

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 92/150

4:45 p.m., December 14, 1992

M. Camdessus, Chairman

Executive Directors

M. Al-Jasser

T. C. Dawson

E. A. Evans

R. Filosa

I. Fridriksson

J. E. Ismael

D. Kaeser

J.-P. Landau

R. Marino

L. J. Mwananshiku

D. Peretz

G. A. Posthumus

S. Schoenberg

D. E. Smee

A. G. Zoccali

Alternate Executive Directors

A. A. Al-Tuwaijri

L. E. N. Fernando

Wei B.

F. Moss, Temporary

I. Papadakis

M. Nakagawa, Temporary

J. C. Jaramillo

G. Glazkov, Temporary

C. J. Jarvis, Temporary

I. Martel

O. Kabbaj

J. Dorrington

Y.-M. T. Koissy

B. Esdar

M. B. Chatah, Temporary

G. F. Murphy

L. Van Houtven, Secretary and Counsellor

C. P. Clarke, Assistant

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2. San Marino - Acceptance of Obligations of Article VIII, Sections 2, 3, and 4 Page 18
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Also Present

IBRD: M. Nishimizu, Risk Management and Financial Policy Department.
Central Asia Department: D. Mihaljek. European I Department: M. Russo,
Director; A. M. Gulde, L. J. Lipschitz, A. A. F. Op de Beke, P. M. Thomsen,
C. M. Watson. External Relations Department: H. Puentes, M. Seeger. Legal
Department: F. P. Gianviti, General Counsel; W. E. Holder, Deputy General
Counsel; P. De Boeck, P. L. Francotte. Policy Development and Review
Department: M. Gilman, G. R. Kincaid. Secretary's Department: J. W. Lang,
Deputy Secretary; B. R. Hughes. Treasurer's Department: D. S. Williams,
Treasurer; G. Wittich, Deputy Treasurer; J. E. Blalock, J. C. Corr,
M. B. O'Brien. Western Hemisphere Department: S. T. Beza, Counsellor and
Director. Advisors to Executive Directors: S. K. Fayyad, B. R. Fuleihan,
A. R. Ismael, W. Laux, P. A. Merino, R. Meron. Assistants to Executive
Directors: S. E. Al-Huseini, D. A. Barr, M. Da Costa, M. E. Hansen,
K. M. Heinonen, O. A. Himani, P. K. Kafle, K. J. Langdon, G. J. Matthews,
T. P. Thomas, J. W. van der Kaaij.

1. YUGOSLAVIA - CESSATION OF MEMBERSHIP, ALLOCATION OF ASSETS AND LIABILITIES, AND SUCCESSION TO MEMBERSHIP IN THE FUND

The Executive Directors considered a draft decision on cessation of membership, allocation of assets and liabilities, and succession to membership in the Fund with respect to the Socialist Federal Republic of Yugoslavia (SFRY) (EBS/92/207, 12/7/92), together with a staff paper on quota calculations for the successor republics of the SFRY (EBS/92/206, 12/7/92). They also had before them a preliminary statement by the Managing Director on the SFRY (GRAY/92/43, 12/11/92).

The Chairman said that the staff had been in close contact with the World Bank staff, and he had been in contact with Mr. Preston, who had re-emphasized the importance for the Bank of having conditional membership offered to all five succeeding republics, even though some successors might not be able to take up that offer immediately.

Mr. Posthumus stated that he agreed with the proposed decision. It should be very clear that Slovenia, Croatia, Bosnia and Herzegovina, and the former Yugoslav Republic of Macedonia should all become members very soon, and he would welcome a statement to that effect in the record of the present meeting. It was not clear to him, however, whether the document that had been circulated by the Managing Director prior to the meeting was a draft summing up of the discussion or a statement by the Managing Director that would be put in the record. He would support the latter alternative, assuming that it was supported by the Board.

The Chairman remarked that the document he had circulated was a statement in his capacity as the Managing Director, for the record, on the status of the Board's deliberations on Yugoslavia in light of the discussions at EBM/92/145 and EBM/92/146 (12/4/92).

Mr. Posthumus considered that the strong emphasis in the Managing Director's statement on a Security Council decision did not serve the interests of the Fund. The Fund had never based its decisions on Security Council decisions, and the proposed formulation would be a precedent for decisions in other cases in which UN sanctions might have been imposed. In his view, the statement should be toned down, perhaps by replacing "particular attention will be given to the effect of sanctions" with "including the effects of sanctions" in the final sentence of the third paragraph.

Mr. Evans recalled that he had circulated in advance of the meeting a memorandum to the Secretary, which had been copied to Directors, proposing that the words "and willing" be deleted from paragraph 3(a)(iii) of the proposed decision.

Mr. Peretz said that he supported the proposed decision on membership and succession in its entirety. He could, however, accept the amendment proposed by Mr. Evans. Although the staff paper noted that paragraph 5 of the proposed decision was not indispensable, it was helpful to include that

statement on the provisional designation "former Yugoslav Republic of Macedonia." In that context, he assumed that no agreement would be reached on the use of a name other than the former Yugoslav Republic of Macedonia without the Board's agreement.

The statement by the Managing Director, which he endorsed in its entirety, was welcome, and he was pleased that the Chairman intended to include it in the minutes of the present meeting, Mr. Peretz remarked. He supported the conclusions in the staff paper on quota calculations for the successor republics. It was important, not only for the Fund but also for the World Bank, that everything should be done to secure the agreement of all five successors to the proposed division of the quota and the assets and liabilities of the former SFRY in the Fund. To that end, it would be helpful to set a one-month deadline for the successors to notify the Fund of their agreement to the allocation of assets and liabilities. It would also be useful to indicate clearly that failure by any successor to agree to the proposed allocation would not hold up the membership of the other successors but would preclude that successor's right to succeed to Fund membership. While the Board must be kept informed of progress on meeting that deadline, there should be no doubt that the Board would follow the course of action outlined in the staff paper.

Like Mr. Posthumus, he hoped that the proposed decision would be approved, thereby facilitating early membership for at least Slovenia, Croatia, and Bosnia and Herzegovina, Mr. Peretz commented. With respect to the former Yugoslav Republic of Macedonia, he noted that the communiqué issued by the European Council following the recent EC Summit at Edinburgh had underlined the importance of providing that republic with access to financing from the international financial institutions.

Mr. Landau said that he supported the proposed decision. Like Mr. Posthumus, he hoped that nearly all of the successors would be able to join the Fund as soon as possible, especially those that Mr. Posthumus had mentioned. His chair, like others, was sensitive to the reference in the Managing Director's statement to the UN, which did not add much to the decision and might, in fact, create an unfortunate precedent. As a second order priority, his concern had been to try to minimize the potential financial implications of the Fund's decision for the World Bank. As was well known, it would be better if all successors, even those that did not fulfill the conditions for membership at an early stage, could be made to agree to the quota-sharing formula as well as the sharing formula for the former SFRY's assets and liabilities in the Fund.

With that in mind, Mr. Landau continued, he agreed with Mr. Peretz that failure by one successor to meet the conditions for membership should not preclude membership for the other successors. Furthermore, one month was an appropriate period for the successors to accept the quota-sharing formula. However, he was somewhat concerned about the automaticity that would apply to those successors that did not accept their share by the end of the one-month period. It was his understanding that if a successor failed to meet

that condition, it would have no choice but to become a member through the admission procedure under Article II. In addition, the legal status of the World Bank's claims on a successor in that position would be somewhat uncertain. He would suggest that, at the end of the one-month period, the Board should assess the situation very informally. If a successor had not yet agreed to the quota-sharing formula, and if there were reasonable prospects that it would agree, the relevant period for notifying the Fund could be extended. Such a decision should certainly not be taken at the present juncture, and he agreed with Mr. Peretz that the one-month period should be presented as a very firm deadline to induce an early and comprehensive response from the successor republics. Nevertheless, he was concerned about the automaticity of the process, which could preclude succession to Fund membership for one or more successors, thereby weakening the World Bank's claims on those successors, with all the financial consequences that such a situation would entail.

Mr. Peretz said that there was a small difference between his views and those of Mr. Landau. In his view, automaticity would increase the chances of securing an agreement from all five successors; if there were any suggestion that the process was less than automatic, the chances of reaching such an agreement would be reduced. He would, therefore, be extremely wary of scheduling a further meeting on the issue.

Mr. Landau remarked that he was well aware of the dangers to which Mr. Peretz had alluded, but he would not propose that the Board agree to change the automaticity of the proposed decision. He would suggest, however, that before a final decision was made to exclude from the process any successor that had not met the one-month deadline, the Board should have an opportunity to consider the matter, perhaps three or four days before the deadline. It was important to remember that the financial implications for the World Bank of the Fund's actions on that matter were significant.

Mr. Peretz suggested that the Chairman could undertake to keep the Board informed of progress with respect to the first condition for membership set out in the proposed decision. He would be very reluctant to agree at the present stage to schedule a further meeting on the issue.

Mr. Al-Jasser remarked that he shared the views of Mr. Peretz, because of the signaling effect of agreeing in advance to review the issue further. If the Fund did not appear to be clear on the issue, the Fund's resolve would be questioned.

Mr. Dawson said that he, too, agreed with Mr. Peretz. There was nothing to prevent the Board from returning to the issue at a later stage. Sending the wrong signal at the present juncture could invite delaying tactics and hesitation, which was a particularly acute danger in light of the public attention that was focused on the process. In that respect, a rather detailed, but nevertheless misleading, article on the Fund's approach to the membership of the republics of the former SFRY had appeared recently in the

Financial Times, which seemed to have been based on information obtained from the World Bank.

The Chairman commented that he hoped that the clarity of the proposed decision would act as a powerful incentive for all five successors to agree on the distribution of assets and liabilities within the one-month period. If that did not happen, he would inform the Board.

Mr. Dawson said that he could go along with Mr. Evans's amendment to the proposed decision. His authorities supported the approach outlined in the three documents prepared for the present meeting. Given that the Board, as well as the authorities of several members, had already held protracted discussions on the many difficult issues involved, he would only note that the proposed approach was not only the best but also the only acceptable one, taking into account the interests of both the Fund and the Bank and the realities of the situation. He also supported the proposals with respect to the allocation of the quota and the assets and liabilities of the former SFRY in the Fund, and he supported the proposed decision. Unlike Mr. Posthumus, however, it was his strong expectation that the Managing Director's statement would become an integral part of the Fund's decision at the present meeting and would, therefore, be incorporated in the record of the meeting.

Mr. Al-Jasser remarked that his position was similar to that of Mr. Dawson and Mr. Peretz, and he supported the proposed decision, which probably represented the only way to proceed on the matter. He also shared Mr. Dawson's views about the procedural aspects of the Managing Director's very succinct statement. He did, however, have some difficulty with the text of the statement, inasmuch as it did not refer directly to the tragic events that were unfolding in the former SFRY. At the previous discussion on the former SFRY (EBM/92/145 and EBM/92/146, 12/4/92), most chairs had made an explicit expression of sympathy with the paramount victim of the tragedy. While the final sentence of the Managing Director's statement captured the Board's attitude toward the perpetrator of the tragedy, he had been hoping for a pointed yet apolitical indication that the Board would take into account the reaction of the membership to the tragedy in the region.

His concerns in that respect, Mr. Al-Jasser continued, stemmed mainly from the reference in that morning's Morning Press to an article that had appeared in the Financial Times, which stated that the Fund would be opening the way for Slovenia and Croatia to become members. While that statement was, of course, true, it might be interpreted to mean that the way would not be open for Bosnia and Herzegovina to join the Fund, at least not as expeditiously, which was the wrong signal to send. If it was clear that the Fund was concerned about the actions of the perpetrator of the tragedy, it should also be clear that it was sympathetic to the situation of the paramount victim of the tragedy. He would hope, therefore, that a way would be found to include in the Managing Director's statement an indication of the Fund's

support for the expeditious and, it was to be hoped, simultaneous succession to membership of at least three or four of the successors.

The Chairman noted that, while the Fund's position would be made clear to the press and others following the present meeting, Directors had not yet agreed on the text of the proposed decision itself. The political situation with respect to the former SFRY was very fluid, and it was not possible to predict with certainty, for any of the successors, the outcome of the Board's formal consideration of each case; nor was it possible to predict the order in which the republics would become members. He had particular sympathy for the victims of the tragic situation in the region, and, in his view, the language of the proposed decision was clear. The purpose of the present meeting, however, was to establish the conditions that must be met for the Board to take a formal decision on the succession to membership of each of the successors.

Mr. Al-Jasser said that he agreed with the Chairman's remarks. He had not intended to demand an explicit decision by the Board that three or four of the republics would succeed to membership as a group. He had meant only to suggest the inclusion at the end of the Managing Director's statement of a declaration to the effect that particular attention would be given not only to the effect of sanctions imposed by the Security Council but also the reaction of the membership to the tragedy in the region. Such a declaration would make it clear that the Fund was also cognizant of the effect of the tragedy on the paramount victim, without stating explicitly the name of that republic, which might help to avoid any further misunderstandings along the lines of the recent article in the Financial Times.

Mr. Peretz stated that he had a great deal of sympathy for the point that Mr. Al-Jasser had made, but he wondered whether the best way to handle the issue was to explain clearly to the press the implications of the proposed decision, which he hoped would be adopted at the present meeting. He would be hesitant to amend the text of the Managing Director's statement; in any event, the language suggested by Mr. Al-Jasser did not fit well with the existing language that dealt with the factors influencing the Board's assessment of the ability of a successor to meet its obligations under the Articles. Inasmuch as the concerns that Mr. Al-Jasser had raised stemmed mainly from a press report, those concerns could best be addressed in the Fund's dealings with the press following the present meeting.

The Chairman observed that Mr. Al-Jasser's suggestion was a double-edged one, because inclusion of a reference to the tragedy in the region might imply that there was some doubt about the ability of some republics to fulfill their membership obligations.

Mr. Al-Jasser said that he agreed with the Chairman's observation, which was why he had been careful to try to find wording that would not raise that issue. He was cognizant of the point that Mr. Filosa had raised at the previous discussion on the former SFRY about the ability of a country that was torn by war to fulfill its obligations under the Articles. At the

same time, however, a great deal of sympathy had been expressed for not allowing any technical difficulties to prevent such a country from joining the Fund. He was in the hands of the Chairman as to the appropriate procedural device for expressing that view, and he hoped his colleagues would join him in expressing their concern and sympathy for the tragic situation of Bosnia and Herzegovina.

The Chairman suggested that Mr. Al-Jasser's concerns, which were certainly shared by other Directors, could be addressed by explaining to the press that the decision to be taken at the present meeting was rather unusual for a monetary institution like the Fund. Moreover, it could be explained that the Fund had taken a decision within a relatively short time because it was cognizant of the dramatic human situation, which suggested that the institution should do everything in its power, as the conditions for succession were fulfilled, to fulfill its own responsibilities promptly. Such an approach would convey the Board's sensitivity to the tragic aspects of the situation without affecting the delicate legal balance of the proposed decision.

Mr. Al-Jasser stated that the Chairman's suggestion would go some way toward alleviating his concerns, and the crisper the expression of the Fund's intention to act promptly, the better.

Mr. Peretz said that he could go along with the Chairman's suggestion.

Mr. Chatah commented that he supported the underlying sentiment of Mr. Al-Jasser's point, and the approach suggested by the Chairman would be acceptable to him, provided that it was executed clearly.

Mr. Kabbaj said that he agreed with the proposed decision. He could also support the suggestion made by Mr. Al-Jasser or the Chairman's proposed approach. He wondered whether there were any legal consequences of the proposed amendment to the decision that Mr. Evans had tabled.

Mr. Fridriksson stated that he could support the proposed decision. It was to be hoped that the succession process would proceed rapidly for all of the successors that met the conditions of the decision. He had no difficulty with the Managing Director's statement, but he would prefer to include the language suggested by Mr. Posthumus in the concluding sentence.

Mr. Dawson said that he strongly preferred the original language of the Managing Director's statement. Indeed, a strong case could be made that the original language was rather weak, especially in light of the language contained in Article VI of the agreement between the Fund and the UN. Article VI, paragraph 1, of that agreement contained language that was not dissimilar to the language that Mr. Posthumus had proposed, namely, that the Fund should "have due regard for decisions of the Security Council;" as discussed by the Board on several occasions, however, it also stated that "the Fund takes note of the obligations assumed...by such of its members as are also Members of the United Nations, to carry out the decisions of the

Security Council through their action in the appropriate specialized agencies of which they are members..." a point that was missing from the Managing Director's statement. The language proposed by Mr. Posthumus would, in effect, weaken the statement, and it was his strong recommendation, that the statement be approved as drafted, so as to preserve the compromise that had been reached.

Mr. Peretz stated that he agreed with Mr. Dawson. The Managing Director's statement reflected a broad consensus that all Directors could accept, and he would not want to risk weakening that consensus by considering changes to the text.

Mr. Murphy remarked that he supported the proposed decision and the Managing Director's statement, as drafted.

Mr. Nakagawa said that his chair could support the proposed decision. On the distribution of the former SFRY's quota, his chair could support the method and results set out in the staff paper. As regards the distribution key for the assets and liabilities in the Fund of the former SFRY, his chair could go along with the staff's suggestion to base the distribution on the successors' respective shares in the aggregate of their calculated quotas under the Ninth General Review. On the Managing Director's statement, he, like Mr. Peretz and Mr. Dawson, could accept the statement as a compromise, and he supported its inclusion in the formal record of the present discussion.

Mr. Jaramillo remarked that, as his chair had mentioned at the discussion on December 4, 1992, his authorities favored complete succession for all five republics, as they believed that such a procedure best protected the interests of the Fund and, at the same time, avoided creating an undesirable precedent. They could, however, support a decision along the lines expressed in the Managing Director's statement, particularly the third paragraph. The assessment of the ability of each successor to meet its membership obligations should be decided on the same basis that had been applied to previous prospective members in order to avoid any discriminatory treatment.

Mr. Schoenberg commented that he could support the proposed decision, as well as the Managing Director's statement.

Mr. Kaeser said that he, too, could support the proposed decision, as well as the Managing Director's statement.

Mr. Wei remarked that his chair could endorse the proposed approach and methodology for the quota calculations for the five republics that had formerly constituted the SFRY. His chair could also support the methodology to determine the respective shares of the five republics in the assets and liabilities of the former SFRY in the Fund. However, the Fund's financial claims on the former SFRY might be put at risk under the so-called conditional succession approach to membership for the five republics. On the

instructions of his authorities, his chair wished to record its abstention on the proposed decision in EBS/92/207.

Mr. Fernando said that his authorities had no objection to the proposed decision. His chair supported the distribution key for the assets and liabilities and had no problem with the Managing Director's statement, as drafted.

Mr. Ismael stated that he could support the proposed decision and the quota distribution for the successor republics. He also agreed with the inclusion of the Managing Director's statement, as drafted, in the record of the present meeting.

Mr. Moss said that his chair supported the proposed decision.

Mr. Jarvis remarked that his chair supported the proposed decision and could support Mr. Evans's suggested amendment. With respect to the Managing Director's statement, he preferred the language suggested by Mr. Posthumus.

Mr. Chatah commented that he could join other speakers in supporting the decision and the Managing Director's statement as drafted.

Mr. Marino stated that he shared the majority view on the issues under discussion.

Mr. Zoccali said that he, too, could join the consensus, and he supported Mr. Evans's suggested modification to the proposed decision. With respect to the Managing Director's statement, he would have preferred Mr. Posthumus's formulation, but he could accept the statement as drafted.

The Chairman observed that there appeared to be broad support among Directors for the proposed decision and the text of his statement.

The General Counsel suggested that, before the Board formally considered the proposed decision and the suggested amendment of Mr. Evans, he could briefly review the text of the proposed decision, introduce a minor amendment, and fill in the blanks as appropriate on the basis of the conclusions in EBS/92/206, which he understood were supported by the Board.

In Paragraph 2(a) of the proposed decision, the General Counsel continued, the percentages would read as follows: Republic of Bosnia and Herzegovina, 13.20; Republic of Croatia, 28.49; former Yugoslav Republic of Macedonia, 5.40; Republic of Slovenia, 16.39; and Federal Republic of Yugoslavia, 36.52. In paragraph 3(a)(iii), as Mr. Evans had suggested, the words "and willing" would be deleted. Approval of that amendment would mean that the willingness of a successor to meet its obligations under the Articles would not be made the subject of an explicit finding by the Board. Instead, willingness would be tested strictly on the basis of objective criteria, as already provided in paragraph 3(a)(ii), namely, in the form of a notification to the Fund that the successor agreed, in accordance with its

law, to succeed to membership in accordance with all the terms and conditions prescribed in the decision, and that it had taken all steps necessary to enable it to succeed to such membership and to carry out all of its obligations under the Articles.

Mr. Evans indicated that he agreed with the General Counsel's interpretation of the effect of his amendment.

The General Counsel noted that some arrears had already arisen in the SDR Department on the part of the former SFRY. Therefore, Directors might want to insert the words "or in the SDR Department" at the end of paragraph 3(a)(iv), which currently dealt only with financial obligations to the Fund itself. Payments in the SDR Department would have to be made in SDRs. The use of SDRs could also be envisaged for payment to the General Resources Account. For payment in SDRs, various procedures could be envisaged. For instance, a successor could ask a participant in the SDR Department to make the necessary payments on its behalf. If a successor had to be prescribed as another holder of SDRs for the interim period until that successor became a participant, such a prescription would require a qualified majority of 85 percent of the total voting power.

In paragraph 3(b) of the proposed decision, the General Counsel continued, the quota of each successor, denominated in millions of SDRs, would be 76.9 for the Republic of Bosnia and Herzegovina; 180.1 for the Republic of Croatia; 33.5 for the former Yugoslav Republic of Macedonia; 99 for the Republic of Slovenia; and 223.5 for the Federal Republic of Yugoslavia. With respect to paragraph 3(c), the additional subscription payments for the quota increase under the Ninth General Review, denominated in millions of SDRs, would be 44.3 for the Republic of Bosnia and Herzegovina; 81.5 for the Republic of Croatia; 16.1 for the former Yugoslav Republic of Macedonia; 51.5 for the Republic of Slovenia; and 111.9 for the Federal Republic of Yugoslavia. It was his understanding from the discussion that the Board agreed that, as set out in draft form in paragraph 3(d), the deadlines for succession to membership and for notifying the Fund of each successor's agreement on its respective share in the assets and liabilities of the former SFRY in the Fund would be six months and one month, respectively.

Mr. Al-Jasser said that he wondered whether deletion of the words "and willing" from the proposed decision, as suggested by Mr. Evans, would reduce the Board's ability to assess each successor's willingness to fulfill its obligations under the Articles, taking into account in particular the effect of UN sanctions and respect for international rules of conduct. He was concerned that a successor's ability to meet its obligations might be limited to only the financial aspects of membership, which could conceivably be strengthened through the establishment of an escrow account, for example.

The General Counsel replied that "willingness," as it was being discussed, did not refer to the willingness to meet obligations under international law in general; for the Fund, willingness was very specific, namely, whether a country was willing to meet the obligations under the Articles of

Agreement. The willingness to comply with UN sanctions was not relevant for the Fund. However, compliance with UN sanctions might be relevant for the Fund's assessment of a successor's ability to meet its membership obligations, as was implied in the third paragraph of the Managing Director's statement. Deletion of the words "and willing" would not, therefore, affect the extent to which the Board could take into account the effect of UN sanctions on a successor's ability to meet its obligations under the Articles.

Mr. Al-Jasser wondered whether the word "willing" in paragraph 3(a)(iii) of the proposed decision was redundant.

The General Counsel responded that the word "willing" was not redundant in that context; rather, "willing" went beyond the test of ability. It was his understanding from the discussion, however, that it was not considered necessary to maintain the test of willingness if it could be performed on the basis of objective criteria. The main test for the Board to perform, therefore, would be the test of ability; all other tests would be strictly objective, and compliance could be determined by the staff without the need for a Board meeting.

The Chairman commented that he understood well Mr. Al-Jasser's concerns, and he considered that nothing would be lost by deleting the words "and willing" from paragraph 3(a)(iii) of the proposed decision.

Mr. Al-Jasser said that he was reassured by the Chairman's comments.

The Executive Board then took the following decision:

1. The Fund finds that the Socialist Federal Republic of Yugoslavia (hereinafter "the SFRY") has ceased to exist and has therefore ceased to be a member of the Fund.

2. (a) The Fund also finds that the Republic of Bosnia and Herzegovina, the Republic of Croatia, the former Yugoslav Republic of Macedonia, the Republic of Slovenia, and the Federal Republic of Yugoslavia (Serbia/Montenegro) are the successors to the assets and liabilities of the SFRY in the Fund (hereinafter "successor(s)"), including those in the SDR Department, and determines that their respective shares in such assets and liabilities are as follows:

Republic of Bosnia and Herzegovina	13.20 percent
Republic of Croatia	28.49 percent
Former Yugoslav Republic of Macedonia	5.40 percent
Republic of Slovenia	16.39 percent
Federal Republic of Yugoslavia (Serbia/Montenegro)	36.52 percent

(b) If a successor successfully challenges its share in assets and liabilities as determined in (a) above before an arbitral tribunal established under Article XXIX(c), the shares of the other successors that have not been modified as a result of arbitration shall be adjusted on a pro rata basis.

3. Each successor may succeed to the membership of the SFRY in the Fund in accordance with the following terms and conditions:

(a) A successor shall succeed to membership in the Fund when:

(i) it has notified the Fund within the period prescribed in the proviso in (d) below that it agrees that its share in the assets and liabilities of the SFRY in the Fund is as specified in paragraph 2 of this decision;

(ii) it has notified the Fund that it agrees, in accordance with its law, to succeed to the membership of the SFRY in the Fund in accordance with all the terms and conditions prescribed in this decision, and that it has taken all steps necessary to enable it to succeed to such membership and carry out all of its obligations under the Articles of Agreement;

(iii) it has been found by the Fund to be able to meet its obligations under the Articles of Agreement; and

(iv) it has no overdue financial obligation to the Fund or in the SDR Department.

(b) The quota of a successor shall be as follows:

(in millions of SDRs)

Republic of Bosnia and Herzegovina	76.9
Republic of Croatia	180.1
Former Yugoslav Republic of Macedonia	33.5
Republic of Slovenia	99.0
Federal Republic of Yugoslavia (Serbia/Montenegro)	223.5

(c) The quota of each successor in (b) above shall be increased under the Ninth General Review of Quotas upon payment of the following amounts in accordance with the terms and conditions of Resolution No. 45-2 of the Board of Governors:

(in millions of SDRs)

Republic of Bosnia and Herzegovina	44.3
Republic of Croatia	81.5
Former Yugoslav Republic of Macedonia	16.1
Republic of Slovenia	51.5
Federal Republic of Yugoslavia (Serbia/Montenegro)	111.9

(d) A successor may succeed to the membership of the SFRY in the Fund pursuant to this decision not later than six months after the date of this decision, provided that the Fund has received the notification referred to in paragraph (a)(i) above not later than one month after the date of this decision. The Fund may decide to extend either or both periods until such later dates as it may determine.

4. For purposes of this decision, membership in the Fund shall include participation in the SDR Department.

5. The designation "former Yugoslav Republic of Macedonia" shall be used provisionally by the Fund until a name is agreed upon between the former Yugoslav Republic of Macedonia and the Fund.

Decision No. 10237-(92/150), adopted
December 14, 1992

The Chairman noted that there was a consensus in favor of including in the minutes, with no changes, the statement that he had circulated prior to the meeting, the text of which read as follows:

At today's meeting on the status of the Socialist Federal Republic of Yugoslavia (SFRY) in the Fund and related issues, the Executive Board adopted a decision finding that the SFRY has ceased to be a member of the Fund, determining the successors of the SFRY and their respective shares in its assets and liabilities in the Fund, and enabling each successor to succeed to the membership of the SFRY in the Fund.

The determination of the successors of the SFRY by the Fund would be without prejudice to the recognition or nonrecognition of any successor by individual members of the Fund.

On the basis of the decision, it will be possible for each successor to succeed individually to the membership of the SFRY in the Fund, for its own share of the quota of the SFRY. In order to succeed to membership, the conditions specified in the decision will have to be fulfilled. These conditions are the same for all

the successors. They will have to be fulfilled individually by each successor, but its membership will not be delayed by the failure or delay of other successors in meeting these conditions. In assessing the ability of each successor to meet its membership obligations, the Fund will take into account all relevant factors, and particular attention will be given to the effect of sanctions imposed by the Security Council of the United Nations.

The Chairman said that he welcomed Mr. Peretz's suggestion that Directors could provide some guidance on how the issues under discussion could be explained to the press. He would suggest that, as the issues were unusual for the Fund, the staff should keep as close as possible to the text of the decision in its dealings with the press, possibly using as background some of the comments that he had made during the discussion concerning the Fund's rapid response to the tragic situation in the region. In that context, it might be useful to release the text of the decision itself to the press.

Mr. Al-Jasser remarked that he could agree with the Chairman's proposed approach, although it did not seem to address the misunderstanding that the Fund was anxious to help only two of the republics of the former SFRY. He would be grateful if an effort could be made to dispel such misunderstandings.

The Chairman observed that the only way to alleviate the concerns that Mr. Al-Jasser had expressed would be to explain that the Fund had been prompted to act by a sense of urgency and that it wanted to be active in the region, provided that the republics complied with the conditions set out in the decision. Among those conditions, of course, was the need to pay particular attention to the effects of UN sanctions; taking into account the drama of the situation, he would expect that the conclusion would be drawn that the Fund would act promptly to assist the republics that were not suffering from the effects of UN sanctions but were, in fact, the victims of the dramatic situation in the territory of the SFRY. He would also instruct the staff to explain to the press that the decision spoke for itself.

Mr. Peretz said that he agreed that it would be helpful to make the text of the decision available to the press. He also agreed completely with the Chairman's proposed approach to informing the press about the Fund's actions; in his view, the early deadlines in the decision explained clearly the sense of urgency.

Mr. Chatah commented that he generally agreed with the approach proposed by the Chairman. There was some concern that others might feel that the Fund was somewhat out of sync with the sentiment of the international community on the issues under discussion. It was in the Chairman's hands to ensure that that impression was corrected and that the sentiment that had been expressed in the Board, not only at the present meeting but also at previous discussions, was reflected accurately.

The Chairman said that he understood Mr. Chatah's comments to refer to the very broad support in the Board for the decision.

Mr. Posthumus remarked that it was not clear to him what Mr. Chatah was proposing. If the text of the decision was made available, it would not be necessary for the Chairman to discuss with the press how the decision had been reached or how much support it had. Like most Fund decisions, the decision that had been adopted at the present meeting had been reached by consensus; the flavor of the discussion would be recorded in the minutes of the meeting. He wondered whether the Chairman intended to publish the text of the decision, which appeared on pages 4-6 of EBS/92/207, together with the text of the Managing Director's statement.

The Chairman replied that it was necessary to release the texts of both the decision and his statement in order to provide complete information on the decision that had been taken; there were, for example, points in his statement that were not included in the decision itself.

Mr. Posthumus commented that he agreed that the full text of the Managing Director's statement should be published.

Mr. Peretz remarked that, taking into account Mr. Posthumus's comments, he could agree to the issuance of a supplementary note to accompany the decision itself, which might include the substance of the Managing Director's statement.

Mr. Evans said that he, too, would support the issuance of a supplementary note, because the decision did not, in fact, speak for itself.

Mr. Al-Jasser stated that he wished only to re-emphasize the importance of finding language, perhaps by juxtaposing the drama that was unfolding in the region with the text of the decision, that would help to dispel the impression that the Fund was concerned only about two republics.

Mr. Filosa remarked that he had remained silent on the decision, as his position was already known. He was concerned, however, about the direction of the present discussion on the issue of informing the press. While leaks in the press were regrettable, they should not influence the way in which the Fund proceeded to inform the public. He had not read the Financial Times article in question; it was his understanding, however, that the Board had acted with a strong sense of urgency, and he fully agreed with Mr. Al-Jasser in that respect. However, it would not be appropriate for the Fund to explain that it considered the present issue to be more urgent than others, because it had never done so in the past. Like Mr. Posthumus, he could see no reason why the Fund should deviate from its standard procedure for notifying the press about important Board decisions; in particular, it would not serve the Fund's interests to explain how the decision was reached or what the implications of the decision were.

He fully agreed that it would be useful to publish the decision and, in the relevant press release, to follow the practice of referring only to the factual elements of the decision, Mr. Filosa stated. In his view, it would not be helpful to explain that the Fund would, in considering a successor's ability to meet its obligations under the Articles, pay particular attention to a certain factor. He was concerned that there were other cases that could become as worrisome as the former SFRY case, and it was important to bear in mind the principle of uniformity of treatment. In that context, he would prefer that the relevant press release refer only to the facts of the decision, with some supplementary explanation where necessary, rather than publishing the full text of the Managing Director's statement.

Mr. Posthumus recalled that he had proposed only that the Managing Director's statement be included in the minutes and that a phrase be included in that statement to the effect that it was to be hoped that four of the successor republics would become members in the near future. He had made that proposal with the concerns of Mr. Al-Jasser, which he shared, very much in mind. He could support the approach proposed by the Chairman for explaining the decision to the press.

Mr. Glazkov said that he wondered whether the phrase "and particular attention will be given to the effect of sanctions...of the United Nations," which he understood had been approved as part of the Managing Director's statement, would be included in the document that was to be prepared for the press. While he understood the reason for its inclusion in the Managing Director's statement, such a phrase was not accurate in practice, because no particular attention would be paid to any of the conditions for succession; each condition must be fulfilled. He hoped that such a phrase would not, therefore, be included in the press release. It should also be noted that, in his view, the Fund was a special branch of the UN, with its own special purpose and procedures.

The Chairman noted that the Fund was, indeed, a member of the UN family, although there were important differences between the Fund and the UN, especially with respect to their respective voting structures. The agreement between the Fund and the UN, as Mr. Dawson had said, obligated the Fund to pay due regard to the decisions of the UN. It was his understanding that, in the present circumstances, the broad majority of the Board considered that the Fund should pay due regard not so much to the sanctions per se but to the effect of the sanctions on the objective, economic ability of a successor to discharge its responsibilities as a member of the Fund. He understood well the reservations that several Directors had expressed about the language that had been adopted, but that language appeared to offer the only way to reach a consensus on the intractable issue that was currently facing the Fund.

Mr. Al-Jasser remarked that he agreed with the Chairman's comments about the relationship between the Fund and the UN. The Fund was not a branch or subsidiary of the UN, even though it paid due regard to UN decisions. With respect to the point that Mr. Filosa had raised, it was also

important that the Fund not appear to be oblivious to one of the most flagrant acts of aggression against human civility, and an apolitical approach should be found to express the Fund's sympathy with the victims of that aggression.

Mr. Filosa said that he shared Mr. Al-Jasser's views on the tragedy that was unfolding in the region. His concern was only that the Fund should not, in its explanations to the press, elaborate on the reasons why certain decisions were taken sooner rather than later. He remained convinced that only factual information should accompany the publication of the decision, perhaps with the assistance of the General Counsel, to ensure a proper understanding of the scope and implications of the decision.

The Chairman stated that all members, as well as the five successor republics, would be informed of the Board's decision; subsequently, a press release would be issued, which would be circulated for the convenience of Directors.

The Executive Directors concluded their consideration of the cessation of membership, allocation of assets and liabilities, and succession to membership in the Fund with respect to the former SFRY.

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/92/149 (12/11/92) and EBM/92/150 (12/14/92).

2. SAN MARINO - ACCEPTANCE OF OBLIGATIONS OF ARTICLE VIII, SECTIONS 2, 3, AND 4

The Fund notes with satisfaction that, with effect from September 23, 1992, San Marino has accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement. (EBD/92/296, 12/8/92)

Decision No. 10238-(92/150), adopted
December 11, 1992

3. STAFF RETIREMENT PLAN - AMENDMENT

The Executive Board approves the proposal by the Pension Committee set forth in EBAP/92/160 (12/9/92).

Decision No. 10239-(92/150), adopted
December 14, 1992

4. APPROVAL OF MINUTES

The minutes of Executive Board Meetings 92/46 and 92/47 are approved.

5. EXECUTIVE BOARD TRAVEL

Travel by Executive Directors as set forth in EBAM/92/135 (12/10/92) is approved.

APPROVED: June 22, 1993 .

LEO VAN HOUTVEN
Secretary

