

MASTER FILES
ROOM C-130

0404

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 88/84

10:00 a.m., May 25, 1988

R. D. Erb, Acting Chairman

Executive Directors

Y. A. Nimatallah
G. Ortiz

Alternate Executive Directors

E. T. El Kogali
C. Enoch
Yang W., Temporary
E. L. Walker, Temporary
J. Prader
M. Hepp, Temporary
S. K. Fayyad, Temporary
B. Goos
J. Reddy
J. Hospedales
J. E. Zeas, Temporary
D. McCormack
D. Saha, Temporary

C. Noriega, Temporary
M. Fogelholm
D. Marcel
G. P. J. Hogeweg
C.-Y. Lim
S. Rouai, Temporary
V. K. Malhotra, Temporary
S. Yoshikuni
N. Kyriazidis

L. Van Houtven, Secretary and Counsellor
S. Woolls, Assistant

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Also Present

Asian Department: P. R. Narvekar, Director; H. Neiss, Deputy Director; M. W. Bell, N. N. Choudhry, W. G. L. Evers, M. J. Fetherston, K. Kappagantula, G. Szapary, H. Tokumaru. Exchange and Trade Relations Department: L. A. Whittome, Counsellor and Director; H. B. Junz. Legal Department: P. L. Francotte, A. O. Liuksila. Treasurer's Department: G. Laske, Treasurer; T. Leddy, Deputy Treasurer; J. E. Blalock, D. Berthet. Western Hemisphere Department: L. L. Pérez, E. C. Suss. Advisors to Executive Directors: W. N. Engert, Khong K. N., R. Morales, G. Pineau. Assistants to Executive Directors: A. A. Badi, R. Comotto, B. Fuleihan, C. L. Haynes, L. Hubloue, A. Iljas, S. King, M. A. Khyllberg, C. Y. Legg, T. Morita, J. A. K. Munthali, D. V. Nhien, L. M. Piantini, S. Rebecchini, A. Rieffel, R. Wenzel.

1. VIET NAM - 1988 ARTICLE IV CONSULTATION; AND OVERDUE FINANCIAL OBLIGATIONS - REVIEW FOLLOWING DECLARATION OF INELIGIBILITY

The Executive Directors considered a restricted staff report for the 1988 Article IV consultation with Viet Nam (EBS/88/87, 4/27/88; and Cor. 1, 5/23/88) and a staff paper on the sixth review of Viet Nam's arrears to the Fund following the declaration of its ineligibility to use the Fund's general resources effective January 15, 1985 (EBS/88/97, 5/20/88). They also had before them a background paper on recent economic developments in Viet Nam (SM/88/103, 5/11/88; and Cor. 1, 5/23/88).

The Executive Board then took the following decisions:

1988 Article IV Consultation

1. The Fund takes this decision relating to Viet Nam's exchange measures subject to Article VIII, Sections 2 and 3, and in concluding the 1988 Article XIV consultation with Viet Nam, in the light of the 1988 Article IV consultation with Viet Nam conducted under Decision No. 5392-(77/63), adopted April 29, 1977, as amended (Surveillance over Exchange Rate Policies).

2. Viet Nam maintains restrictions on payments and transfers for current international transactions and multiple currency practices, as described in SM/88/103. The Fund continues to urge Viet Nam to abolish as soon as possible these multiple currency practices and exchange restrictions, including those arising from bilateral payment arrangements with Fund members.

Decision No. 8876-(88/84), adopted
May 25, 1988

Overdue Financial Obligations - Review Following Declaration of Ineligibility

1. The Fund has reviewed further the matter of Viet Nam's continuing failure to fulfill its financial obligations to the Fund in light of the facts and developments described in EBS/88/97, 5/20/88.

2. The Fund deeply regrets the continuing failure by Viet Nam to settle its arrears to the Fund, which are placing a financial burden upon members and reducing Fund resources needed to help others. The Fund notes that only modest payments have been received from Viet Nam since 1985. The Fund again urges Viet Nam to give this matter its highest priority and take all necessary actions to settle its overdue obligations to the Fund as a matter of urgency.

3. The Fund calls on the Vietnamese authorities to intensify their efforts to formulate and implement a comprehensive and realistic adjustment program. The Fund emphasizes its desire to fully re-establish a cooperative relationship with Viet Nam and stands ready to cooperate with the authorities to that effect.

4. The Fund will be discussing its general policy on arrears shortly. It will review the position of Viet Nam within three months from the date of this decision in the light of that discussion and of actions taken by Viet Nam in the meantime to settle its arrears, and to formulate and begin implementing a comprehensive economic adjustment program.

Decision No. 8877-(88/84), adopted
May 25, 1988

2. PANAMA - OVERDUE FINANCIAL OBLIGATIONS - REPORTS AND COMPLAINTS
UNDER RULES K-1 AND S-1 - POSTPONEMENTS

The Executive Directors agreed to reschedule discussion of the Managing Director's complaints under Rules K-1 and S-1 regarding Panama's overdue obligations to the Fund until no later than June 8, 1988 (see EBS/88/53, Sup. 2; and EBS/88/77, Sup. 1).

The decisions were:

Overdue Financial Obligations - Report and
Complaint Under Rule K-1 - Postponement

Paragraph 1 of Decision No. 8812-(88/37), adopted March 10, 1988 shall be amended to read:

The complaint of the Managing Director dated March 3, 1988 in EBS/88/53 (3/3/88) on Panama is noted. It shall be placed on the agenda of the Executive Board no later than June 8, 1988.

Decision No. 8888-(88/84), adopted
May 25, 1988

Overdue Financial Obligations - Report and
Complaint Under Rule S-1 - Postponement

Paragraph 1 of Decision No. 8842-(88/61) S, adopted April 12, 1988 shall be amended to read:

The complaint of the Managing Director dated April 4, 1988 in EBS/88/77 (4/5/88) on Panama is noted. It shall be placed on the agenda of the Executive Board no later than June 8, 1988.

Decision No. 8889-(88/84) S, adopted
May 25, 1988

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/88/83 (5/23/88) and EBM/88/84 (5/25/88).

3. ADJUSTMENT OF RATE OF CHARGE AND RATE OF REMUNERATION FOR THE
QUARTER ENDED APRIL 30, 1988

1. The Executive Board has reviewed the operation of Decision No. 8348-(86/122), adopted July 25, 1986, as amended, in accordance with Section V, paragraph 2(f) of that decision.

2. The adjustment in the rate of charge for the quarter ended April 30, 1988 shall be limited so as to generate an amount equal to the amount generated through the reduction in remuneration for that quarter to cover deferred charges. The resulting shortfall shall be deemed deferred income in the quarter ending July 31, 1988; the rate of charge and the rate of remuneration shall be adjusted with respect to this amount, for the period from May 24, 1988 to the end of the quarter.

Decision No. 8878-(88/84), adopted
May 23, 1988

4. RETROACTIVE REDUCTION OF RATE OF CHARGE FOR FY 1988

If the net income for FY 1988, after placement to the Special Contingent Account of an amount equal to 5 percent of the Fund's reserves at the beginning of FY 1988, exceeds 5 percent of such reserves, minus the amount of deferred income in the quarter ended April 30, 1988 for which no adjustments are

made in that quarter in accordance with Decision No. 8878-(88/84), adopted May 23, 1988, the excess amount shall be used to reduce the rate of charge retroactively for FY 1988.

Decision No. 8879-(88/84), adopted
May 23, 1988

5. RETROACTIVE REDUCTION OF RATE OF CHARGE FOR FY 1989

Section II, paragraph 4 of Decision No. 8861-(88/67), adopted April 27, 1988 is amended as follows:

4. Net income for FY 1989 exceeding the total of (i) the amount specified in Section III, and (ii) the amount of deferred income in the quarter ended April 30, 1988 for which no adjustments are made in that quarter in accordance with Decision No. 8878-(88/84), adopted May 23, shall be used to reduce the rate of charge retroactively for FY 1989.

Decision No. 8880-(88/84), adopted
May 23, 1988

6. ACCESS TO FUND ARCHIVES

The Executive Board approves the proposal relating to the use of material in the Fund archives as set forth in EBD/88/1, Supplement 1 (5/19/88).

Adopted May 24, 1988

7. EXECUTIVE BOARD TRAVEL

Travel by an Executive Director as set forth in EBAP/88/128 (5/23/88) is approved.

APPROVED: December 29, 1988

LEO VAN HOUTVEN
Secretary