee Chairman invite members to discuss the external financing prospects and needs of the republics of the former Soviet Union and of Eastern Europe, and also to comment on the issues of global savings and liquidity, the Secretary remarked.

Mr. Abbott suggested that it would be more useful during the dinner discussion for members to focus on the more pressing issue of financing, rather than on the broad issue of liquidity.

Mr. Peretz noted that those members who wished to discuss world liquidity and related issues could do so appropriately under items 3(i) and 3(ii), related to industrial countries and developing countries, respectively. He agreed with Mr. Abbott that it would be preferable not to detract attention from the main purpose of the dinner discussion.

Mr. Kafka observed that the financing needs of the former Soviet Union could be taken up in the afternoon session. Ministers should be given the opportunity at the dinner session to take up succinctly the problems of global savings and liquidity--issues that were of great interest to a large number of member countries.

Mr. Arora added that while he agreed that the financing needs of the former republics were an important matter, the discussion of the systemic reforms to be undertaken in other countries should not be relegated to the background in the context of an international forum.

Mr. Peretz wondered whether it might not be proposed to the Chairman that the Russian representative be invited to the dinner session, in view of Russia's prospective membership and involvement in the work of the Interim Committee.

The Chairman commented that attendance of the Russian representative would change the nature of the dinner discussion considerably, resulting in less interaction, fact-finding, and frankness. The Committee Chairman would

decide, but he considered that the representative's presence might, in fact, be detrimental to catalyzing support.

Mr. Posthumus said that it should also be realized that the Interim Committee meeting was important for all the former republics that were in the process of becoming members of the institution. Caution must be exercised to ensure evenhanded treatment in light of the republics' sensitivities.

The Chairman remarked that the republics were aware that the Executive Board would endeavor to complete its membership work before the Interim Committee meeting. Undoubtedly, caution was necessary in handling the diplomatic aspects surrounding the meeting. The Committee Chairman would be consulted about the various proposals of Directors, and the Board would be informed of his reactions.

The Executive Board took the following decision:

The Executive Board agrees to transmit the provisional agenda for the Thirty-Eighth Meeting of the Interim Committee set out in EBD/92/52 (3/18/92), as amended in the light of the discussion, to the Chairman of the Interim Committee.

Adopted March 23, 1992

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/92/33 (3/19/92) and EBM/92/34 (3/23/92).

5. STAFF APPOINTMENT

The Executive Board approves the proposal relating to the staff appointment under Rule N-1, as set forth in EBAP/92/60 (3/16/92).

Adopted March 20, 1992

6. EXECUTIVE BOARD TRAVEL

Travel by an Executive Director and by an Advisor to Executive Director as set forth in EBAP/92/63 (3/19/92) is approved.

7. TRAVEL BY MANAGING DIRECTOR

Travel by the Managing Director as set forth in EBAP/92/65 (3/20/92) and Correction 1 (3/23/92) is approved.

APPROVED: October 26, 1992

LEO VAN HOUTVEN
Secretary