

June 21, 1994

To: Members of the Executive Board  
From: The Secretary  
Subject: Final Minutes of Executive Board Meeting 93/76

The following corrections have been made in the final minutes of EBM/93/76 (5/26/93):

Page 1: add new item "3. Former Yugoslav Republic of Macedonia - Representative Rate for the Denar"

items "3" and "4" are renumbered to read items "4" and "5"

Page 92: Item "3" added in accordance with the corrected table of contents.

Corrected pages are attached.

Att: (2)

Other Distribution:  
Department Heads

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 93/76

2:30 p.m., May 26, 1993

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

Executive Directors

M. Al-Jasser  
T. C. Dawson  
  
I. Fridriksson  
H. Fukui  
K. P. Geethakrishnan  
J. E. Ismael  
D. Kaeser  
A. Kafka

R. Marino

L. J. Mwananshiku  
D. Peretz  
G. A. Posthumus

P. E. Smee  
E. L. Waterman  
Zhang M.

A. G. Zoccali

Alternate Executive Directors

A. A. Al-Tuwaijri

F. Moss, Temporary  
A. Törnqvist, Temporary  
S. Shimizu, Temporary  
A. Raza, Temporary  
K.-T. Hettrakul

A. Mohzin  
V. Y. Verjbitski, Temporary  
E. Quattrocioche, Temporary  
P. Bonzom, Temporary  
H. Dognin, Temporary

O. Kabbaj  
B. S. Dlamini  
J. Dorrington  
O. Havrylyshyn  
Y.-M. T. Koissy  
B. Esdar  
Y. Y. Mohammed  
G. F. Murphy  
A. Tetangco, Jr.  
Wei B.  
Yang X.  
A. F. Jiménez de Lucio

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

1.	Work Program . . . . .	Page 3
2.	Ethiopia - 1993 Article IV Consultation . . . . .	Page 61
3.	Former Yugoslav Republic of Macedonia - Representative Rate for the Denar . . . . .	Page 92

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4.	Approval of Minutes . . . . .	Page 92
5.	Executive Board Travel . . . . .	Page 92

### Also Present

IBRD: D. Bhattasali, Africa Regional Office. Administration Department: H. J. Struckmeyer, Deputy Director; T. Cole, G. Vaughan. African Department: M. Touré, Economic Counsellor and Director; E. L. Bornemann, Deputy Director; N. Calika, T. T. Gibson, P. S. Heller, M. Kitahara, C. A. McDonald, E. M. Ucer, R. C. Williams. Central Asia Department: M. Schulze-Ghattas. European I Department: M. Russo, Director. European II Department: J. Odling-Smee, Director. External Relations Department: M. R. Kelly, Deputy Director; G. Hacche. Fiscal Affairs Department: V. Tanzi, Director; S. Gupta, M. Mered. Legal Department: R. H. Munzberg, Deputy General Counsel; J. M. Ogoola. Middle Eastern Department: M. D. Knight. Policy Development and Review Department: J. T. Boorman, Director; T. Leddy, Deputy Director; M. Allen, L. D. Dicks-Mireaux, H. M. Flickenschild, A. C. F. J. Houben, A. K. McGuirk. Research Department: M. Mussa, Economic Counsellor and Director; M. Goldstein, Deputy Director; R. A. Feldman, R. P. Ford, F. Larsen. Secretary's Department: J. W. Lang, Deputy Secretary; L. Collier, R. S. Franklin, A. Jbili, A. Leipold, A. Mountford. Statistics Department: R. A. Elson. Treasurer's Department: D. Williams, Treasurer; D. Gupta, O. Roncesvalles. Western Hemisphere Department: S. T. Beza, Counsellor and Director; M. Bonangelino, B. C. Stuart. Special Advisor to the Managing Director: P. R. Narvekar. Personal Assistant to the Managing Director: G. R. Saunders. Office of the Managing Director - Budget and Planning: T. A. Wolfe. Advisors to Executive Directors: J. O. Aderibigbe, R. F. Cippa, S. K. Fayyad, W. Laux, N. Mancebo, N. Toé. Assistants to Executive Directors: S. E. Al-Huseini, J. A. Costa, M. Dzervite, R. Ferrillo, A. Galicia, C. Gaseltine, G. A. Heinen, T. Kanada, K. J. Langdon, G. J. Matthews, S. McDougall, J. A. K. Munthali, S. Narube, S. Rouai, P. Rubianes, D. Saha, F. A. Sorokos, T. P. Thomas, R. Thorne.

Regarding domestic financing of the budget, Directors underscored the need to shift from reliance on direct central bank advances toward the sale of government paper to nonbank investors. Tight monetary policy and the maintenance of positive real interest rates were regarded as essential by Directors, who also urged that financial sector reforms be expedited.

Directors welcomed the external sector measures implemented in the program, including the recently introduced auction to determine the exchange rate for most external transactions, and they stressed the importance of timely action to move to a fully market-determined exchange rate.

In sum, Ethiopia has made an audacious break with decades of economic mismanagement, following centuries of feudalism. Directors commended the authorities on the progress made but urged them not to relax the stabilization effort and to accelerate the pace of reform. As experience was being gained, improved program design and stronger adherence to program benchmarks would assist the authorities in charting their way forward with the continued support of the international community, including the Fund.

It is expected that the next Article IV consultation with Ethiopia will be held on the standard 12-month cycle.

The Executive Board took the following decision:

1. The Fund takes this decision relating to Ethiopia's exchange measures subject to Article VIII, and in concluding the 1993 Article XIV consultation with Ethiopia, in the light of the 1993 Article IV consultation with Ethiopia conducted under Decision No. 5392-(77/63), adopted April 29, 1977, as amended (Surveillance over Exchange Rate Policies).

2. As described in SM/93/102, Ethiopia maintains exchange restrictions on the making of payments and transfers for current international transactions in accordance with Article XIV, Section 2. In addition, Ethiopia imposes restrictions that are subject to approval under Article VIII, Section 2(a), as evidenced by the existence of external payments arrears, as well as multiple currency practices subject to approval under Article VIII, Section 3 arising from the multiplicity of exchange rates for foreign exchange transactions prevailing in the market for auctioning foreign exchange and in the official market used by the National Bank of Ethiopia. In view of the intention of Ethiopia to eliminate, by September 30, 1993, certain exchange restrictions evidenced by external payments arrears which creditors have agreed, in principle, to restructure, the Fund grants approval for their retention until September 30, 1993. Moreover, in view of the intention of Ethiopia to eliminate, by June 30, 1995, the

above multiple currency practices arising from the auction scheme, the Fund grants approval for their retention until May 31, 1994, or the date of completion of the 1994 Article IV consultation with Ethiopia, whichever is earlier. In the meantime, the Fund urges the authorities to reduce their reliance on all other exchange restrictions.

Decision No. 10380-(93/76), adopted  
May 26, 1993

#### DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/93/75 (5/21/93) and EBM/93/76 (5/26/93).

3. FORMER YUGOSLAV REPUBLIC OF MACEDONIA - REPRESENTATIVE  
RATE FOR THE DENAR

The Fund finds, after consultation with the authorities of the former Yugoslav Republic of Macedonia (FYRM) that the representative rate for the denar against the U.S. dollar, under Rule 0-2(b)(1), is the midpoint between spot buying and selling rates for the U.S. dollar in the foreign exchange market as ascertained by the central bank of the FYRM, as referred to in the May 19, 1993 communication of the authorities of the FYRM. (EBD/93/92, 5/25/93).

Decision No. 10688-(93/76) G/S, adopted  
May 25, 1993

4. APPROVAL OF MINUTES

The minutes of Executive Board meeting 92/112 are approved.

5. EXECUTIVE BOARD TRAVEL

Travel by Executive Directors as set forth in EBAM/93/91, Supplement 1, (5/24/93) and EBAM/93/92 (5/20/93) and by Advisors to Executive Directors as set forth in EBAM/93/92 is approved.

APPROVED: December 13, 1993

LEO VAN HOUTVEN  
Secretary