

0404

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 90/5

3:00 p.m., January 12, 1990

M. Camdessus, Chairman

Executive Directors

Dai Q.

L. Filardo

J. E. Ismael

K. Yamazaki

Alternate Executive Directors

S. Gurumurthi, Temporary

C. Enoch

G. C. Noonan

C. S. Warner

J.-P. Schoder, Temporary

J. O. Aderibigbe, Temporary

S.-W. Kwon

R. J. Lombardo

J. Basiuk, Temporary

S. K. Fayyad, Temporary

B. A. Christiansen, Temporary

M. J. Mojarrad, Temporary

B. Goos

T. Sirivedhin

L. M. Piantini

J.-L. Menda, Temporary

K. Kpetigo, Temporary

M. Al-Jasser

G. P. J. Hogeweg

K. Ichikawa, Temporary

L. Van Houtven, Secretary and Counsellor

T. S. Walter, Assistant

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Also Present

IBRD: D. E. Yuravlivker, Latin America and Caribbean Regional Office;
G. Pursell, Office of Development Economics, Country Economics Department.
Asian Department: K. A. Al-Eyd, J. R. Dodsworth, M. Ishihara, R. Li,
K. Saito. Exchange and Trade Relations Department: T. Leddy, Deputy
Director; E. Brau, R. A. Feldman. Fiscal Affairs Department: Y. Ikeda.
Legal Department: P. L. Francotte, J. V. Surr. Research Department:
J. A. Frenkel, Economic Counsellor and Director. Secretary's Department:
M. J. Miller. Western Hemisphere Department: M. Caiola, Deputy Director;
J. Berengaut, S. Bonilla-Leal, J. Ferrán, M. Garza, C. S. Lee,
E. S. Williams. Bureau of Statistics: E. W. Saunders. Personal Assistant
to the Managing Director: H. G. O. Simpson. Advisors to Executive
Directors: N. Adachi, M. A. Ahmed, Z. Iqbal, A. Gronn, P. O. Montórfano,
A. Napky, F. A. Quirós, A. Raza, S. P. Shrestha. Assistants to Executive
Directors: J. R. N. Almeida, G. Bindley-Taylor, A. Iljas, J. Heywood,
C. J. Jarvis, C. Y. Legg, G. Montiel, N. Morshed, H.-J. Scheid, Shao Z.,
J. C. Westerweel.

1. NICARAGUA - 1989 ARTICLE IV CONSULTATION

The Executive Directors continued from the previous meeting (EBM/90/4, 1/12/90) their consideration of the staff report for the 1989 Article IV consultation with Nicaragua (SM/89/224, 11/3/89). They also had before them a background paper on recent economic developments in Nicaragua (SM/89/247, 11/28/89).

Mr. Schoder made the following statement:

The task confronting the Nicaraguan authorities is tremendous. Given that the growth rates experienced by the rest of the world, although varying from country to country and region to region, continue to be positive, Nicaragua's growth is very disappointing. Nicaragua's present phase of economic decline has already lasted too long. Not only is the real economy performing badly, but the financial indicators are also worrisome. The very high inflation rate still threatens to spill over into uncontrollable hyperinflation, the fiscal deficit further depletes an already depleted economy, and the external accounts have now accumulated a stock of arrears to external creditors that is larger than the GDP.

The measures taken by the Nicaraguan authorities, especially during the past year or so, certainly go in the right direction, and we must commend the authorities for these efforts and encourage them to persevere. It would be difficult to imagine an economic policy course different from the one the authorities are now pursuing.

The staff report and Mrs. Filardo's introductory statement indicate that there is virtually complete agreement on the policy measures to be taken--a point worth noting. The tasks are to stabilize economic development and to bring inflation under control by reducing the consolidated public sector deficit. Actions taken to reduce the deficit should be supported by a strict monetary policy; measures taken in these two areas will mutually strengthen each other. The limit has probably been reached for reductions in public expenditure, and further efforts must now be aimed at increasing fiscal income by broadening the tax base and improving tax compliance.

In the area of monetary policy, much has already been accomplished by shifting real interest rates from negative to positive. This is not the end of the story, however, since lending rates are still lower than deposit rates. Perhaps there is a political or social rationale for this interest rate configuration; from the economic standpoint, however, it seems self-defeating and, over time, will undermine the targeted objectives. Moreover, such a

configuration will induce operations with circular feedback effects that will balloon the monetary aggregates--a point on which the staff might wish to comment. The next step should be to restructure the financial sector to enable it to operate on purely commercial terms. Once these stabilizing policies are in place, structural measures aimed at liberalizing the economy and strengthening market forces can be expected to exert the desired growth-fostering effects.

There seem to be only two minor differences between the authorities' views and those of the staff. One concerns the staff's estimate of central bank losses. The authorities are apparently still analyzing this question, in order to identify the source and magnitude of the losses. This situation is noteworthy, in light of Appendix III of the staff report, which indicates that the data on monetary accounts are rather outdated--the most recent being for December 1983--and that interest rate data are altogether unavailable. In view of the two technical assistance missions for money and banking that were held in 1988 and 1989, these shortcomings are surprising; unfortunately, the importance of this information for restructuring the financial sector and for the conduct of economic policy, in general, magnifies the impact of its absence.

The other area of disagreement concerns the losses of the state trading companies. If these losses are really capital outlays, as Mrs. Filardo seems to argue, then the idea that they are subsidies disguised as financing should be rejected. However, if this is the case, then, as the staff argues, these companies' working capital needs should not require recurrent outlays, but should more or less stabilize over the seasonal cycle. Some further elaboration is needed here.

The task confronting the Nicaraguan authorities is one of both stabilization and profound structural adjustment. Nicaragua's situation displays some striking similarities to that of the eastern European countries confronting equally tremendous tasks. The similarities do not extend, however, to the availability of substantial external resources: the eastern European countries have reasonable prospects of success because external resources will cushion and support their difficult adjustment efforts, while Nicaragua's lack of access to external financial resources greatly diminishes its chances. If only for these reasons, the need for Nicaragua to re-establish normal relations with its external creditors, and with the multilateral development banks in particular, becomes both imperative and desirable. It is imperative, because the chances of Nicaragua's economic policies succeeding are improved by the availability of external financial resources; it is desirable, because it is

socially less costly to adjust with the aid of external financial resources than without them. In Nicaragua's efforts to normalize its relations, the Fund has an important role to play, and should succor Nicaragua in any appropriate way.

In this context, the upcoming parliamentary and presidential elections will, it is hoped, make a contribution on the domestic political front to the normalization of relations with outside creditors, and to the reduction and elimination of the "weight that exogenous factors have had in hindering economic activity."

Mr. Ichikawa said that the authorities were facing considerable constraints that limited their scope for economic adjustment. It was unfortunate that the prospects for economic development were very fragile under those unusual circumstances. Nonetheless, the major setback that the economy had suffered in 1988 and the contrasting recovery in 1989 underscored the importance of prudent macroeconomic policies. The authorities were urged to strengthen their adjustment policies to prevent the re-emergence of uncontrollable deviations in the economy.

On the relationship among the exchange rate, wages, and the inflation rate, Mr. Ichikawa remarked that he agreed that a restrictive wage policy, along with modest fiscal and credit policies, would be the key to preventing a spiralling increase in the inflation rate. The most recent information provided by the staff suggested that the price increases had been influenced by the regrettable relaxation of fiscal and monetary policies. However, after the extremely sharp decline in real wages of 80 percent in 1988, it was not unlikely that a major wage increase would take place in 1989. Given the limits to further wage curtailment, what kind of measures would be most effective in tackling hyperinflation at a four-digit rate? Comments from the staff would be appreciated.

Like the previous speakers, he urged the authorities to normalize their relationship with external creditors, Mr. Ichikawa stated.

Mr. Fayyad remarked that, despite difficult circumstances, Nicaragua had made considerable progress in steering its economy onto a more sustainable path. The adjustments that had been made were well documented in the staff report, as well as in Mrs. Filardo's statement. He agreed with Mrs. Filardo that Nicaragua's adjustment effort could only be characterized as remarkable, considering the difficult circumstances under which it had been undertaken. To be fully understood, the economic performance in Nicaragua, as well as the feasibility and potential effectiveness of corrective policies, should be analyzed in the context of the adverse environment in which the policies were formulated and implemented. Therefore, he joined Mrs. Filardo in requesting a more in-depth analysis of the effects of Nicaragua's particular circumstances on its economic activity.

Nevertheless, it was a cause for concern that, after sharply decelerating, the monthly rate of inflation had now risen to double-digits, Mr. Fayyad continued. The decline in the growth rate of real GDP in 1989, although smaller than had been projected, was also a cause for concern. Therefore, the authorities' intention to persevere in the adjustment effort was welcome; particularly welcome were the plans for improving the revenue performance of the Government, revising the Central Bank's accounting system and analyzing the causes of its losses, and beginning a comprehensive reform of the financial system.

The authorities should be commended for their commitment to persevere in the implementation of sound macroeconomic policies, Mr. Fayyad said; that commitment would, inter alia, reduce the burden that had been placed on exchange rate policy. Efforts to normalize Nicaragua's relations with the multilateral development banks and with all other official creditors should also be commended.

The staff representative from the Western Hemisphere Department noted that the figures on the losses of the Central Bank in the staff report were derived from the balance sheet of the Central Bank provided to the staff by the authorities. Those losses included external debt obligations assumed by the Central Bank, partially forgiven debts owed to the Bank by private and public sector enterprises, and subsidies that the Central Bank continued to grant to various sectors of the economy. Discussions with the authorities on the nature of those losses made it clear that the available statistical information was insufficient to document their origin. As was mentioned by Mrs. Filardo in her statement, the authorities were beginning to investigate the losses and, with the assistance of an advisor provided by the Fund, were now revising the accounting system of the Central Bank.

The Fund mission had not been able to receive financial information on the operations of state trading enterprises, the staff representative continued. The deficits in that sector had been estimated on the basis of data on net domestic bank financing and net external financing provided by the Central Bank. The staff welcomed the authorities' intention to focus attention on the operations of those enterprises, since better data in that area would facilitate the implementation of policy measures in the public sector.

The expropriated enterprises spanned a wide range of economic activities, including farming, manufacturing, and the commercial and services sectors, the staff representative noted. Several hundred such enterprises were operated independently of government direction, on a commercial basis. The staff had highlighted the use of bank credit by those enterprises, because they had used a disproportionate share of bank credit in recent years--about 83 percent of credit to the productive sector in 1988, or approximately 85 percent of the GDP for that year.

To understand why the deposit rates were much higher in Nicaragua than the lending rates, the staff representative remarked, it was necessary to

keep in mind the authorities' two objectives with respect to interest rate policy: to encourage private financial savings, which had fallen considerably; and to provide credit at reasonable terms to the productive sectors of the economy. Because of the current financial liability situation in Nicaragua, where interest bearing deposits constituted only 15 percent of total financial liabilities, the authorities felt that they had time to gradually begin the process of eliminating the gap between deposit rates and lending rates. As was noted in Mrs. Filardo's statement, the Government was, in fact, beginning that process.

As to the availability of data on Nicaragua, the staff representative from the Western Hemisphere Department observed that the authorities had given the Fund permission to use the statistics that they had provided in the background paper for publication in International Financial Statistics. The authorities had not allowed the publication of financial statistics until 1989.

Mrs. Filardo said that she welcomed the suggestion that the Nicaraguan authorities should embark on a comprehensive economic program. She would convey that suggestion to her authorities.

The authorities had made strenuous efforts in 1989 to correct the internal and external disequilibria that had resulted from a long civil war, external and internal shocks, and boycotts in the trade and financial markets, especially by multilateral institutions, Mrs. Filardo noted. The commitment of the authorities to correcting those disequilibria was evidenced by the strong economic measures that they had implemented and were continuing to implement. The authorities had stressed that they agreed with the staff's appraisal of the problems facing Nicaragua, and that they were looking forward to solving those problems. As evidence of the Government's commitment, a Fund technical assistance program would soon be sending a tax expert to evaluate the fiscal situation. Moreover, regardless of the outcome of the elections, the incoming administration would seek the Fund's cooperation in solving the dramatic economic, social, and political problems that had plagued the country for so long.

Forthcoming missions would assist the Central Bank in organizing its accounting system and the Central Government in implementing needed financial reforms, Mrs. Filardo observed. Another pending mission would assist the authorities in designing a comprehensive economic program to re-establish economic growth and price stability in an environment of democracy that will restore confidence. The achievement of that objective should restore the international community's confidence in Nicaragua, and the authorities could then expect the Fund's full support in setting up a program that would be sensitive to the capability for adjustment of a country that was still in the throes of a difficult economic and social situation.

She shared Mr. Warner's view regarding the issue of arrears, Mrs. Filardo remarked. It was regrettable that a country should fall into

arrears. She had been the Executive Director for Nicaragua in the World Bank when the Board of that institution had to support its provisioning policy, principally because of Nicaragua, and she could give assurance that the authorities had tried in good faith to avoid arrears and reach an agreement with the Bank; unfortunately all possible solutions were boycotted for noneconomic reasons.

The Chairman made the following summing up:

Executive Directors were in general agreement with the appraisal contained in the staff report for the Article IV consultation with Nicaragua.

Directors observed that the implementation of adjustment measures in 1989 had led to a sharp reduction in the deficit of the Central Government, a major deceleration of inflation, and an improvement in export competitiveness. They noted, however, that output fell again, continuing a decline which is now in its sixth year, and that the balance of payments remained precarious as evidenced by the accumulation of external payment arrears. Directors also were concerned about the recent policy slippages that had led to a marked acceleration of inflation.

Directors underscored the need to tighten financial policies to re-establish the momentum of internal and external adjustment and also to reduce the preponderance of the government sector in the economy. While they recognized the constraints stemming from the continuing armed conflict, Directors emphasized that failure to intensify and consolidate the adjustment effort through a comprehensive economic program and to change the structure of economic activity could jeopardize the gains achieved thus far and reduce the chances for economic recovery.

Directors recommended the adoption of strong measures to increase government revenue while containing expenditures. The revenue measures would need to focus on increasing the tax base, reducing evasion, and improving collection procedures. Directors drew attention to the need for reducing the large deficits of the state trading enterprises; they stressed the urgent need to adjust public sector tariffs and prices and to improve the information systems and the financial control over state enterprises. Directors also underscored the need to reduce the losses of the Central Bank through the elimination of the subsidies granted by the Bank, both to the public and private sectors.

In the light of the renewed acceleration of the inflation and exchange market pressures in recent months, Directors stressed the need for moderation in public sector wage increases and for more restraint on credit expansion. They urged the authorities to

dismantle the administrative controls on credit allocation and to strengthen the effectiveness of the more active interest rate policy that was being pursued. In addition, the authorities needed to act without delay to eliminate the distortions arising from the large excess of deposit rates over lending rates in the financial system.

Directors welcomed the elimination of the rationing of certain products, and the further extension of flexible pricing policies. They expressed the view that additional structural measures were needed to lay the basis for sustained economic recovery, including a further liberalization of the trade and payments system, and a greater role for the private sector in the economy.

While noting that the introduction of greater exchange rate flexibility constituted an improvement in exchange rate management, Directors felt that the movement toward the unification of the official and parallel exchange markets should be accelerated. Directors urged the authorities to re-establish relations with Nicaragua's external creditors, including, in particular, multilateral development institutions, with a view to making arrangements for the settlement of external debt arrears, and normalizing financial and trade flows to support the authorities' adjustment policies. Directors stressed again the need to implement a comprehensible and credible economic adjustment program. In that connection, the hope was expressed that the authorities would have an opportunity to pursue a realistic peace process in the year ahead.

It was recommended that the next Article IV consultation with Nicaragua be held on the standard 12-month cycle.

2. MYANMAR - 1989 ARTICLE IV CONSULTATION

The Executive Directors considered the staff report for the 1989 Article IV consultation with Myanmar (SM/89/268, 12/15/89). They also had before them a background paper on recent economic developments in Myanmar (SM/89/280, 12/28/89).

Mr. Ismael made the following statement:

In the wake of the widespread sociopolitical disturbances in 1988, the new Government, which came to power in September of that year, has initiated measures designed to tackle the problems of Myanmar's progressively deteriorating economy and has adopted open-door, market-oriented economic policies. The Government's

economic reform efforts are broadly aimed at opening up the economy to foreign investment, increasing international trade, restructuring the public sector, and encouraging the development of the private sector.

To open up the economy to foreign investment, a liberal foreign investment law has been introduced with a view to allowing foreign investors to form either wholly owned enterprises, or joint ventures, in which the foreign partner has at least 35 percent ownership. Investors are promised a three-year tax holiday, and profits reinvested in the enterprise within one year are tax exempt. Capital equipment and inputs can also be imported free of duties, and there are guarantees that profits can be repatriated. The new policy has generated keen interest: several agreements have already been signed, including a number of agreements with international oil companies, and the process is expected to gain momentum with the restoration of political stability.

To increase international trade, border trade with China has been regularized, and border trade with other neighboring countries has been implicitly recognized. As a result, access to imports has increased, which in turn has contributed to additional budgetary revenues. Several measures including a retention scheme for exporters, relaxation of foreign currency accounts, and increased allocation of foreign exchange for imports and travel, have been introduced to boost exports through Yangon, attract remittances from abroad, and liberalize the exchange system. Further exchange measures will be explored in consultation with the Fund staff. In the meantime, the parallel market exchange rate is reported to have recently appreciated from about K 70 per U.S. dollar to about K 45 per U.S. dollar.

In an effort to restructure the public sector, state economic enterprises have been given greater autonomy in setting output prices, purchasing inputs, and making investment and labor decisions. A number of administered price increases were effected in December 1988. Moreover, leasing of processing facilities to private enterprises has been introduced, and enterprises have been competing in the open market. Further reorganization, privatization, and closing of unprofitable enterprises will be carried out gradually.

In addition, as part of the banking reform measures, nominal interest rates have been raised and new accounts for saving introduced; as a result, savings bank deposits and savings certificates have increased by about 25 percent. New banking laws are being drafted, with a view to making the changes necessary to bring the banking system into line with open-door, market-oriented policies.

The independent role of the Central Bank in conducting monetary policy will be enhanced, and competition in the banking sector will be introduced.

As a step toward correcting the existing fiscal imbalance, measures are being taken to increase revenue by broadening the tax base and improving the tax administration, as well as by recovering more of the cost of public services. Introduction of new taxes, such as a sales tax, and a revision of agricultural sector taxes are under consideration. Public expenditure policies are being reviewed, with a view to curtailing unproductive spending and less urgent capital projects. It is also planned to improve the control and monitoring of expenditure, and to reduce and eventually phase out general subsidies of consumer goods. In this context, a program is being drawn up to restrict the range of consumer subsidies to the poorest segment of the economy. In the forthcoming 1990/91 budget, the public sector deficit is to be substantially reduced by a combination of new revenue-raising measures, reform of public enterprises, and further rationalization of government expenditures.

The Myanmar authorities are fully aware that, given the long history of accumulated problems in Myanmar, the adjustment required will be substantial; the measures taken so far, therefore, represent only a beginning of the long process of economic reform. The authorities recognize that, in order to place the economy on a growth path with price stability and a viable external payments position, a comprehensive package of policies is required. However, successful implementation of such a program will in turn require the support of the international community, in the form of concessional assistance and debt relief.

Meanwhile, the Myanmar authorities would like to express their appreciation to the Fund for making technical assistance available in the fiscal and statistical areas promptly in January and February 1990. At the same time, they would like to state their desire to cooperate further with the Fund in the formulation of a comprehensive structural adjustment program that could be supported by Fund resources in the near future.

Mr. Yamazaki made the following statement:

The staff report and the background paper successfully analyze the dynamic development of the Myanmar economy. Owing to the malfunctioning of the central planning system during most of the 1980s, the economy followed a downward spiral--the high potential of the well-endowed economy notwithstanding. Fortunately, the new

Government that assumed office in 1988 has recognized the need to address the structural rigidity of the economy and to adopt market-oriented economic policies.

Nevertheless, it is not encouraging that the economy has continued to deteriorate during the past year. While the upturn of economic growth in 1989/90 is welcome, the recovery has fallen short of the real income level that existed prior to the major sociopolitical disturbances of 1988. It is disappointing that the inflation rate is increasing, in conjunction with a growing budget deficit and an expanding money supply. The adoption of an open-door policy by the authorities has led to a recovery of exports and a resurgence of capital inflows that have reduced the current account deficit and increased reserves. Nevertheless, it is most regrettable that Myanmar continues to accumulate external payments arrears.

Underlying this worrisome economic trend are shortcomings in adjustment policies, as well as persistent structural problems. To address the accumulation of internal and external imbalances associated with the inefficiency of the economic system, a fundamental reorientation of the economy, including privatization of the state enterprises and the introduction of a market-based pricing policy and a realistic exchange rate policy, is needed. At the same time, however, I agree with the staff's proposition that financial stabilization is a prerequisite for the success of a comprehensive adjustment strategy.

I share the staff's concern regarding the growing fiscal deficit. Substantial tightening on both the expenditure and revenue sides is needed. The shrinking revenue/GDP ratio is a cause for concern; to address this problem, revenue-enhancing measures are urgently needed. In addition, the broadening of the tax base should be sought in the context of an overall review of the tax structure. On the expenditure side, a retrenchment in current spending would seem to be necessary. In this connection, the authorities should adopt a more realistic pricing policy, in light of the fiscal burden imposed by the rice distribution system.

As regards monetary policy, the authorities' credibility has already been seriously damaged by the past two demonetizations: these should never be repeated. Monetary policy during the past year was mixed. The admittance of foreign currency deposits was a welcome development, but there is still room for improvement. Nominal interest rates were adjusted in the right direction; however, interest rates remain highly negative in real terms.

Furthermore, the waiving of interest payments for public enterprises was not justifiable, even as a transitional measure, in light of the market-oriented development of the financial sector.

In the area of structural policy, I agree with the staff that a devolution of power is needed, in order to help the state enterprises streamline their financial positions. In this vein, it is doubtful whether the subsumption of state enterprise bank accounts under the government account will contribute to the development of financial responsibility in the state enterprises; although perhaps necessary as a temporary financial relief for the state enterprises, the relief measures should be consistent with overall macroeconomic and structural adjustment objectives.

To improve state enterprise operations, the authorities should formulate a sustainable framework that would include a mechanism for the privatization of loss-making entities. To this end, a fundamental review should be made of the pricing policy. While some administered prices have been adjusted in the right direction, wide-ranging price distortions and inflexibility still continue to cause inefficient resource allocation, as evidenced by low capacity utilization ratios and by the preference shown in the general economy for the free market sector.

In the external sector, the authorities' efforts to open up the economy, including the establishment of a foreign investment program, are welcome. However, I would again stress the importance of a stable macroeconomic environment in attracting external capital inflows. In Myanmar's case, external imbalances should be addressed by promoting exports and creating a realistic exchange rate regime. In this connection, the recent prohibition of the exporting of some commodities across the border is discouraging, as it increases uncertainty about the direction of the authorities' policies. Furthermore, a fundamental review of the exchange rate policy is urgently needed. Under the current arrangement, the official rate has continued to appreciate in real effective terms, and the weight of the parallel market rate in the economy has increased significantly.

However, it is somewhat surprising to learn from Mr. Ismael's statement that the parallel market exchange rate has recently appreciated very sharply, despite a deterioration in other macroeconomic indicators. I am not sure whether this is a temporary movement due to a seasonal fluctuation of the economy, or whether it reflects a growing confidence in the economy. I would appreciate hearing the comments of the staff and Mr. Ismael on this point.

The two contrasting medium-term scenarios presented by the staff indicate clearly that Myanmar needs a comprehensive adjustment program, in order to achieve sustainable growth. The authorities' future success in obtaining international financial support, including a settlement of external arrears, depends in large part on the authorities' willingness and ability to implement a viable adjustment program. In this connection, I note the authorities' request for use of Fund resources. In view of the mixed performance of the economy arising from the insufficient progress in adjustment policies, the authorities should as a prerequisite, be encouraged to prepare a workable framework for a comprehensive adjustment program. I would appreciate hearing the staff's view on what measures should be taken in the coming year. I support the proposed decision.

Mr. Enoch made the following statement:

For decades, the Myanmar authorities have kept the country out of the mainstream of the international economy. Pervasive attempts at central planning, together with the official sealing of the land borders, have taken Myanmar in a direction very different from that of most of the other economies of the region. The results of this strategy are becoming ever clearer. Last year, for example, national output fell by an estimated 8 percent. Although Myanmar is richly endowed with natural resources, is self-sufficient in food, and enjoys abundant forestry resources, together with significant mineral deposits and reserves of oil, gas, and coal, the country has been unable in any way to share in the dramatically rising economic prosperity now being enjoyed by many of the neighboring countries. For Myanmar, therefore, the familiar and fundamental problem of needing to transform an ossified system of central planning into a market-oriented economy is especially acute.

In this task, the authorities face a number of particular difficulties. First, while other centrally planned economies have generally taken a few--admittedly tentative and incomplete--steps down the path of reform, the last few decades in Myanmar have witnessed virtually no attempt to open up the economy or to begin the process of liberalization. International economic relations are therefore at a more embryonic stage than in almost any other member country. Second, what reforms there have been in Myanmar, have frequently been rapidly reversed. Thus, the authorities face a serious credibility problem as they embark on the process of restructuring the economy.

These considerations suggest that the Myanmar authorities should instigate a comprehensive and rapid approach to economic

liberalization. As private sector and foreign attitudes must be decisively changed, a tinkering at the edges of the current system will not suffice. Indeed, a lesson of other reforming economies is that partial or gradualist reform programs may serve only to undermine macroeconomic stability, to create unrealistic expectations, and to bring about a slide into economic chaos. There are perhaps some signs of these trends emerging in Myanmar, with the rate of inflation accelerating to 22 percent in 1989, and projected to rise in 1990 to 60 percent.

As the staff emphasizes, a crucial prerequisite for reform is the need to establish financial discipline. Over recent years, the Myanmar authorities have attempted to address the growing domestic disequilibrium by slashing public sector investment and curbing import demand through direct controls. However, this strategy has served only to reduce domestic supply and to exacerbate further the underlying domestic imbalances. The authorities now need to move swiftly to re-establish control over the fiscal position, and thereby to tighten liquidity conditions in the economy.

The staff paper reports that a double-digit percentage fall in total public sector receipts is expected this year for the third year in a row. Therefore, the first priority should be to improve domestic resource mobilization by reforming the tax administration, by increasing the receipts from taxes on trade--in part through trade liberalization--by controlling public sector expenditure, and, most fundamentally, by improving the performance of the enterprise sector.

As to public expenditure restraint, the authorities will need to implement a sharp squeeze on current expenditure. In particular, public sector salaries have been increased recently to levels that seem excessive in relation to wages in the private sector, particularly when the array of additional nonwage benefits is taken into account. The authorities must begin to scale back these fringe benefits as soon as possible. More generally, current spending on consumer and producer subsidies has to be sharply reduced, not only to strengthen the budget, but also to pave the way for a more rational price structure that would induce the return of many unrecorded transactions into the official economy.

The authorities must aim to eliminate bank financing of the fiscal deficit. This, in turn, should provide a solid basis on which to build a fundamental reform of Myanmar's financial sector, so that the banking system can begin to play the major role in financial intermediation within the economy. Financial sector reform should include four main elements. First, an independent central bank should be established by the authorities to supervise

and control the banking sector. Second, the banking sector itself must be restructured, with the specialist banks converted into commercial banking entities, and competition encouraged from the private and overseas sectors. Third, positive real interest rates on kyat deposits should be maintained, including, as necessary, a risk premium, with a view to abolishing the current restrictive collateral arrangements. Finally, a more diversified capital and money market should be developed, enabling the Government to borrow resources from the nonbank sector at freely determined rates, and creating the conditions for private sector enterprise and privatization. This is clearly an ambitious agenda, and one that might require a considerable input from the Fund's Central Banking Department experts. However, financial sector reform is not only a prerequisite for private sector development, it will also be a crucial determinant of the authorities' ability to influence macroeconomic conditions, when central planning controls are dismantled.

More generally, as in other centrally planned economies, a comprehensive reform of the enterprise sector will be critical. Indeed, the authorities seem well aware of the need to restructure this sector. However, as the staff points out, the current reform agenda seems largely misdirected. Improving the performance of the state enterprises in the short run should involve increasing managerial autonomy, reducing central controls over pricing, inputs and investment, and enabling price signals to fulfill their necessary allocative role by eliminating explicit or implicit subsidies. Over the medium term, these enterprises can then be broken up into independent entities, privatized, or liquidated.

In contrast, the authorities' current strategy appears to envisage a reduction in managerial autonomy, as the financial operations of the state enterprises are brought under central control. In addition, allowing this sector to borrow interest free from the budget will not only undermine financial discipline, it will also tilt the playing field decisively against Myanmar's nascent private sector. The authorities need to rethink their strategy as a matter of some urgency. I would be interested to hear whether the World Bank has any plans to provide policy advice in this area.

On the external side, a vital step for the reform process would be an immediate realignment of the official exchange rate. While the enormous current divergence between the official and parallel rates reflects in part the liquidity overhang in the economy, it also bears witness to the fact that the official exchange rate is substantially overvalued. This, in turn, has contributed to the development of a significant informal sector, and has induced the authorities to resort to a number of

distortionary measures to stimulate exports and control imports. While the authorities are understandably cautious about further exacerbating the inflationary pressures already present in the economy, it is clear that devaluation--combined with a tight macroeconomic framework and substantial trade liberalization--could bring about an immediate and pronounced turnaround in Myanmar's economic prospects.

The staff's medium-term projections demonstrate that the authorities are confronted with an especially clear choice. On the one hand, they could continue with present policies, leaving the economic structure unchanged and pinning their hopes on attracting additional foreign capital against a background of growing macroeconomic chaos. Given the improbability of generating significant foreign investment inflows outside of the extractive sector, this holds in store the prospect of declines in per capita income for the foreseeable future. On the other hand, the authorities could embark on a program of structural reform, based on firm macroeconomic control. Given the major statistical weaknesses that hamper economic analysis in Myanmar, it is dangerous to place too much reliance on the precise figures presented by the staff. But the general message is clear: the path of adjustment should--relatively quickly--yield significant tangible benefits in terms of growth and inflation. It should also enable the authorities to normalize relations with external creditors. I hope that the authorities will find the staff's analysis convincing, and will undertake the structural reforms that will enable Myanmar to participate in the growing economic prosperity of the region.

Mr. Goos said that he welcomed the authorities' recognition of the need for economic adjustment and reform, as evidenced by their implementation of a number of encouraging measures. Against the background of the disquieting medium-term outlook presented in the staff paper, the authorities' realization that, in order to improve the overall situation, those measures should be extended and integrated into a comprehensive program of macroeconomic and structural reform was welcome. The Fund should stand ready to support such a program with financial resources, provided the program offered reasonable medium-term prospects for the restoration of domestic and external financial viability.

A substantial adjustment program, as Mr. Ismael had noted, would necessitate the implementation of far-reaching systemic reforms, Mr. Goos continued. Moreover, the success of those reforms would depend critically on the restoration of political stability. In addition to the staff's recommendations regarding specific adjustment measures, a note of caution should be sounded against following a course of adjustment that was too gradualist. Specifically, a quicker reduction in the rate of inflation than that suggested by the staff should perhaps be aimed for. That task could be

facilitated by promptly raising interest rates to become positive in real terms, and by using a competitive exchange rate as a monetary anchor, supported by sufficiently tight financial policies.

Another concern, noted by previous speakers, emerged from the substantial discrepancies between policy intentions declared in the recent past and their actual implementation, Mr. Goos remarked. For an adjustment program to be worthy of financial support from the Fund, certainty that such slippages would not recur was needed. Therefore, it might be advisable to give the authorities time to establish a satisfactory track record in such critical areas as exchange rate and interest rate policies, and price and trade liberalization. It would serve no one's interests for the Fund to assist in the establishment of an adjustment program that lacked a sound basis for eventual success.

Finally, referring to a concern expressed in the summing up of the 1988 Article IV consultation discussion, Mr. Goos said that he hoped that the technical assistance now being provided by the Fund would help overcome the serious shortcomings in the statistics supplied by the authorities. He supported the proposed decision.

Mr. Gurumurthi said that the continued deterioration of Myanmar's economy was worrisome. The GDP growth rate had remained negative since 1986/87. Even agricultural output--the dominant sector in the economy--had fallen into decline.

Since the public sector accounted for two fifths of GDP and played a leading role in several areas of Myanmar's economy, its reform should be assigned a high priority on the authorities' agenda for redressing the country's economic problems, Mr. Gurumurthi stated. Certain steps had been initiated in that area, including the decision to swap all state enterprise domestic bank debt for government equity. That action, however, had been followed by the merger of the public sector finances with the government finances: was that a step in the right direction? Besides rendering any financial appraisal of the public sector operations impossible, the new system would effectively remove credit as a priced input. Efforts to improve the efficiency of the public sector should be directed toward achieving greater viability and productivity, without disturbing its basic character; the finances of the public sector should therefore be kept distinct from government finances.

The measures taken to restore public confidence in the domestic currency, increase nominal interest rates, and introduce new deposit accounts were welcome, Mr. Gurumurthi remarked. However, Myanmar residents had been permitted to hold noninterest-bearing foreign currency accounts: would not it be preferable to offer internationally competitive interest rates as a means of attracting foreign currency deposits?

The authorities had initiated economic reform measures in the areas of international trade, foreign investment, and tax administration, Mr. Gurumurthi noted. However, since the country had fallen into arrears to bilateral creditors, the authorities should be encouraged to take speedy adjustment measures to improve the economy. Additional concessional aid flows from bilateral donors and multilateral aid agencies were also recommended, in order to assist Myanmar in implementing its policy reforms and managing its economy more efficiently.

Mr. Warner said that the economic situation in Myanmar was lamentable. As the staff report indicated, after four years of negative growth, real consumption in Myanmar in 1988/89 had been lower than in 1983/84. At the same time, the inflation rate projected for the current year had risen to 60 percent--perhaps the highest in all of Asia--and external arrears were accumulating rapidly.

He was pleased that the new Government that came to power in September 1988 had adopted an economic policy orientation that should offer a better future for the country, Mr. Warner commented; Mr. Ismael's opening statement was quite impressive in this regard. The staff report, however, pointed to the inescapable conclusion that the pace of economic deterioration had accelerated during 1989.

The staff appraisal struck him as candid and sound, Mr. Warner continued. The urgency of adopting a comprehensive economic program emphasizing, initially, the reduction of demand pressures was clear. In particular, in order to avoid further deterioration, he agreed that the authorities should proceed quickly with a substantial adjustment in the exchange rate, supported by appropriate fiscal and monetary policies.

Because a summary of his remaining comments could easily be subsumed under Mr. Yamazaki's overview and Mr. Enoch's detailed technical discussion, he would restrict his observations to two final points that perhaps varied from theirs, Mr. Warner said. First, he had noted the large share of government expenditures in the 1989/90 budget devoted to defense, and had heard reports that the authorities were contemplating further substantial increases. It was hard to imagine that the objectives of financial stability and economic growth could be achieved when such a large commitment of resources was devoted to nonproductive activities; the Fund should be extremely cautious in exercising the use of its resources in such an environment.

Second, the background paper showed that the forestry industry was a major source of foreign exchange for Myanmar and indicated that the potential output of teak was substantially above the current level, Mr. Warner related. It would be interesting to know whether that potential level of output had been determined by the authorities or by the Fund staff, and whether its exploitation would be environmentally sound.

The authorities of Myanmar had a long way to go, Mr. Warner commented. As the staff had pointed out, partial measures would only perpetuate the country's difficulties. He hoped that the authorities agreed, and that they had thought carefully about the implications of recent developments in eastern Europe--as well as those in neighboring countries--for their own economic strategy.

Mr. Dai made the following statement:

It is encouraging to learn that, despite the difficult aftermath of widespread social and political disturbances in 1988, the new Government of Myanmar has acted promptly to halt the severe deterioration of the economy and has adopted a series of bold, open-door, market-oriented economic policies. These policy measures are summarized clearly in the staff report and in Mr. Ismael's opening statement. The authorities' reform efforts are pointed in the right general direction, and the reform measures recently introduced--although still in their initial stages--will lay a sound foundation for the more comprehensive and far-reaching adjustment strategy that is already under consideration.

Since I generally share the views contained in Mr. Ismael's statement, I will emphasize just a few points. First, given the magnitude of the problems facing the Myanmar economy and the fact that the new Government has been in office for only about a year, it is understandable that, at this stage, the authorities are proceeding with their economic reforms in a resolute, but prudent, manner. Although inappropriate policies have undoubtedly played a major role in Myanmar's current economic difficulties, other deep-rooted causes have also contributed to the problem. In Myanmar as well as in many developing countries, a low level of economic development and a monocultural economic base have also, for example, been major impediments to economic development.

Second, the absence of necessary institutional and technical structures frequently prevents developing countries from implementing more comprehensive economic programs, in which indirect economic instruments are used rather than administrative ones. As was indicated by Mr. Ismael, the authorities are fully aware of the seriousness of their economic problems and of the importance of a comprehensive structural adjustment program in solving these problems. But without the support of the international community, it is extremely difficult for Myanmar to successfully implement such a program. In view of the complications involved in structural reform, the authorities' request for prompt technical assistance from the Fund and their expectation of the Fund's financial support for a structural adjustment program are warranted and deserve our full support.

Third, the introduction of a foreign investment law by the authorities is a welcome development, and the response to it by foreign investors has generally been positive. Nevertheless, as was noted in the staff report, the initial projects have focused on the extractive industries, and have neither greatly increased the domestic value added nor had major effects on employment. I agree with the staff that the authorities should keep the new law under review and assess its appropriateness in the light of experience. However, in addition to the creation of a sound economic environment and the application of appropriate policies and regulations, the cultivation of a basic social infrastructure and qualified human resources are also indispensable in attracting foreign investment. To realize the objectives in these areas usually requires not only considerable time, but also substantial capital investment. Myanmar's situation is typical in this respect, and the solution of its problems should be considered in the framework of long-term support from the international community, including the Fund, on highly concessional terms.

I support the proposed decision.

Mr. Al-Jasser said that the present economic malaise in Myanmar was essentially the consequence of adhering to direct and indirect controls, and unrealistic and inflexible prices of goods and inputs. Those controls had created cost-price distortions, an inappropriate exchange rate, and a rapidly contracting formal sector. It was heartening to learn from Mr. Ismael's statement that the authorities were cognizant of the need for a policy shift, and that some steps, albeit modest ones, had already been taken. However, he agreed with the staff that those steps were partial in scope and inadequate to handle the myriad problems facing Myanmar.

A more comprehensive policy shift was required to unshackle Myanmar's immense natural and human resources, Mr. Al-Jasser continued. Such a shift would necessitate a major institutional and structural transformation of the economic system, including a progressive decontrolling of the economy, in order to allow the allocation of resources by market forces. Because the implementation of such a policy package would take time, it would benefit from a carefully considered sequencing of the policy measures. The implementation of the program would require active financial and technical support from the world community, which, in turn, could be expected only if determined and substantive prior actions were taken by the authorities. The Fund should stand ready, in collaboration with other multilateral institutions--especially the World Bank and the Asian Development Bank--to assist Myanmar in that arduous, but essential task. He welcomed the Fund's compliance with the request for technical assistance in the areas of fiscal policy and administration and hoped that the authorities' desire, as expressed in Mr. Ismael's statement, to formulate a Fund-supported structural adjustment program would come to fruition. He also hoped that, with

adequate external support and encouragement, the authorities would rise to the challenge of implementing such a program.

Mr. Kwon made the following statement:

This chair also welcomes the Myanmar authorities' efforts, beginning in 1987, to move toward a more market-oriented economic system. However, the measures taken thus far appear to be incomplete and far from commensurate with the problems facing the economy. The situation has been further aggravated as a result of the political transition.

The staff appraisal points to the need for an early adoption of a comprehensive medium-term adjustment strategy that should include stabilization policies and a wide range of structural measures covering the tax system, state enterprises, the exchange and trade regime, and the financial sector. To be able to achieve the objectives of the resumption of growth, low inflation, and balance of payments viability, the staff has recommended a sequence of important policy steps, starting with the use of tighter domestic credit and liquidity controls to establish financial stability and control inflation. After stability is attained, measures should be implemented to achieve a sustained reduction of the large fiscal deficit; controls on expenditures should be tightened, revenues should be increased, and the profitability of state enterprises should be improved, by granting greater autonomy in pricing and employment decisions.

Monetary and fiscal policies should then pave the way for external sector reforms, including exchange rate adjustment, trade liberalization, policies to attract investment in the export sector, and, eventually, the elimination of external arrears. This sequence of events appears to be reasonable; hence, we endorse the staff's recommendation.

In the financial sector, the public should be assured that the currency will not be demonetized: demonetization has occurred twice before and has led to an erosion of confidence in the kyat. Moreover, it will be essential to raise nominal rates to offset the substantially negative real rates that have caused the development of parallel financial markets and disintermediation. The need to charge interest rates on all loans--state enterprises are not required to pay interest on loans at present--and to ease restrictive collateral requirements and credit ceilings for the private sector should be stressed.

On the fiscal side, current expenditures should be monitored and controlled more closely, especially the wages and salaries that constitute the bulk of these expenditures. These controls

should be accompanied by new tax measures, including a broad-based sales tax, an increase in taxes on agricultural products, a more rational pricing policy for public utilities, and improvements in tax administration. The authorities should also translate more fully into action their stated intention to improve the efficiency of state enterprises.

On the external front, the first important steps should be to establish a more realistic exchange rate and to offer assurances to would-be foreign investors that their profits may be freely repatriated. Trade should also be liberalized by lifting border restrictions on major commodities; these restrictions have resulted in illegal exports and revenue losses. Finally, it is essential for the authorities to re-establish good relations with bilateral and commercial lenders by working to eliminate external arrears.

I fully agree with the staff on the need for macroeconomic and structural measures, and on the proper sequencing of these measures. It is also important that the authorities view these measures as complementary components of a comprehensive reform package; therefore, piecemeal and partial implementation will not be effective, and may even be counterproductive.

I encourage initiatives by the authorities to tap the Fund's expertise, especially in the areas of fiscal and financial reform, through the use of technical assistance.

The staff representative from the Asian Department said that, although no direct means of corroborating the reported appreciation of the parallel market exchange rate were available, the appreciation had, in fact, taken place. Possibly the good harvest of the past year had boosted the volume of illegal border exports, thereby increasing the supply of foreign exchange in the secondary market. But even if that had been the case, the underlying conditions that had fostered the establishment and growth of the illegal market were unchanged, and the appreciation must therefore be viewed as a temporary development. No major shift in policy had occurred to warrant a narrowing of the differential between the parallel and the official rates, and, even with the appreciation, the parallel rate was seven times higher than the official rate. There was still an urgent need for early action on a comprehensive program to stabilize the financial and macroeconomic environment.

The recent increase in the salaries of public sector employees was very large, the staff representative remarked; however, those salaries had not been adjusted for some time, and the employees were feeling the impact of the high rate of inflation. Nonetheless, the suggestion had been made to the authorities that, with the adjustment in salaries, other substantial

subsidies to the public sector employees, such as housing and transportation benefits amounting to 50 percent of base salaries, should be phased out as part of the fiscal adjustment process.

The World Bank was standing ready to provide assistance in developing the financial and public sectors in Myanmar, the staff representative continued. Heavy involvement in those areas by the World Bank was envisaged when the circumstances were appropriate.

With respect to the projected decline in the rate of inflation, the medium-term projections assumed that a significant fiscal adjustment would contribute greatly to controlling of inflation, the staff representative said. However, it should be kept in mind that the required exchange rate adjustment would be extensive and, at least in the first year of the adjustment, would have an extremely heavy impact on the inflation rate. After the first year, the rate should decelerate rapidly, as was indicated in the medium-term scenario. Prompt movement toward positive real interest rates would help to control the inflation rate. However, even if all those events were to take place, the public sector borrowing requirement--especially for public enterprises--would still remain high because of the difficult, time-consuming reforms remaining to be implemented in that area; therefore, some degree of credit expansion should be expected.

It was very difficult to assess the environmental impact of teak-logging activities, the staff representative from the Asian Department remarked. The logging concessions were being operated near the Thai border in insurgent territory, and independent observation was limited. Representatives from the World Bank had not had an opportunity to determine the environmental effects, since the World Bank had not made any loans to the logging industry in Myanmar since the 1970s. The data provided by the authorities indicated that both teak and hardwood production had declined significantly during the three-year period beginning in 1983, before surging again in 1987 and 1988 following concessional agreements with Thai-based companies. Even so, teak production was now averaging 300,000 cubic tons per year--well below the sustainable level of 500,000 cubic tons. Nevertheless, the level of logging production was a cause for concern, and the staff would be monitoring the situation in collaboration with representatives from the World Bank.

Mr. Ismael said that there was an urgent need to stabilize the macro-economic environment in Myanmar and ensure that economic policy was on the right track. However, on their own, the authorities lacked the knowledge needed to accomplish those tasks. That should not be surprising, since the constraints of a highly regimented economy had influenced their thinking over the past 26 years. In those circumstances, a Fund-supported, comprehensive structural adjustment program would be the best way to achieve those objectives. If the Fund were to adopt a wait-and-see attitude and place an excessive emphasis on the completion of prior actions, the authorities would attach greater priority to urgency, rather than to consistency, in changing

the economic system. Undue delays in starting negotiations would result, and the liberalization process might suffer a sharp reversal, thereby rendering future negotiations more difficult.

The Chairman made the following summing up:

Executive Directors noted with much concern the continued deterioration of Myanmar's economy, which had experienced negative growth for the third year in a row in 1988/89, and which was not expected to show much recovery in 1989/90. Moreover, inflation was accelerating, and the real effective exchange rate was now seriously out of line with reality. It was observed that the poor economic performance partly reflected internal political disturbances in 1988, but that it was mainly due to inadequate and rigid policies pursued over a number of years under the country's centrally planned economic system. As a result, Myanmar had failed to share in the rapid growth and rising prosperity of a number of countries in the region.

Directors welcomed the authorities' announced intention to move toward a more open, market-oriented system. They stressed, however, that the policies undertaken by the Government so far did not adequately address Myanmar's deep seated problems and they expressed concern that policies were sometimes misdirected and subject to sudden changes and reversals. Directors regretted that the recent buildup in reserves stemmed in part from a continued accumulation of external debt service arrears. They cautioned that this policy would have long-term detrimental effects for Myanmar and called on the authorities to take immediate steps, including resumption of payments and adoption of comprehensive adjustment policies that would pave the way toward a normalization of relations with creditors.

It was noted that Myanmar had expressed interest in developing a set of policies that could be supported by a Fund arrangement. In that context, Directors stressed that Myanmar's imbalances were so large and deep seated that they could not be tackled in a gradualist fashion. Determined pursuit of comprehensive reform policies was needed, and Myanmar would have to restore the credibility of government policy through the establishment of a solid track record of reform policies. Directors stated that these would have to include comprehensive price reforms and strong measures in the fiscal, monetary, and exchange rate areas, as well as structural reforms encompassing a balanced exploitation of natural resources, mindful of environmental concerns, together with reform of public enterprises and of the financial and exchange and trade systems.

The monetary system needed to be reformed fundamentally, including the establishment of an independent central bank and the introduction of market-oriented interest rate policies. Domestic resource mobilization needed to be strengthened through a reversal of the rapid decline in the ratio of government receipts to GDP. Some Directors also stressed the need to reduce unproductive expenditure, particularly military outlays. Directors indicated that early actions were needed, in the context of the 1990/91 budget, to significantly reduce the overall public sector deficit in order to ease demand pressures and to establish a realistic exchange rate, thus providing a basis for the needed fundamental restructuring of the economy.

Several Directors expressed the wish that the Fund could be in a position to support such a comprehensive program with concessional resources; this indeed could be feasible under the enhanced structural adjustment facility if the program were comprehensive and strong enough.

It was proposed that the next Article IV consultation with Myanmar be held on the standard 12-month cycle.

The Executive Board then took the following decision:

1. The Fund takes this decision relating to Myanmar's exchange measures subject to Article VIII, Section 2(a), and in concluding the 1989 Article XIV consultation with Myanmar, in the light of the 1989 Article IV consultation with Myanmar conducted under Decision No. 5392-(77/63), adopted April 29, 1977, as amended (Surveillance over Exchange Rate Policies).

2. Myanmar maintains a restriction on payments and transfers for current international transactions arising from the foreign exchange budget in accordance with Article XIV. In addition, Myanmar imposes exchange restrictions subject to approval under Article VIII, Section 2(a), in the form of a restriction giving rise to external payments arrears and of limitations on various invisible payments as described in SM/89/280. The Fund urges Myanmar to remove the exchange restrictions subject to approval and encourages Myanmar to apply the exchange restriction arising from the foreign exchange budget liberally.

Decision No. 9344-(90/5), adopted
January 12, 1990

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/90/4 (1/12/90) and EBM/90/5 (1/12/90).

3. COMPENSATORY AND CONTINGENCY FINANCING FACILITY - AMENDMENT

The Fund decides that in paragraphs 28, 41, and 47 of Decision No. 8955-(88/126), as amended, "January 15, 1990" shall be replaced by "March 31, 1990." (SM/90/10, 1/9/90)

Decision No. 9345-(90/5), adopted
January 12, 1990

4. ANGOLA - REPRESENTATIVE RATE FOR ANGOLAN KWANZA

The Fund finds, after consultation with the authorities of Angola, that the representative rate under Rule 0-2(b)(i) for the Angolan kwanza against the U.S. dollar is the midpoint between the buying and selling rates for spot delivery of U.S. dollars in the official market as quoted by the Banco Nacional de Angola. (EBD/90/6, 1/9/90)

Decision No. 9346-(90/5) G/S, adopted
January 12, 1990

5. ZAMBIA - OVERDUE FINANCIAL OBLIGATIONS - REVIEW FOLLOWING
DECLARATION OF INELIGIBILITY - POSTPONEMENT

Paragraph 4 of Decision No. 9261-(89/128), adopted September 15, 1989, shall be amended by substituting "by March 2, 1990" for "within four months." (EBS/90/5, 1/9/90)

Decision No. 9347-(90/5), adopted
January 12, 1990

6. POLAND - TECHNICAL ASSISTANCE

In response to a request from the National Bank of Poland for technical assistance in the central banking field, the Executive Board approves the proposal set forth in EBD/89/405, Supplement 1 (1/10/90).

Adopted January 12, 1990

APPROVED: October 19, 1990

LEO VAN HOUTVEN
Secretary