October 17, 1997
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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 97/44

10:00 a.m., April 23, 1997

Contents

Decisions Taken Since Previous Board Meeting

Executive Board Attendance

M. Camdessus, Chairman
S. Fischer, First Deputy Managing Director
A.D. Ouattara, Acting Chairman
S. Sugisaki, Deputy Managing Director

Executive Directors	**Alternate Executive Directors**
A.A. Al-Tuwaijri	S.M. Al-Turki
	O. Himani, Temporary
M.-A. Autheman	A. Fayolle
	P.M. Fremann, Temporary
T.A. Bernes	C.X. O'Loghlin
B. Esdar	W.-D. Donecker
E.R. Grilli	N. Coumbis
D.Z. Guti	J.P. de Morais
D. Kaeser	W.K. Gruber, Temporary
A. Kafka	G.P. Ramdas, Temporary
W. Kiekens	
K. Lissakers	B.S. Newman
A. Mirakhor	M. Daïri
	A. Vernikov
G. O'Donnell	J. Shields
A.S. Shaalan	Y.Y. Mohammed
M.R. Sivaraman	H.B. Disanayaka
E. Srejber	
J.J. Toribio	J. Guzmán-Calafell
	M.B. Alemán, Temporary
E.L. Waterman	J.-H. Kang
J. de Beaufort Wijnholds	L.B.J. van Geest, Temporary
K. Yao	A. Barro Chambrier
Y. Yoshimura	Y. Tahara, Temporary
Zamani, A.G.	S. Joyosumarto
	O. Sein, Temporary
Zhang Z.	Han M.
	Song J., Temporary
A.G. Zoccali	N. Eyzaguirre

R.H. Munzberg, Secretary
W.S. Tseng, Acting Secretary
A. Mountford, Acting Secretary
D.J. de Vos, Assistant
M.M. Cuc, Assistant

Also Present

IBRD: J.W. Adams, J.A. Katz, Africa Regional Office. African Department: E.A. Calamitsis, Director; A. Basu, Deputy Director; G.E. Gondwe, Deputy Director; P.A. Acquah, V. Cerra, H.R. De Zoysa, C.A. François, H. Hino, N. Kirmani, C.A. McDonald, W.S. Rogers, A. Tahari. European I Department: C. Atkinson, A. Leipold. External Relations Department: S.J. Anjaria, Director; P.C. Hole, Deputy Director; P.J. Bradley, M.E. Hansen. Fiscal Department: T.R. Muzondo. Legal Department: F.P. Gianviti, General Counsel; W.E. Holder, Deputy General Counsel; R.C. Baban, H. Cissé, J. L. Hagan, H.V. Morais. Policy Development and Review Department: J.T. Boorman, Director; J. Ferran, Deputy Director; A.R. Boote, D. Burton, C. Daseking, K.J. Langdon, A.T. MacArthur, S.M. Nsouli, C. Puckahtikom, R.C. Velloso. Research Department: M. Mussa, Director; P. Isard. Secretary's Department: P. Gotur. Treasurer's Department: D. Williams, Treasurer; D. Gupta, Deputy Treasurer; G. Wittich, Deputy Treasurer; J.E. Blalock, J.C. Corr, R.H. Floyd, C.A. Hatch, T.M. Mast, P.R. Menon, O. Roncesvalles, T.M. Tran, M.A. Wattleworth. Office of the Managing Director: J.A. Quick, Personal Assistant; J.A. Clément, O.J. Evans. Advisors to Executive Directors: M. Askari-Rankouhi, T. Brizuela, R.F. Cippa, L.J.F. Erasmus, S.S. Farid, A. Giustiniani C.M. Gonzalez, A. Guennewich, K.M. Heinonen, A.R. Ismael, J. John, R. Kannan, M.-H. Mahdavian, M.F. Melhem, S. N'guiamba, J.-C. Obame, H. Ogushi, O. Otazú, Y. Patel, M. Sobel, T. Turner-Huggins. Assistants to Executive Directors: W.F. Abdelati, T. Berrihun, J.G. Borpujari, M.A. Brettschneider, M.A. Brooke, K. Brownlee, J.Chelsky, M.A. Cilento, D.A.A. Daco, L. Fontaine, D. Giga, R.J. Heinbuecher, Huang X., D.G. Loevinger, A. Lushin, J. Mafararikwa, F. Mercusa, I. Moon, J.A.K. Munthali, L. Palei, J.L. Pascual, L. Pinzani, T. Presečan, S. Rouai, O. Schmalzriedt, S. Simonsen, V. Trivedi, M. Yiu, E.L. Zamalloa, Zubir bin Abdullah.

1. **UGANDA—1997 ARTICLE IV CONSULTATION; ENHANCED STRUCTURAL ADJUSTMENT FACILITY—REVIEW UNDER THIRD ANNUAL ARRANGEMENT; AND INITIATIVE FOR HEAVILY INDEBTED POOR COUNTRIES—FINAL ASSESSMENT OF ELIGIBILITY**

The Executive Directors considered the staff report for the 1997 Article IV consultation with Uganda and the midterm review under the third annual arrangement for Uganda under the Enhanced Structural Adjustment Facility (ESAF) (EBS/97/67, 4/8/97; and Cor. 1, 4/21/97), together with a paper, prepared jointly by the staffs of the Fund and the International Development Association, presenting a final assessment of Uganda's eligibility for assistance under the Initiative for Heavily Indebted Poor Countries (HIPC) (EBS/97/71, 4/11/97; and Sup. 1, Cor. 1, 4/22/97). They also had before them a statistical appendix (SM/97/93, 4/14/97; and Sup. 1, Cor. 1, 4/22/97).

The staff representative from the African Department made the following statement:

> An issue has arisen in connection with the Final HIPC document for Uganda on the possibility of interim relief under the Initiative so as to achieve financial "neutrality" under alternative completion points.
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> The concept of neutrality in this context could be interpreted in different ways, varying from a narrow cash-flow type interpretation to one measuring the broader financial impact on Uganda. The broader approach would need to take into account any difference in the NPV of assistance under the alternative completion points, evaluated at same date. However, in this case the NPV of the assistance under April 1998 and April 1999 completion points, evaluated at April 1998, is approximately the same.
>
> A broader approach should in principle also take into account the various effects on investor confidence associated with alternative completion points. For an earlier completion point, there could be positive effects on investor confidence arising from the certainty value of an earlier debt reduction. These factors, however, are difficult if not impossible to quantify.
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> This note addresses the issue of neutrality from the cash flow perspective, and elaborates on this matter as outlined in paragraph 34 in EBS/97/71 (April 11, 1997).
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> Cash flow neutrality could be achieved by providing interim financing to Uganda to offset the difference in actual debt service payments under alternative completion points; this interim financing would help make it possible for Uganda to carry out its envisaged social spending programs under the Initiative, irrespective of the timing of the completion point.
>
> For example, debt service for 1998/99 (prior to any relief under the HIPC Initiative) is estimated at $160 million. Assuming an NPV to exports target of 202 percent and April 1998 completion point, and if multilateral creditors somewhat front load their assistance, this; together with the impact of action expected from bilateral creditors, would result in debt service of around $120 to $130 million. Thus, the direct cash flow impact on Uganda's debt

service of an April 1999 completion point as compared to an April 1998 completion point is around \$30–40 million (3 to 4 percent of exports of goods and services or 3 to 4 percent of current government expenditure).

In considering interim financing to neutralize this cash flow impact on Uganda, the following might be noted:

Uganda receives assistance from bilateral donors to help in servicing multilateral debt. There is some indication that this assistance would be reduced at the completion point. However, if the completion point is delayed and if this assistance continues, there would be some offset to the higher debt service noted above. The staff has no information as to the plans of these bilateral donors under these two scenarios.

In proposing an April 1998 completion point, the IDA Board has approved the provision of \$75 million in IDA grants (in place of IDA credits) during the interim period. Since the estimated NPV of debt to exports ratio is below 250 percent for an April 1999 completion point, this form of interim assistance from IDA would not be available under the later completion point. The impact on Uganda arising from the provision of IDA grants instead of IDA credits is estimated at around \$1 million.

There is flexibility under the existing ESAF access policy to provide some additional financing between the decision and completion points. For example, somewhat higher ESAF access could be set taking account of debt servicing requirements in assessing the overall balance of payments need.

These considerations suggest that, were the completion point to be delayed there could be some offset to the higher debt service due in 1998/99. Whether exact neutrality could be achieved is impossible to predict on current information. Were that to be the target, consideration would have to be given to operating on all of the factors above and possibly others. Given the orders of magnitude involved it may be possible to produce neutrality. This, however, would not deal with the difficult question of whether a delay in the completion point would delay as well the confidence effects that an early resolution of the debt stock problem is designed to achieve.

Mrs. Guti made the following statement:

In regard to the Article IV consultation and the midterm review under the third annual ESAF arrangement, my Ugandan authorities made further substantial progress with their adjustment and reform efforts under generally favorable economic conditions in 1996. The overall budget deficit, excluding grants, was reduced from 8.9 percent of GDP in 1994/95 to 6.8 percent in 1995/96 which, together with a cautious monetary policy, enabled them to maintain inflation at a relatively low level and to achieve a further reduction in the current account deficit. The program of structural reforms was also advanced further, with substantial progress in the areas of privatization and financial sector and tax reforms.

Indications in the first half of 1996/97 are that developments were in accordance with the program targets. The recent good rains should also restrain further increases in food prices, which had caused an acceleration in inflation in the first few months of 1997. As detailed in Tables 1 and 2 in Appendix I of the staff paper, all the quantitative and structural performance criteria and benchmarks up to March 1997, with the exception of the benchmark on the value-added tax register, were observed. The initial problems relating to the cleaning of the value-added tax register have now been resolved.

The objective of fiscal policy for 1996/97 is to reduce the budget deficit further to 5.8 percent of GDP. Fiscal policy during the first half of the year was tighter than envisaged, with the result that both revenue and expenditure performed better than programmed. Despite the better than expected outcome, my authorities have nevertheless identified additional measures to ensure achievement of the targeted deficit. Overall spending will be limited by reducing the allocations for nonpriority areas, while strict control over spending will be maintained under the cash-flow management system. Revenue will be raised by intensifying the collection of tax arrears, reducing leakages from the Customs Department, and by improving the effectiveness of the Anti Smuggling Unit. My authorities have also identified additional measures to ensure a durable improvement in the collection of revenues, including steps to improve compliance under the value-added tax, measures to improve the surveillance function of the Uganda Revenue Authority (URA) and changes to the income tax legislation. In addition, further progress has been made with the reform of the civil service in the first half of the year, and by the end of the current fiscal year the size of the numbers-limited civil service will have been reduced to only 58 100 workers.

Monetary policy has been applied consistently to contain inflation. As a result, net domestic assets of the banking system remained within the program target and the structure of interest rates remained stable. My authorities intend to closely monitor the impact of the drought on food prices with a view to adjusting policy in the event of a reemergence of upward pressure on prices. The Bank of Uganda (BOU) has also created its own securities in order to improve the effectiveness of monetary policy. My authorities continue to accord high priority to the privatization of the Uganda Commercial Bank (UCB), and initial bids for its sale are now being evaluated following approval of the Memorandum of Sale in December 1996. In the event that no buyers are found, the Bank will be further restructured and a management contract negotiated with a commercial bank to improve its marketability. The BOU has also completed the restructuring of the two banks in which it had intervened. Almost all banks are now meeting prudential guidelines regarding adequate capital. Banking supervision will be strengthened by recruiting additional examiners that will enable the BOU to conduct on-site inspections of individual banks starting in 1997/98.

A better-than-expected performance of both coffee and noncoffee exports has improved the outlook for the balance of payments, with the result that the estimated current account deficit for 1996/97 has been revised downward from 7.2 percent of GDP to 6.5 percent. My authorities are determined to continue with the liberalization of trade policy by removing nontariff barriers and by reducing current tariffs. In this regard, the maximum tariff will be reduced by half in two stages, from 30 to 20 percent by July 1997 and to 15 percent by July 1998, and all remaining import bans will be removed by no later than June 1999. In addition, my authorities also intend to remove restrictions on capital movements and have been working with a technical assistance mission to revise the Exchange Control Act.

Regarding reforms in other areas, a further 10 public enterprises were privatized in the first half of 1996/97, and 12 more are scheduled to be privatized in the second half of the year. My authorities intend to accelerate the achievement of the divestiture target of 85 percent in 1997/98 with the privatization of a further 26 enterprises. The restructuring of other enterprises is also proceeding and primary attention is being paid to the public utilities. Regarding electricity, it has been decided to reduce government's interest in the Electricity Board to 51 percent, along with legislation to end the Board's monopoly. At the same time a draft bill was tabled in Parliament to proceed with the restructuring of the telecommunications industry. The proposed legislation will provide for a Telecommunications Commission, the amalgamation of the communications and postal utilities and the introduction of competition by licensing a second national operator. Recommendations for the restructuring of the Railways Corporation will be reviewed by the end of 1997.

Turning to Uganda's participation in the initiative for heavily indebted poor countries (HIPC), the questions regarding the eligibility of Uganda to participate in the HIPC Initiative and the determination of a decision point were answered during the discussion of the preliminary HIPC paper. It is clear that Uganda satisfies all of the eligibility criteria that were identified by the Boards of the Fund and World Bank. As indicated by staff, other multilateral and bilateral creditors have also made positive decisions with regard to Uganda's eligibility to participate in the HIPC Initiative. With regard to the determination of a decision point, my authorities have already made substantial progress with their program of adjustment and reform, as well as with their efforts to reach agreement with all creditors. It is on this basis that they requested that April 1997 be designated as decision point under the HIPC Initiative.

With regard to the question of the debt relief to be provided, my authorities again emphasize their request to be granted relief to the fullest extent possible, and therefore agree with the staff's proposal to set the target for the debt/exports ratio at 202 percent. This request is based, firstly, on the fact that the requirement to service and repay their external debt is severely constraining their ability to facilitate a more meaningful improvement in the welfare of the population. Although circumstances in Uganda have improved markedly over the past 10 years and substantial progress has been made in creating conditions that are conducive to a sustainable higher growth rate, poverty still remains widespread. My authorities have therefore made the eradication of poverty a national priority and, by making additional funds available, the HIPC Initiative will enhance their ability to improve infrastructure in Uganda as well as access to adequate levels of health and education. They have already announced their intention to utilize the additional revenue resulting from the debt initiative for increased expenditure and policy reforms in the social sectors. As staff have illustrated convincingly in the preliminary paper, the vulnerability of Uganda's external sector is high and compares unfavorably with the reference group of countries. This assessment is based on the fact that a large percentage of exports is concentrated in a single product—a situation that will not change substantially until at least 2002/03 when noncoffee exports are expected to contribute 50 percent to total exports— and the variability of exports and the fiscal burden of the debt are high.

Although my authorities support the target for the reduction of the debt/exports ratio, they are concerned that the proposals for the phasing of the debt relief do not fully recognize the severe cash-flow constraints facing the government and the heavy burden the annual debt service will continue to place on the budget. It is their view that the debt relief should be frontloaded and spread over six years at most. This will ensure maximum benefit in terms of cashflow, while providing Uganda with a sustained benefit stream through debt service reduction over the medium term.

With regard to the determination of a completion point, my authorities again want to emphasize their record of performance over a long period of time with the assistance of the Fund and World Bank. As was stated in EBS/96/201, a shortening of the second three-year stage might be considered for countries that have already established records of sustained strong policy performance. As my authorities believe they have more than satisfied this requirement, they continue to consider a substantial compression of the second stage of this initiative to be appropriate, and therefore repeat their request for the designation of September/ October 1997 as completion point. The progress that has been made during the past 10 years to stabilize the Ugandan economy and to raise its growth potential through appropriate structural reforms has been substantial. Since the implementation of the first adjustment program in 1987/88, inflation has been reduced from 256 percent in 1986/87 to an estimated 6.3 percent in 1996/97, the fiscal deficit from 15 percent of GDP in 1991/92 to an expected 5.8 percent in 1996/97, and the current account deficit from about 17 percent of GDP in 1989/90 to an estimated 6.5 percent in 1996/97. The program of structural reforms was advanced just as substantially, and significant progress has been made in the areas of privatization, trade liberalization, public enterprise restructuring, tax reforms, civil service reform and financial sector reform. The progress that has been made in creating conditions that are conducive to higher growth is illustrated by the continued improvements in domestic savings and investment to 11.9 and 19.2 percent of GDP in 1995/96.

During the most recent policy discussions with staff, my authorities again reaffirmed their commitment to their reform program. They consider continued progress in this regard to be necessary to attain their objective of sustaining a high rate of growth over the medium term and alleviating poverty.

In this regard, discussions with staff on a new three-year program to be implemented from 1997/98 are already taking place. In addition to the focus of the program on maintaining macroeconomic stability and achieving further progress with structural reforms, increased attention will be given to the implementation of the Strategy for Poverty Reduction through a higher allocation of funds for public spending and policy reforms in the social sectors. With regard to education, attention will be focused on the implementation of the policy of universal primary education. In the health sector, attention will be focused on improving the effectiveness of existing programs, building institutional capacity, and facilitating a greater role for the private sector. The strong commitment by the Ugandan authorities to continued reform further strengthens their request to frontload debt relief and to designate an earlier completion point. Earlier relief would enhance implementation of measures planned under the new three-year ESAF program.

Mr. Shaalan made the following statement:

Uganda continues to deliver on its policy reform commitments. The program remains on track with all targets met so far and achievable for the remainder of the program year. Real GDP growth is on track at 7 percent for 1996/97 and prudent financial management is ensuring that inflation remains in check in spite of food price shocks related to the drought.

It is particularly noteworthy that the fiscal deficit in the first half of the year was significantly lower than the programmed level of 4.3 percent of GDP. In this connection, the authorities are to be commended for the higher than expected revenue performance and for resisting pressures to rescind the value-added tax or to increase the threshold for the PIT. In spite of this welcome outcome, there is certainly no room for complacency. At 12 percent of GDP, revenues are relatively low compared with countries in roughly the same circumstances. To enhance revenues, continued efforts are needed to improve performance in customs taxation through strengthening of the Anti-Smuggling Unit, intensify collection of tax arrears, introduce a presumptive income tax for small businesses, and improve compliance rates in order to avoid a tax shortfall for the year as a whole. It is certainly encouraging that the largest 400 value-added tax payers accounting for 80 percent of liabilities have already filed their tax forms and are expected to pay by end June 1997. Pressures for increased expenditures must also be forcefully resisted through improved budgeting processes. The authorities need to limit their reliance on the system of cash flow management which results in across-the-board cuts of up to 10 percent in most ministerial recurrent expenditures. These mechanisms are completely inefficient and must be replaced by adequate budgetary and expenditure control systems.

The financial sector must be placed on a sound footing without further support to troubled banks. Substantial support has already been provided to three banks, and those banks still do not meet capital adequacy requirements. It is particularly troublesome that UCB's nonperforming loans amount to 18 percent of credit to the private sector in 1996/97 and that it continues to have weak loan collection rates. If not immediately addressed, this problem will complicate the management of monetary policy, keep interest rates high and discourage bank intermediation. Steps taken to find private buyers or managers for this bank are certainly a step in the right direction, but isn't there more the authorities can do to improve loan collection rates and to avoid future fiscal costs of recapitalization?

We note with satisfaction the remarkable increase in coffee export volumes stemming partly from the strong supply response to sectoral liberalization policies. The trade reforms planned over the next two fiscal years will go a long way toward invigorating nontraditional exports, a matter that is essential if Uganda is to reduce its external vulnerability and achieve debt sustainability.

Turning now to the debt sustainability analysis, in spite of the recent growth, Uganda remains highly vulnerable in terms of export concentration and export variability. It is clear that even with steady progress in export diversification projected for the next five years in nontraditional exports, coffee exports will still account for about half of total exports. The low target of 202 percent of GDP appears appropriate in order to maximize the chances of Uganda's exit from adjustment financing.

Some progress has been achieved in identifying sizable foreign direct investments (FDI) that have been misclassified as private transfers. This classification issue is still under investigation and it is estimated that a much larger share of these private transfers will be reclassified as FDI while a small share may be identified as workers' remittances. Since both these flows are considered volatile and unpredictable in Uganda, this reinforces the external vulnerability assessment of Uganda.

Uganda continues to make notable progress in the areas of privatization, restructuring of public utilities, civil service reform and improving income distribution. The 18 percent annual real increase in budgetary expenditures on social sectors is well placed and reflects the authorities' concern that the benefits of growth be spread throughout the economy to promote equity and alleviate poverty. In order to achieve this, it will be very important to achieve the fiscal revenue targets, without which social expenditures cannot be sustained. To some extent, the proposed debt relief under the HIPC Initiative will also facilitate achievement of these goals by releasing budgetary funds for debt service payments.

In view of Uganda's track record, we continue to support an early decision point of April 1997 and a completion point no later than April 1998. Finally, we support completion of the mid-term review under ESAF and staff's proposals in the final HIPC document.

The staff representative from the African Department reported that the Executive Directors of the IDA had agreed the previous day on a decision point of April 1997, and a ratio of the net present value of debt to exports of 202 percent. There had been some differences of view on the completion point: the majority of IDA Directors had favored an April 1998 completion point, subject to Uganda's meeting the performance criteria under the successor ESAF arrangement; some Directors had favored a completion point in the fall of 1997, while some others had favored April 1999. Three Executive Directors had abstained from the decision.

The staff representative from the World Bank added that the discussion among Executive Directors of the IDA had been similar to that on the preliminary HIPC document for Uganda. Directors had believed that it was vital to form a strong consensus and to give a strong message to the outside community that the Bank and Fund were moving forward with the HIPC Initiative. While there had been some concerns regarding the issues raised by the Ugandan government on the process under the initiative, the Directors had been reassured that the government would support the initiative and was prepared to move ahead quickly with the required measures.

Mr. Daïri made the following statement:

> The staff report underlines the very positive assessment made by the Board in the context of recent discussions on Uganda's eligibility under the HIPC Initiative (EBM/97/23, 3/12/97). The significant progress achieved in macroeconomic stabilization and structural reform has been sustained in the first half of 1996–97. This provides additional confirmation of the authorities' resolve and determination to adhere to a demanding adjustment path. Economic growth is again expected to be robust against the backdrop of an inflation rate that, barring a brief upturn, should trend downward. Fiscal and monetary policies have been implemented in a prudent, stability-oriented fashion. The external sector has performed well, thanks to an appropriate level of competitiveness and encouraging signs of an acceleration in nontraditional exports. The gross foreign exchange reserve position remains satisfactory, and progress has been made in implementing a broad array of structural reforms that promise to raise economy-wide efficiency. In short, Uganda continues to be an outstanding example of sustained policy implementation and successful adjustment, and deserves continued multilateral and bilateral support.
>
> Signs of fiscal slippages emerged in the second half of the year, from lower-than-expected revenues, including the impact of smuggling on customs revenue, as well as mounting spending pressures. In response, the authorities have agreed to take offsetting revenue and expenditure measures to ensure that the path of fiscal consolidation remains unaffected.
>
> On the expenditure side, the authorities will focus on restraining nonpriority recurrent expenditures while protecting vital social expenditures—a strategy that I fully support. The emphasis on the revenue side is on intensified collection and compliance, in which, inter alia, the performance of the reactivated anti-smuggling unit will be critical. While I welcome the authorities' efforts to strengthen customs revenue collection, the revenue problem would be better addressed at its root through a reduction in tariff and nontariff protection.
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> The performance of the newly introduced value-added tax is unclear. In paragraph 12 on page 9, the staff indicates that value-added tax revenues were better than programmed in the first half of 1996/97, which helped to offset

below-target revenue performance in other areas. It then indicates in paragraph 16 on page 11 that compliance under the value-added tax was poor in the first half of 1996/97, leading to a breach of the December performance benchmark for the value-added tax. To gain a sense of the potential revenues from the value-added tax, it would be helpful if the staff clarified these two contrasting assessments. It would also be useful if the staff provided additional information on the structure of the value-added tax, and a breakdown of revenue by main categories (including in the form of a table in future staff papers).

I welcome the new draft bill on the income tax, aimed at removing tax holidays under the investment code and replacing them with investment allowances, as well as plans for the introduction of a presumptive tax on small businesses and the self-employed. One assumes that the presumptive tax rate has been set at a modest level. I wonder if the staff has an estimate of the likely yield of these broad-based measures?

The monetary program appears to be on track, and concerns over a possible drought-induced pickup in the headline rate of inflation are expected to be temporary. Nevertheless, vigilance is required to ensure that there is no upward pressure on core inflation, and I thus welcome the authorities' readiness to take appropriate policy action should conditions so warrant. The conduct of monetary policy by the Bank of Uganda has been noteworthy, and I look forward to the successful privatization of the Uganda Commercial Bank. In regard to the operations of nonperforming asset recovery trusts, I join staff in expressing concern over the political pressures to grant concessions to defaulters and urge the authorities to avoid a recurrence of this episode, including by implementing firmly the remedial steps indicated in the staff paper.

External sector performance has been good, as evidenced by robust growth of nontraditional exports. Export competitiveness appears to be satisfactory, and Uganda maintains a comfortable level of external reserves. As Uganda moves forward with the next stage of trade liberalization, the implications of the removal of import bans on four sensitive items for domestic output and fiscal revenues should be studied carefully, and be reflected in the macroeconomic framework of the new ESAF arrangement that will negotiated in the summer of the current year.

While there is a useful section on general social issues in the staff report, I missed any reference to developments in the labor market. Perhaps staff could provide some information on recent trends in employment and real wages.

As the authorities correctly point out, Uganda's greatest challenge is to ensure that the benefits of rapid growth are spread throughout the economy to promote equity, alleviate poverty, and sustain support for the adjustment effort. The authorities' efforts to strengthen the impact of growth on human development are laudable, and I note in this regard the participatory approach under the Action Plan for Poverty Eradication. It will be critical to monitor progress in this area, to ensure that the benefits of growth and adjustment are being felt amongst the poorer households, especially in the nonmonetary sector. I wonder if the staff would confirm whether the World Bank is working on developing monitorable indicators in this area.

I wish to reiterate my concurrence with Uganda's qualification for the HIPC Initiative, and express my support for staff and management's recommendation for approval in principle of a decision point prior to the spring meetings of the Interim and Development Committees. In view of Uganda's strong track record, I support the authorities' request for a completion point by September 1997, as indicated by Mrs. Guti. I agree with Directors who have stated that the agenda of reforms is far from finished, and that it is important that the authorities formalize the key structural reforms that need to be achieved under the next ESAF arrangement. However, it is unnecessary for the authorities to demonstrate their resolve further in the implementation of adjustment and reform policies. The completion point should thus immediately follow the Board's approval of the new ESAF arrangement. I also agree with the proposed target of the ratio of the net present value of debt to exports of 202 percent, in view of the high vulnerability of exports in terms of their concentration and variability—as pointed out by Mr. Shaalan—and the heavy debt-to-revenue burden.

Mr. O'Donnell said that he strongly supported both Uganda's eligibility for the HIPC Initiative, given the country's heavy debt burden, and a decision point in the current month. As for the completion point, the period between decision and completion points should be influenced strongly by the track record of the country concerned. Uganda had a truly exceptional track record, which warranted exceptional shortening of the second three-year stage of adjustment, to September 1997. There had been no delayed program reviews and no program waivers for Uganda since 1991, against the background of strong longer-term performance. That track record had continued in the current year, as Mrs. Guti had summarized. Moreover, Uganda had been strongly committed to programs supported by the World Bank, which the staff of the Bank had attested to in the previous day's meeting of the Executive Directors of the IDA. While it could be argued that it was possible for countries to stay on track with relatively weak programs, Uganda's program had been an extremely tough one of structural reform. The authorities had liberalized interest rates, the trade and payment systems, and domestic prices, and there was a market-determined exchange rate. In addition they had halved the civil service, abolished the marketing board monopoly, and were continuing to make substantial progress with privatization and financial sector reform.

For countries that performed as well as Uganda, it was vital that the Fund respond appropriately under the HIPC Initiative, Mr. O'Donnell emphasized. World Bank research, soon to be published in the *World Development Report*, indicated that financial assistance provided to countries pursuing the right policies enabled those countries to perform even better than they would have otherwise. In particular, countries such as Bolivia, El Salvador, and Uganda had grown faster than might have been predicted on the basis of their policies alone. The Fund should act on such research, indicating the synergy between right policies, financial assistance, and improved performance.

Interim relief was appropriate in principle, but not in the case of Uganda, as it might delay the decision and completion points, which would be more costly to Uganda than any possible benefits of interim relief, Mr. O'Donnell remarked. A delayed completion point seriously risked damaging investor confidence, which was one of the main advantages of eliminating eligible HIPCs' debt overhangs, the objective of the initiative.

Any delay would suggest to markets and investors that the Fund was perhaps thinking that the reform process in Uganda was faltering, when in fact the reverse was true, particularly in regard to the fiscal outcomes and revenue collection, which were better than programmed, Mr. O'Donnell observed. In its public statements, the Fund had created expectations that it would shorten the second three-year stage of adjustment for HIPCs with strong, long-term records of reform. The Managing Director had indicated in a January 1997 interview with the *Financial Times* that he expected Uganda to have reached its completion point by the time of the Annual Meetings in Hong Kong, in the fall of 1997. He agreed with that sentiment and the view expressed in the Interim Committee communiqué at the 1996 Annual Meetings—that the Fund should implement the initiative quickly, and report to the Committee on such progress at its forthcoming spring 1997 meeting—and hoped that the Board would bear in mind the public expectations for progress. The completion point, in any event, should be no later than April 1998, as the Chairman had noted most Directors had said in their discussion on the preliminary HIPC document for Uganda (Chairman's summing up, BUFF/97/28, 3/20/97).

Neutralization of the financial costs to Uganda of a later-than-possible completion point should not be achieved by increasing the country's access under the ESAF arrangement in the interim period between the decision and completion points, Mr. O'Donnell added. While he was strongly committed to ensuring that programs were fully funded during the second three-year stage of adjustment, and that enhanced access to ESAF should be used if necessary, HIPCs' future debt burdens should not be increased without a strong justification. In Uganda's case, such a justification was lacking.

As for conditionality, the reforms under the current ESAF arrangement were already rigorous, including commitments by the authorities to further privatization, restructuring of public enterprises, and extensive financial sector reform, Mr. O'Donnell noted. The next stage of reform should indeed include aggressive tariff reforms, as economic opening and trade liberalization had highly positive effects on growth. The authorities' intention to reduce the maximum tariff to 15 percent by mid-1998—well below the average tariff in Africa—was commendable.

He agreed with the staff's suggested target ratio of the net present value of debt to exports of 202 percent, but was somewhat concerned by the impression that the figure might give spurious precision, Mr. O'Donnell noted. It was doubtful that the difference between 200 and 202 percent was significant, given the wide margins of error regarding the debt and the export figures. Moreover, the debt sustainability target should, in principle, be set at the percentage that would allow a country to achieve a robust and final exit from unsustainable debt, not a figure that—perhaps more than coincidentally—resulted in equitable burden sharing between creditors. The overriding principle in setting debt sustainability targets had to be the need to ensure a definitive exit from unsustainable debt.

The Ugandan government had indicated to World Bank Directors its concern about the phasing of debt relief under the initiative, Mr. O'Donnell pointed out. Given the need for increased social sector funding, he hoped that the staff could comment on the possibility of greater front-loading of relief, with the condition that it would not result in Uganda's being in an unsustainable debt in the future, which would violate the purpose of the initiative.

The Board should err on the side of generosity in the case of Uganda, particularly given the strong incentives for increased investor confidence and private capital inflows that early relief would provide, Mr. O'Donnell concluded. The Fund had deservedly received much credit for the HIPC Initiative, but should not falter at present, if it were not to risk snatching defeat from the jaws of victory.

Ms. Lissakers commented that the Fund's decision on the timing of Uganda's completion point should not be based on public pressures or expectations among the press and nongovernmental organizations. The U.S. authorities had come under enormous political pressure from many quarters on the HIPC Initiative, and had been subject to undeserved criticism when they had been at the forefront of the initiative. The decision of the Board had to be based, in principle, on considered judgments on what would be sound for both Uganda and the Fund. While there were legitimate disagreements on those judgments, the Fund should not respond carte blanche to unrealistic expectations, which neither served Uganda nor the Fund. That explained some Directors' concern about occasional public statements by senior Fund officials that raised expectations on matters that the Board had barely discussed, let alone decided.

Mr. Esdar added that his chair had repeatedly made the same point as Ms. Lissakers. It would be unfortunate if the Fund, responding to public expectations, were to be driven in a circle. The pressures on the German authorities had been extreme, particularly given press leaks to the effect that some chairs were undermining the HIPC Initiative, when in fact they were sticking to the initiative's agreed principles. The premature expectations on the eligibility of countries and the timing of completion points were a cause for concern, as they had greatly complicated the work of the Board.

Mr. Tahara commented that he agreed with Ms. Lissakers and Mr. Esdar, and wished to emphasize that the Board had agreed, in principle, that the second stage of adjustment should normally be three years. A second stage of adjustment of two years represented a shortening—not a lengthening—of the completion point.

Mr. Grilli added that it was important that the Fund not fall into the trap of creating expectations that it would find difficult to fulfill. The pressures on the Board and authorities from press leaks had been most unfortunate, and were uncalled for. Mr. Tahara was correct that it was important to be careful in the language used in referring to the completion point: a shortened completion point, as in Uganda's exceptional case, could hardly be said to be a delay, when the normal three-year period of adjustment had been shortened. The real issue was the extent of the shortening, which should not be described as a delay simply because some might have preferred a greater shortening than others. Inappropriate use of the word delay damaged the Fund's progress in implementing the HIPC Initiative.

The Acting Chairman pointed out that the Managing Director's comment in January 1997 that Uganda would probably reach its completion point by the 1997 Annual Meetings had not been intended to pressure the Board. His comments had been made at a time when circumstances had been different.

Mr. Kiekens said that he also agreed with Ms. Lissakers and Mr. Esdar, but disagreed with Mr. O'Donnell that the debt sustainability target of 202 percent of exports was designed to equalize burden sharing. A target of 200 percent would be possible if the completion point were April 1999, but not if the completion point were sooner—April 1998. The difference in the percentage targets for April of 1998 and 1999 probably equalized the net present value of the debt relief for Uganda as between the two years.

Mr. O'Donnell responded that, to his understanding, the target ratio of the net present value of debt to exports of 202 percent had been chosen because it would result in equitable burden sharing with Paris Club creditors. There were chairs in the Board of the IDA, but not his own, that had requested a lower target ratio than 200 percent. The principle that should determine the chosen target ratio should be the need to ensure a definitive exit from unsustainable debt, which was generally in the range of 200–250 percent, although he would defer to the staff's judgment on the matter.

The staff representative from the African Department commented that the target ratio of 200 percent of the net present value of debt to exports for April 1999, and 202 percent for April 1998, had been designed to ensure the lowest possible ratio that would preserve equitable burden sharing. A lower ratio than 202 percent for an April 1998 completion point would violate the principle of equal burden sharing. The amounts of debt relief to Uganda would differ little between the 200 and 202 percent figures, and between completion points in the fall of 1998 or in April 1999.

Mr. Bernes made the following statement:

> Since I fully concur with the staff appraisal and proposed decisions in the Article IV consultation and midterm review report, I will make only a few supporting comments before turning to the issue of HIPC eligibility.
>
> I would like to commend the Ugandan authorities for their sound economic management over the past year. This is evident on a number of fronts, as previous speakers have noted, including through the responsiveness of fiscal policy to the emergence of inflationary pressures. Particularly encouraging is the emphasis on cuts to nonpriority recurrent expenditures.
>
> Looking forward, I would like to echo staff's caution on the need to maintain strict control over defense expenditures and, in this regard, I am somewhat concerned with the significant projected increase in defense spending in 1998/99. I hope that this can be contained through an improvement in the security situation and with ongoing efforts to find efficiency savings.
>
> I am pleased to note the authorities' intention to liberalize capital movements in the coming period and to increase the pace and scope of their privatization efforts. Like Mr. O'Donnell, I applaud efforts to halve the maximum tariff rate by July 1998 and would encourage the authorities, if the revenue situation permits, to consider earlier moves on this front. As staff have noted, efforts to extend civil service reform and downsizing, and to improve customs administration are clear priorities for the near term.
>
> Given Uganda's past record of utilizing technical assistance, I support the continued provision of technical assistance from relevant sources in the areas of banking supervision, monetary management; customs administration and balance of payments statistics.

With respect to the proposed decision on Uganda's eligibility for the HIPC Initiative, the views of this chair are well known so I can be brief. While I could have accepted a shorter period from decision to completion points, we can support a date of April 1998, subject to Uganda meeting the identified benchmarks. I am therefore pleased to note the World Bank's intention to provide debt relief in the interim period through the use of IDA grants. In terms of the Fund's contribution to this operation, I would encourage significant front-loading of debt relief beginning at the completion point in light of Uganda's debt service profile over the near term.

Like Mr. O'Donnell, I support a target of 200 percent. I see no reason for Uganda to get caught in the cross-fire of a disagreement between creditors on the appropriate interpretation of preferred-creditor status and burden sharing. On the basis of all relevant considerations, Uganda deserves the lowest available target and I am confident that the authorities can make good use of the additional $14 million that a 200 percent target can provide. I continue to believe that burden sharing should be assessed over the life of the Initiative and not on an operation-by-operation basis

I would also like to express my appreciation to staff and the authorities for making explicit in this document the link between the freeing up of resources from debt service and increased public spending on health and education. I presume that these objectives are back-up with considerably more detailed commitments on the World Bank side and I would encourage staff at both the Bank and Fund to monitor the implementation of these commitments on an ongoing basis.

On a final note, could staff comment on the likelihood that the African Development Bank will be in a position to reach a decision point for Uganda in the near future and have resources available to participate in a debt relief operation at an April 1998 completion point. This is of critical importance given its impact on the credibility of our intention to disburse at the completion point.

Mr. Eyzaguirre made the following statement:

At the outset I wish to commend the Ugandan authorities for their strong and long track record of stabilization and reform and congratulate them for having placed Uganda in the position of being the first country considered under the HIPC Initiative. Before commenting on the issues for discussion suggested in the HIPC paper and given that I am in broad agreement with the staff appraisal, I will make only a brief remark on the Article IV consultation.

The sustained track record of strong growth and moderate inflation and, in particular, the timely tightening of fiscal and monetary policy as inflation pressures appeared in 1996 should be commended. Furthermore, given their performance so far during 1996/97, I support the proposed decision to complete the midterm review. Further success of the program, however, depends critically on addressing the weaknesses of tax administration, especially in the area of customs and the fight against smuggling, as well as strong enforcement of the value-added tax. Without these revenue-enhancing measures, the adjustment would need to fall unduly on public expenditures, which would eventually affect social spending and long-term growth prospects. Given Uganda's urgent and unmet social and physical infrastructure needs, this would become increasingly difficult socially and politically. In addition to revenue measures it is of utmost importance that the authorities exercise strict control over expenditures and clearly identify budgetary priorities to maintain fiscal discipline and maximize the resources available for social spending.

Turning now to the issues suggested for discussion in the HIPC paper:

First, regarding qualification for assistance, let me only emphasize that the high level of indebtedness and external vulnerability, having received Paris Club debt relief on Naples terms, its status as ESAF-eligible and IDA-only country and not only the length but the depth and quality of the adjustment makes Uganda, in my view, fully eligible for assistance under the HIPC Initiative.

Second, with respect to the decision point, given that the critical mass of debt reconciliation has been achieved, we support the staff's suggestion of a decision point in principle in April 1997 before the Spring Meetings, provided that once all other creditors have given adequate assurances of action under the Initiative, the decision could be adopted on a lapse-of-time basis.

Third, as we stated on occasion of our discussion on the preliminary paper on Uganda's eligibility under the Initiative, this chair supports an earlier completion point than the one suggested in the paper. A completion point before April 1998 would duly recognize Uganda's adjustment record, substantially exceeding the six-year period norm required under the HIPC Initiative, and serve to further consolidate the critical mass of policy reform. With regard to the provision of interim relief we welcome the staff's additional information. Provision of adequate interim relief should be determined taking into account the particular characteristics of each case but should not be used in any event to lengthen the second stage for countries for which their proven track record of adjustment and reform provides sufficient grounds for exceptional treatment under the Initiative. Furthermore, lengthening the second stage may have adverse effects on investors' confidence therefore slowing down the transformation process.

Fourth, during our preliminary discussion, we noted that the appropriate NPV debt-to-export ratio will remain always somewhat judgmental. Nevertheless, we should decide on a level that is most likely to provide a credible and definite exit from rescheduling, taking fully into account Uganda's vulnerability factors. In this context, we can endorse the NPV of debt-to-export target of 202 percent suggested by the staff and agreed to by the authorities, keeping in mind that it could be lower in light of the variability of export proceeds and other vulnerability factors. This target range is not only fully consistent with proportional burden sharing but provides, in our view, a reasonable prospect for success. With respect to the proposed time profile for assistance under the Initiative, we can support that Fund assistance be slightly

> front-loaded and spread over the life of the country's current obligations, given that Uganda's overall debt service is already relatively smooth and we foresee no humps at this stage. Regarding cases in dispute we urge the authorities and creditors to do every effort to resolve pending issues at an early stage so as not to delay implementation of debt relief under the Initiative.
>
> Consequently, this chair supports the proposed decision in EBS/97/71, Supplement 1 with the appropriate selection of dates and values for NPV and Fund's contribution consistent with our position.
>
> In closing today's approval of Uganda's eligibility indicates that the Initiative is ready and working toward finding a solution to the debt burden of the heavily indebted poor countries.

Mr. Esdar commented, for the record, that the word "lengthening" of the completion point was just as incorrect as the word "delaying." The normal second three-year stage of adjustment was three years, which the Board was proposing to shorten in the case of Uganda—not to lengthen or delay.

Mr. Yao made the following statement:

> Like previous speakers, I wish to commend the authorities for their continued commitment to the adjustment process and for their pursuit of strong macroeconomic and structural policies. A strong economic performance and significant progress in key sectors of the economy are testimony to their commitment. I am also encouraged that the staff and the authorities agree on the objectives of the program and the broad strategy to be followed.
>
> However, despite this good performance, we should bear in mind that Uganda remains a poor and heavily indebted country, critically dependent on the export of only one commodity. Thus, while the economy has high growth-potential in the medium term, its outlook remains uncertain. To enhance its growth prospects, it is important that the authorities continue their efforts to mobilize domestic savings and to diversify the economy. The implementation of sound economic policy remains essential to this objective, and efforts to reduce the fiscal deficit will have to be maintained.
>
> The measures envisaged in the program to increase revenue and to broaden the tax base are appropriate, though it appears that tax and customs administration remain relatively weak, and might have to be strengthened further by the authorities. Could the staff indicate if additional measures have been envisaged to strengthen tax and customs administration, especially in view of the further liberalization of trade? On the expenditure side, it is essential that the authorities maintain their tight approach, and continue their effort to reduce current outlays wherever possible. In particular, I would urge them to monitor carefully the wage bill. To sustain the recovery, the level of capital expenditure may need to be increased, especially to provide the needed infrastructure for the development of the emerging private sector.

The development of a well-functioning banking system remains crucial to the effective mobilization of saving and investment. In this context, I welcome the ongoing restructuring and privatization of the financial sector as well as the improvement in banking supervision. However, I note that the UCB continues to have a weak collection rate, and I would urge the authorities to strengthen their effort in this area. I also welcome the restructuring of the Uganda Postal Bank, which should encourage rural savings and deepen financial intermediation.

Overall, I am in broad agreement with the staff appraisal and policy recommendations, and can support the proposed decision on the midterm review under ESAF. As regards the HIPC Initiative, as I stated during the Board's previous discussion on Uganda, a convincing case has been made on Uganda's eligibility under the Initiative. An April 1997 decision point is appropriate, as a critical mass of debt reconciliation has already been achieved. Moreover, in view of the long track record established by Uganda, I can agree to a completion point in September 1997, as proposed by Mrs. Guti. However, if the completion point is postponed beyond this date, then additional financing may need to be secured for the interim period.

Regarding the debt sustainability target, it is not clear whether the staff's suggested figure is based mainly on the need to achieve equitable burden sharing among creditors or to ensure Uganda's exit from unsustainable debt. If there is a conflict between the two objectives, in which the difference in the resulting amount of debt relief is significant, which objective will prevail? That being said, in view of Uganda's vulnerability to external shocks and its excellent track record of adjustment, as well as the authorities' policy intentions indicated by Mrs. Guti, a target ratio of 202 percent of the net present value of debt to exports would be appropriate.

Mr. Sivaraman made the following statement:

I am gratified that we are ready to take a decision on Uganda and to report to the Interim and Development Committees that we have started to implement the HIPC Initiative. I support a decision point in April 1997. While some convincing arguments can be made to shorten the completion point by less than is possible, these will have to be weighed against any additional costs to Uganda. Yesterday, the President of Mozambique noted the heavy sacrifices that HIPCs are making in implementing structural reforms and in achieving macroeconomic stability, largely based on Fund advice. As Uganda has been persevering with such difficult reforms, it is the responsibility of the Fund to respond adequately under the Initiative. If there is a consensus in the Board that the completion point not be shortened substantially—which is probably infeasible, given the IDA agreement on an April 1998 date—we will need to consider providing Uganda with interim relief to offset the costs of that later-than-possible completion point. The statistical appendix indicates that total interest payments on external debt have been declining, and that, after the completion point, more resources could be available for development expenditures. Yet interest payments on domestic debt have been increasing, which we need to monitor, to prevent a fall in the external debt burden being replaced, in effect, by a rise in the internal debt burden. Even though the staff has been critical of the performance of the customs administration in Uganda, revenue collection seems to have tripled over the previous four years, despite declining duty rates. This shows that there is room for further buoyancy in the customs revenues, which can provide a comfortable margin for Uganda to increase development expenditures further.

We should consider both the debt-to-export ratio and the debt service-to-export ratio. Whichever indicates a sustainable level of debt service in relation to total revenues should be adopted, to ensure that Uganda has sufficient resources for social sector development.

Overall, the authorities deserve commendation for their tenacious, successful pursuit of reforms.

Ms. Lissakers made the following statement:

On the proposed debt relief for Uganda, first of all, let me say again that we appreciate the enormous work the staff has done to advance Uganda's case for HIPC relief and to keep the initiative on track. We support the timing of the proposed decision point. On the target range, we continue to support a target of 200 percent or below to cushion against external shocks.

On the completion point, we believe that most HIPC cases will require a three-year interval between the decision and completion points to lay the economic foundation for debt sustainability. However, we recognize Uganda has a particularly long and impressive track record of compliance with Bank and Fund programs and, indeed, self-generated reform efforts. Nevertheless, there is, as the staff report makes clear, an unfinished agenda, and our preference remains for a completion point of two years after the decision point. However, an 18-month interim period linked to the conclusion of the first year of the follow-on ESAF would seem to us to be a reasonable compromise for a completion point, and one that we could certainly support.

We also continue to feel strongly on the need for adequate financial support in the interim period between the decision and completion points. We welcome the proposed IDA grants, which in our view should be extended for the full length of the interim period, whatever that may be. Both the Bank and the Fund need to develop a methodology for providing relief during the interim period for other eligible countries.

Last night, staff circulated a note on interim relief. While I confess we have not had time to digest it fully, it appears to move the discussion and analysis along. I would, however, take issue that one should take into account the effect on investor confidence of alternative completion points. This turns the issue of investor confidence on its head. It is the timing and scope of reforms a country undertakes in combination with debt relief that affect investor confidence, rather than the timing of relief.

That being said, we certainly agree that debt overhang is a problem and an impediment to accessing private capital. But I think the experience with the Brady Plan negotiations, for example, shows very clearly that once the prospect of a negotiation and a deal is in place, investor confidence picks up immediately. In Uganda's case there would be no uncertainty, because at the decision point we will decide, and everyone will know, the extent and timing of relief. That should take care of investor confidence as long as it is accompanied with adequate reforms.

On that note, let me comment on progress under the current ESAF. I agree with most of Mr. Shaalan's comments, and see little need to repeat what he said. However, I would like to note a couple areas of concern which he shares. One is that, while fiscal consolidation has been greater than expected, some of the consolidation appears to have been due to a wage freeze, which we know is a temporary measure. I wonder if the staff feels that this wage freeze is consistent with the authorities' overall objectives for civil service reform.

Second, we are concerned about the poor collection efforts by NPART. There does not seem to be anything wrong with the structure that has been established. Rather, what appears to have been lacking is the political will to collect nonperforming loans from some influential debtors. The decision to waive 50 percent of accrued interest may not have been the right signal. Maybe putting a few defaulters in jail would be a more effective approach.

As staff notes, collecting on nonperforming loans held by NPART is critical not only to reduce the cost of the UCB's recapitalization but also to send a signal about the need to the enforce loan contracts and repay loans. Given the enormous stock of nonperforming loans in NPART's portfolio, this is not a trivial issue. I understand it is about 18 percent of total loans in the country.

Third, I see from the staff report that the authorities are committed to following through on UCB's privatization, and I think that is critical. I hope that the schedule will be maintained. I note that the UCB has been offered for sale and that buyers' initial offers have been completed. I wonder if the staff could update us further on where the privatization stands at the moment.

Fourth, Mr. Shaalan noted the problems with tax and customs collection. It seems again that the anti-smuggling unit has been lax at times with certain firms. As staff notes, unless tax administration is improved, initiatives such as universal primary education and trade liberalization could unravel much of the progress which has been achieved on fiscal consolidation.

One reason I am stressing the point that key reforms must be completed is because we find ourselves in an awkward position of having to make a decision on Uganda's debt reduction without having commitments on conditionality in place, although I think that the staff and the Ugandan authorities have done a good job of outlining with specificity the reforms that are planned. Box 2 in the staff report is very reassuring indeed.

The Ugandan authorities should understand that there will be a very strong presumption on this Board that these reforms should be front-loaded in the next ESAF and be close to conclusion at the completion point. It would call into question the integrity of the HIPC initiative if reforms in the very first case were to slip. However, I must say there is no reason to believe, given their track record, that the Ugandan authorities will not follow with the needed reforms.

Finally, on the question of burden sharing and the Paris Club, the response of the staff representative from the African Department to Mr. Bernes's question suggests that going below 202 percent as a target range would violate the principle of equitable burden sharing. But I do not believe there is any agreement yet on a definition of equitable burden sharing, so I wonder what the basis is for her assertion.

Mr. Esdar made the following statement:

I broadly concur with the staff's analysis and policy recommendations on the midterm review of the current ESAF arrangement, and can support the proposed decision. I will confine my comments to the final HIPC document, and will refer reforms in that context.

When the Board discussed Uganda's preliminary HIPC document in March 1997, it agreed to have the decision point in April 1997. However, different views have been expressed on the timing of the completion point. While I agree that Uganda's long track record justifies some shortening of the interval between the decision and completion points, I remain convinced that the shortening should be a limited one only, and highly exceptional at that. I would agree with a completion point in April 1999, representing a shortening of the normal three-year second stage of adjustment by one year, and implying a two-year monitoring period. Like other chairs, I have always emphasized that the interim period between the two points should be used as a leverage to encourage further adjustment and structural reform. While I certainly agree with the staff that Uganda's track record and achievements are welcome, issues remain to be addressed, as Ms. Lissakers and Mr. Shaalan have noted. For example, tax and customs administration need to be strengthened, and the export sector urgently needs to be diversified, away from its concentration on one product. We should strongly encourage the authorities to proceed with liberalization of the import sector. I agree with Ms. Lissakers that liberalization of the trade regime is a much better approach to overcoming the inadequate customs collection than to waste resources on improving tax collection[/administration]. Further privatization is certainly necessary, especially in the banking sector, which also urgently requires reforms in some areas.

I wish to emphasize that the HIPC Initiative is a forward-looking one, meaning that financing and economic reform have to proceed together. It would be unfortunate if this linkage were to be cut, and the leverage provided by the prospect of financing not be used to secure further reform. I share Ms. Lissakers's disappointment that some Directors' request that the staff consider the question of interim financing—to achieve cash neutrality in the period between the decision and completion points—was not discussed in the staff paper. I certainly expect that this issue will be discussed in forthcoming papers on other HIPCs, not least to reduce the excessive focus on the timing of completion points in the Board's discussions. Ms. Lissakers is correct that foreign investment or capital inflows into HIPCs does not depend on the timing of completion points. For example, while German investors might not be attuned to the intricacies of the timing of decision and completion points in the case of Uganda, they were well aware that liberalization and structural reform were essential if they were to invest in HIPCs. The degree of structural reform determined investment flows, not the timing of completion points.

In deciding on the debt sustainability target, the vulnerability analysis must take into account not only negative but also positive factors, which have not been reflected adequately in the current staff paper. While Uganda is vulnerable in terms of its export concentration and variability, it is in a relatively favorable position in terms of other vulnerability indicators. First, Uganda's burden of public expenditure debt service as a share of government revenues is relatively low, and the debt-to-GDP ratio is only about 30 percent. Second, Uganda has a relatively strong external reserve position, amounting to nearly five months' of imports. Third, we need to take into account that the use of the three-year backward-looking export average, as well as the exclusion of worker remittances from the export denominator, has introduced a downward bias in the export base. The staff estimates that if only 10 percent of unidentified private transfers are assumed to be workers' remittances, the debt ratios would fall significantly. Balancing all these positive factors with Uganda's external vulnerability, I believe that the debt sustainability target should at least be about 220 percent. A target of 202 percent, as proposed by the staff and other speakers, appears to be too low.

Ms. van Geest made the following statement:

As I agree with the staff appraisal and am willing to support the proposed decision on the ESAF arrangement, I will limit my comments to the HIPC document.

I am willing to support staff's proposed decision. While my authorities would have preferred a completion point in fall 1997, they are willing join the consensus for April 1998 at the latest. We think that Uganda's 10 year track record shows considerable commitment to adjustment and we see ample evidence that the culture of adjustment has become ingrained. A later completion point could be interpreted by outsiders as a sign of hesitance on the part of the IFIs regarding this adjustment culture. Interim relief would not compensate for that. Moré in general, I do not exactly know what is meant by interim relief. We do not oppose higher access under strong ESAF programs, but if it were to require a reopening of the ESAF HIPC Trust we would be more reluctant. We also wonder whether this interim relief would then be limited to the few cases where one might expect a shortening of the second stage, or to all HIPC countries.

I can also support a target of 202 percent, on the assumption that Paris Club creditors will include the debt previously rescheduled on London terms, when they top up the Naples terms to 80 percent.

The staff paper also touches upon the way that the debt relief will be disbursed. The schedule should help to bring the debt burden down to the agreed target and to smooth the debt service profile. In cases like Uganda where there are no pronounced humps, the schedule would be slightly frontloaded and spread over the life of a country's current obligations to the Fund. The staff suggests that this topic still needs to be discussed with the Ugandan authorities and to circulate a proposal for Board approval on a lapse of time basis.

I would like to give some further thought to this issue, both for the case of Uganda and the more general rules. The rule to disburse the debt relief over the life span of current obligations implies a ten year disbursement scheme, as all HIPCs are bound to have an ESAF at the completion point. Moreover, while Uganda's debt service profile may not display humps, it does show a clear downward trend from 19.2 percent in 1997/98 to 12.4 percent in 2005/6. This raises the question how one defines a smoothing of the debt profile and whether the debt relief would not be more effective shortly after the completion point than nine or ten years down the road. My authorities have not come to firm view on all this, but I do think it would be useful to some further discussion and analysis on the general rules we intend to apply in this regard, sometime soon.

The final HIPC document provides a good overview of the intentions of the authorities for the next years. The discussion on the new ESAF program will provide an opportunity to discuss all these issues in more detail. At this stage, I would like to add just one word of caution. Privatization of enterprises can bring important benefits, but it should be done in a proper way, fair and equitable. This is especially important now that larger enterprises are going to be divested. There have been reports that on some occasions in the past, the rules may not have been adhered to fully. My authorities consider fair and equitable privatization an important benchmark against which Uganda's governance record will be assessed, when they decide on their bilateral contribution to the debt relief operation. I raise this point now, as strict adherence to the rules might become even more challenging, if the privatization process has to be accelerated. How does staff evaluate Uganda's performance in this regard.

Mr. Tahara made the following statement:

I am pleased to see that the macroeconomy is developing favorably under the third annual ESAF arrangement. It is encouraging that fiscal performance in the first half of the fiscal year was good. It is regrettable, however, that custom revenue performance has been deteriorating even after the reactivation of the Anti-Smuggling Unit. The increase in military expenditure is another source of concern. I would like to urge the authorities to make their best effort to attain the fiscal target for this year.

Let me comment on the final document on the HIPC initiative.

First, we can support Uganda's qualifications for the initiative.

Regarding the decision point, this chair had requested that the decision point be simultaneous with the approval of the new ESAF program. I regret that this request was not granted in the final proposal. The staff presents a list of structural measures to be implemented during the second stage. It is still not clear which actions will be structural benchmarks, and it is not possible to judge whether the program during the second stage will be among the stronger ones in line with the Managing Director's summing up. Assuming that the decision point will in principle be simultaneous with Board approval of ESAF in future cases, however, I can go along with the decision point of April 1997 as an exceptional case.

As for the timing of the completion point, we prefer April 1999. However, in a spirit of compromise, we are prepared to support Mr. Kiekens's proposal of Fall 1998 provided that a strict annual review will be conducted at that point.

On the target, we are in favor of 230 percent in light of the high level of foreign reserves, the significant volume of private transfer, and the low debt-service ratios.

Finally, let me comment on the staff's statement.

I appreciate the staff's paper on the issue of interim assistance. However, I am little puzzled to see that the staff says that there could be positive effects on investors' confidence arising from the certainty value of an earlier debt reduction. In this connection, I share Ms. Lissakers's and Mr. Esdar's views. But let me repeat this point for emphasis. I would like to note that our commitment at the decision point to debt relief at the completion point is a strong one, as clearly evidenced by the asymmetry between our reaction to better-than- expected outcomes and that to worse-than-expected outcomes. More importantly, if I understand correctly, the conclusion of our discussion on February 1996 regarding the analytical aspect of the debt problem, suggests that investors' confidence depends neither on debt relief itself nor on our generosity, but rather on whether the debtor country is pursuing a strong and effective program of economic stabilization and reform. It is because of this basic understanding that the initiative was structured as three plus three performance periods. Having a relatively late completion point with a strengthened program and with a strong commitment from the creditors to debt relief will maximize investors' confidence, and this effect should be taken into account when we consider the financial neutrality issue.

Mr. Alemán made the following statement:

I want to join other speakers in welcoming the staff papers relating to Uganda's 1997 Article IV consultation and midterm review under the Third Annual arrangement under the ESAF as well as the final document on the initiative for HIPC. Also, I want to commend the Ugandan authorities for their achievements during the period 1995–96 and the staff for their excellent work on Uganda's economy. This has been undoubtedly, a period of heavy work for the staff in preparing all the relevant material for this meeting and I want to congratulate them for the high quality of these papers.

I will address themes separately beginning on the Article IV consultation and midterm review, and then the final document on the initiative for HIPC.

First, in regard to the Article IV consultation and midterm review, as it has been pointed out in previous meetings, Uganda's authorities continued to make further progress in their economic program. Indeed, it is encouraging to see not only the continuous and impressive progress made by Uganda's government in its adjustment program each year, but also their commitment in deepening the consolidation of the process.

In general, the outcome indicate that Uganda has maintained its track record, keeping the program according to the targets. The inflationary pressures were overcome with the timely tightening of the fiscal and monetary policies and I commend Uganda's authorities for taking decisive actions in order to maintain the macroeconomic stability.

The authorities should be aware that they need to maintain their prudent policy stance in order to attain the program's fiscal and monetary targets, avoiding any slippages in the execution of their economic program.

It is necessary to maintain a careful monitoring of the financial program, specially in the fiscal revenues, in order to maintain the objectives already achieved. It is a matter of concern some weakness in the tax administration. If the tax administration is not strengthened, through measures to promote efficient and strong collection of tax revenues, the burden to keep the fiscal accounts in balance should move to the expenditure side in detriment of higher allocation to social expenses. In this sense, it is necessary to maintain permanent actions to combat smuggling and tax fraud. The actions taken on the value-added tax application, as it is pointed out by Mrs. Guti, are steps in the right direction.

The expenditure side, on the other hand, requires a strict control on nonpriority recurrent expenses. For this reason, all those expenses not related to social and physical infrastructures should be restrained, specially those related to defense. The objective will be to assure an efficiency in public savings as much as possible without compromising improvements in the allocation of resources to the social sector. The containment of nonpriority expenses should be in favor of increasing social services, resource development and investment outlays. This will ensure the adequate address of the critical needs in the authorities' poverty alleviation program.

In the monetary side, the authorities should maintain their tight policy stance for keeping the inflation at the one digit level, and make efforts in the strengthening of the use of indirect instruments, and maintain the interest rate as market determined. The steps already taken in the financial sector, recapitalization of the BOU, putting up the UCB for sale, and restructuring the weak banks are steps in the right direction.

Regarding, the structural reforms, we are encouraged by Ugandan authorities in promoting further reform of the public enterprises by strengthening their management and planning the privatization in the near future.

I want to emphasize once more, that the success of Uganda's economic process has been possible through the strong support of the international community, which undoubtedly will continue in the future due to its excellent track record and vulnerability. I support the proposed decision considering completed the midterm review under the third annual arrangement.

Second, concerning the final document on the initiative for the HIPC, as this chair stated in our last meeting, undoubtedly Uganda is eligible to benefit from the debt alleviation initiative in the context of the HIPC, and we are happy to be considering the final document on its case. We support the determination that this is a strong case for qualification in assistance under this initiative.

Given Uganda's excellent track record, we are in agreement to reach the decision point by April 1997, prior to the Spring Meetings of the Interim and Development committees. In this context, we also concur with the authorities to shorten the interval between the decision and the completion points, considering the period September/October 1997 as appropriate. However, we can go along with a completion date not later than April 1998, if there is no consensus with the earlier date.

In any case, we welcome the statement by the Staff representative in relation to the possibility of interim relief under the initiative, to achieve some sort of "financial neutrality" under alternative completion points. However, I concur with Mr. Esdar that in the future we would like to have for all the cases an analysis in relation to the possibility of having financial "neutrality." I would add that this could be done, independently of the date at the completion point.

In relation to the debt sustainability targets, we concur with Mr. O'Donnell and Mr. Bernes, that due to the level of vulnerability of Uganda, a level of 200 percent seems to be appropriate.

Finally we look forward to discussing the new ESAF arrangement before the 1997 Annual Meetings.

Mr. Vernikov made the following statement:

I join other directors in commending the authorities for the impressive results they have achieved. I support the decisions on the midterm review proposed by the staff.

I agree with the suggested date of April 1997 for the decision point. Regrettably, however, we still do not have an agreement on the method of calculation of the export base, namely on the treatment of workers' remittances and the choice of the center point for calculation of the average. It would be logical to agree on the methodology before taking a decision, not after it.

I would like to emphasize once again the importance of reaching agreements with all creditor groups, including non–Paris Club bilateral creditors. I found in the staff's paper that "at the request of the creditors, and with the consent of the Ugandan authorities, the staff is providing information on individual creditor debt, obtained from Uganda authorities, that were the basis for the staff's calculations . . ." (p.13). I think, for the sake of transparency, the staff could extend this practice to bilateral creditors as well.

Related to that also, I would ask the staff to provide some additional information on the reconciliation of bilateral debt. What exactly are the problems that did not allow the authorities to complete reconciliation with several bilateral creditors? If it is only a matter of time, we might need to provide the authorities sufficient additional time to tackle this issue. This applies to the authorities of all future participants of the HIPC Initiative and not only to the authorities of Uganda. In our view, the speed of implementation of the Initiative does not justify ignoring the interests of any creditor or group of creditors.

I wonder what the staff methodological approach is to the treatment of bilateral claims between two countries which are in a comparable position. I am now referring to Tanzania's claims on Uganda, but the relevance of the question certainly goes beyond Uganda's case. If it is true that the debtor must seek from other creditors the terms of rescheduling at least as favorable as those obtained from the Paris Club, I wonder whether this principle is fully applicable in the case when the creditor is as poor a country as the debtor.

Regarding the completion point, like our position at the previous discussion on Uganda, we would support such a point to be reached some time in 1998. Along with this, I saw merit in Mr. Kiekens's proposal that the completion point be tied to a review of the new ESAF program.

Ms. Srejber made the following statement:

I am very pleased with the fact that the report bears witness of Uganda's significant sustained progress with adjustment and that consequently also the ESAF-supported program remains on track. The authorities continue their strong implementation of adjustment policies and are making some good progress in key areas of structural reform as well. These policies have resulted in continued high rates of growth with low inflation, but it is also clear from the report that Uganda's economy remains vulnerable to external shocks.

This chair very much supports the authorities' intent to take steps to reinforce the rising trend in domestic savings, in order to enhance growth prospects. Measures included would be through improvements in the efficiency of tax administration (and compliance), a broadening of the tax base, and tight control of expenditure. I also welcome the authorities' commitment to an early completion of financial sector reforms, including the privatization of the UCB and other measures in the banking sector, in order to deepen financial sector intermediation and ultimately boost private sector savings.

In this context I note from the staff report that the authorities' efforts to collect the UCB's nonperforming loans (by the NPART) have not been completely successful, and I would urge the authorities to persevere in resisting political interference, considering the very strong signals and issues of moral hazard that are involved.

In the area of reform of public sector enterprises, the power sector is of crucial importance for the growth process, and from that perspective a firm implementation of the partial divestiture of the Uganda Electricity Board (UEB) would have been welcome. I regard the delays that seem to have occurred in preparing an overall strategic plan for the power sector in close collaboration with the World Bank, and I would like to urge the authorities to press ahead. Perhaps the World Bank representative could inform us about the status of these plans and the planned implementation phase.

The HIPC Initiative brought to the surface deficiencies in countries' statistics (the key deficiency being private transfers) and, while Uganda is said in general to have demonstrated the capacity to use technical assistance effectively, there is a need for follow-up of technical assistance in the area of balance of payments statistics. I am interested to learn if staff have any indications of if the new reporting system instituted in March 1997 is working, especially as concerns private transfers and capital flows.

I found some discussion of social sector issues and social polices in the report (much as they were presented in the preliminary report), but not the full treatment of social sector issues, as suggested by the non–Bretton Woods multilateral creditors—including possibly performance indicators so as to achieve certain social targets. What seems to be still missing is the general framework for social sector issues within the HIPC Initiative and I join other Directors in the question to the World Bank.

Regarding other aspects of considering Uganda for the HIPC Initiative and the debt sustainability analysis—which is our second item for today's discussion—this chair certainly thinks Uganda qualifies for assistance and continues to be in favor of an early decision point and support a completion point in April 1998.

This chair has not changed its mind on any of the issues as they were discussed during the preliminary considerations, and can basically agree with the staff's proposals in the now final HIPC document.

Consequently, I accept approval in principle of a decision point in April 1997. I also approve of a finalization of the remaining decisions on a lapse-of-time basis, i.e., regarding qualification, completion point and debt targets, once satisfactory assurances of action by other creditors have been received. My authorities agree with the staff's assessment, that in view of Uganda's best efforts, the fact that Uganda continues to have arrears to some non-Paris Club bilateral creditors must not delay the commitment of assistance from the Fund under the Initiative. The only little question is one of a legal nature: where in the proposed decision do I see that it is a decision in principle waiting for LOT?

I support the recommended completion point of April 1998 and a target of 202 percent for the NPV of debt/exports ratio, as consistent with proportional burden sharing.

On the proposed time profile of Fund assistance under the Initiative, I agree with the need to smooth the debt-service profile, either to the Fund and/or generally. Since Uganda's debt service is relatively smooth, the staff's proposal (in this and comparable cases) of establishing a slightly frontloaded schedule of assistance seems reasonable. I thus agree with the suggested time profile.

I recognize the difficulties involved as raised by Ms. Lissakers in her office memorandum regarding interim financing. Some of the problems raised by Ms. Lissakers may be particularly striking in the early cases, and might be less conspicuous in what might become more "normal" cases, where the decision point coincides with the Board approval of the next ESAF arrangement. This chair continues to believe that the Fund's assistance in the interim period should be in the form of normal ESAF arrangements. The Fund's preferred creditor status has to be preserved. On the burden sharing—this chair believes there should be a fair burden sharing where the large industrial countries have a special responsibility.

The Acting Chairman confirmed that the decision on assistance to Uganda under the HIPC Initiative would be taken in principle, that was, subject to the receipt of satisfactory assurances of appropriate action under the initiative by other creditors.

Mr. Daïri commented that developing country creditors lent proportionately more to Uganda than industrial country creditors in the Paris Club. He wondered whether the staff would clarify how much debt relief was expected from non–Paris Club creditors, whether, for instance, it would be equivalent to the Club's 80 percent relief in terms of net present value of debt, or equivalent to average debt relief provided by the Club. He did not see how the cutoff dates used by the Paris Club could be applied to non–Paris Club creditors.

Mr. Kiekens made the following statement:

I welcome progress toward a decision that Uganda qualifies for exceptional assistance under the HIPC initiative. Uganda deserves the exceptional support in exiting permanently from its unsustainable debt burden. My colleagues are well aware that in my view, a permanent solution will require continued implementation of sound macroeconomic policies and structural reforms. Without them the exceptional support under the initiative will not catalyze the needed investments nor sustainable high growth.

When we first discussed Uganda's qualification under the HIPC initiative, many Directors stressed that Uganda still faces an unfinished agenda of structural reforms. The Article IV consultation report also makes this clear. At 12 percent of GDP, fiscal revenue collection is weak, even for a developing country. Tax administration must be strengthen to reduce fraud and smuggling. The budget should depend less on customs duties and other taxes on trade. The authorities should vigorously collect tax arrears and loan arrears.

Although the government has managed to control spending by means of a cash release system, it is time to introduce a more conventional way of managing public expenditures. I welcome the information in the report about the reduction of military expenditures, and think this trend should continue. At our last meeting I urged development of a system to monitor military spending and ensure that the resources saved through debt relief are used primarily to improve health care and education. I insist that this monitoring be made a part of the follow-up ESAF arrangement. The economy's heavy reliance on coffee exports calls for diversifying exports through further trade liberalization and the removal of import bans.

Let me now turn to the decisions we have to make in connection with Uganda's qualification.

Several colleagues advocated setting Uganda's completion point in the spring of 1999, but were willing to compromise by accepting my proposal, offered during the previous meeting, to make the HIPC completion point coincide with the completion of the end-year review of the follow-up ESAF program to be agreed on this summer. This would put the completion point somewhere in the fall of 1998. I do not repudiate the rationality of this proposal, but have to say that my Belgian authorities rely much on your wisdom to arrive at the right conclusion in today's Board meeting. In any case, they will not be unhappy if you conclude that the decision point has to be set in April 1998. They are certain that the Ugandan authorities will make wise use of the confidence which the international community displays in setting an early completion point. We only insist that the follow-up ESAF program should be frontloaded with structural reforms.

On the issue of a desirable NPV debt to exports ratio, I would like to point to several strength factors that at least partially offset Uganda's export vulnerability. Uganda has a huge potential for increasing and diversifying its exports; at 32.8 percent of GDP, its public debt is the second lowest among the HIPC countries; and its worker remittances are an important source of external reserve earnings. I therefore consider that the proposed target of 202 percent for the NPV debt-to-exports ratio is on the low side.

I agree with the staff that today we can only decide in principle on Uganda's qualification, since we do not yet have satisfactory assurances about the commitment of the other multilateral and bilateral creditors to grant Uganda appropriate debt relief under the Initiative. I noted with interest that the Paris Club creditors have agreed not only to an 80 percent NPV reduction

> in the debt covered under the 1995 Naples terms operation, but also have expressed willingness to consider a reduction of up to an 80 percent in all pre-cutoff-date debt rescheduled under London terms, subject to equitable burden sharing with other creditors, including multilateral creditors. I would like to learn from the staff whether this implies that the Fund would have to provide a larger debt relief than they have proposed today.
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> Before finalizing our decision, I expect a well-documented report giving, for each bilateral and multilateral creditor above the *de minimis* threshold, a indication of the size of its claims and how much of these claims will be forgiven at the completion point. This will enable us to judge whether, indeed, the actions taken by the other creditors respect the Fund's preferred creditor status, are compatible with fair burden sharing among the multilaterals, and guarantee that Uganda will achieve a sustainable debt level.
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> Uganda's debt service is smooth and devoid of humps. Any frontloading of the Fund's assistance has to be justified by the maturity structure of Uganda's debt to the Fund.

Mr. Grilli remarked that Uganda was continuing to perform better than most other countries in the region. Its growth rate was rapid; its fiscal accounts and inflation rate were under control, with monetary policy aimed at keeping the latter in check; and reforms were continuing in the banking and social sectors. Uganda's adjustment efforts had lasted several years, and were continuing. The country was clearly reaping the benefits of its early reforms, in part through rapid growth.

In some areas, continued reforms were particularly important, Mr. Grilli stated. For example, fiscal consolidation needed to be continued—an area in which he agreed with Mr. Shaalan's and Ms. Lissakers's comments—and the same applied to financial sector reform. The rising trend in domestic saving was a good sign, indicating that the economy was starting to develop its own resources and would be able to support, to a much greater extent than in the past, investment for growth and to graduate eventually from external assistance, which should be the final result of development.

He asked the staff to comment on how to further increase domestic savings, Mr. Grilli continued. It was important that banks and financial institutions generally be in a position to foster increased savings, which would help, in part, to finance the ongoing privatization of several important institutions in Uganda. In that connection, he wondered whether the staff could elaborate on the fallback plan for privatizing the Uganda Commercial Bank (UCB), if the authorities' first effort at privatizing it faltered. As he had mentioned at the discussion on the preliminary HIPC document for Uganda, if there were no buyers for the UCB, it would probably need to be further restructured until it became an appealing investment. While Ugandans were starting to accumulate sufficient resources to finance such divestment, it was vital that institutions being divested be made sufficiently attractive or safe investment prospects.

Trade liberalization would also need to continue, Mr. Grilli indicated. He was encouraged by the current export diversification, with Uganda reducing its dependency on coffee exports, thus reducing the vulnerability of its trade account to external conditions. While it was a positive development that the authorities intended to lower the maximum tariff from 30 percent to 20 percent by July 1997 and to 15 percent by 1998, the planned reduction was difficult to evaluate. The Board needed to know both what the average tariff rate would be as a result, and the spread of tariffs around that average, in order to assess the overall direction of tariff reform. It was vital that the remaining import bans be eliminated on schedule if the overall trade liberalization effort were to be successful. That step would be a critical indicator of the direction of trade reform, which was vital to continued growth. He was puzzled by the persistence of the import bans, and he was skeptical that they were necessary for revenue reasons.

He welcomed Uganda's objectives of increasing primary education and accessibility of health care, priorities of the HIPC Initiative, Mr. Grilli commented. He would caution, nonetheless, against the Fund's making naive tradeoffs, to the effect that reduced debt automatically resulted in increased social spending. Fiscal processes were not that simple in the real world. In the social sector, adequate planning was essential for authorities to be able to fulfill their objectives. For the authorities to achieve, in a long-lasting manner, their laudable objective of enrolling 3.6 million children in primary education, they needed to plan their efforts carefully. Students needed to be enrolled in school, and to stay enrolled.

While he disagreed with the staff that registered enterprises' noncompliance in paying the value-added tax had been caused by unforeseen circumstances, the requested waiver was a minor one which he could support, Mr. Grilli added. That being said, he wished Uganda every success in continuing and improving, if possible, its track record under the ESAF.

As for the HIPC Initiative, it was intended to provide exceptionally favorable conditions to HIPCs that had made exceptional adjustment efforts and that were projected to remain on track, Mr. Grilli remarked. Uganda was one such country, and he had no difficulty in supporting a decision point in the current month although it might have been more logical to have a simultaneous decision point and approval of a successor ESAF arrangement. Regarding the lapse of time approval of the final decision, if there were any disagreements with bilateral creditors, the Board should be informed and discuss them.

A shortening of the second three-year stage of adjustment had always been an aspect of the initiative, and a one-year shortening was justified in the case of Uganda, Mr. Grilli considered. However, if there were a consensus in the Board on a shortening of 18 months, he could support that consensus. As Ms. Lissakers had emphasized, strong adherence to the accompanying ESAF arrangement was the sine qua non for a shortening of the completion point, thus early debt relief. Ms. Lissakers had made some especially coherent points, which he would not repeat, other than noting that the first HIPC qualifying for debt relief had to be a strong case with no program slippages.

According to the guidelines of the initiative, the debt sustainability target had to be tailored to the vulnerability of the country, Mr. Grilli recalled. Like Mr. Esdar and other Directors, he believed that Uganda was not only vulnerable on the downside but also on the upside, in the sense that it had some positive vulnerability factors that needed to be taken into account in judging its external position. As Uganda had substantial reserves, a balance of payments in surplus, and a strong fiscal position, its debt target should not be reduced below 220 percent. Moreover, Paris Club creditors had indicated that they had not yet agreed to reduce, in net present value terms, some $13 million in previously rescheduled debt on London terms. He wondered whether the staff would comment on the procedures to be followed if some expected financing did not materialize.

Mr. Autheman made the following statement:

I support the decision point in April, with the expectation that we will be able to reach agreement on all outstanding issues by the end of the week. At this stage of our discussion, I will limit my comments to two issues: the completion point and the terms, and some conditions of our contribution to the debt relief.

The choice for a completion point has now been narrowed between April and fall of 1998. The need to challenge the widespread expectation that the Fund continues to be reluctant to fully support a timely implementation of the HIPC Initiative is one argument, in my view, which calls for an April completion point. We would not gain a lot by deciding on the fall; but the cost in terms of public perception could be quite high.

But on the other hand, we must be careful to address the issues eloquently raised by Ms. Lissakers and Mr. Grilli, i.e., we must be confident that at the time of a completion point, the critical mass of reforms, the key conditionality, has been met. This issue is closely related to the design of the performance criteria of a first review of the next ESAF arrangement.

There are three key reforms which must be well on track for us to agree on the completion point. The first is trade liberalization. There is clearly an anti-export bias in the present policy. And since Uganda will now have benefited from this bias by being declared eligible to the Initiative, it is urgent to proceed with the needed liberalization. Mr. Grilli has described the agenda well.

The second performance criterion at which we will look closely is privatization. We must be confident that the privatization program is irreversible at the time of the completion point.

The third is the development of social expenditure. I must confess that I find it very strange that the staffs of IDA and of the Fund have not been able to agree on a common standard to monitor this item. On the one hand, we have a very precise description of indicators of Burkina Faso, and, on the other hand, we have a very vague set of statements in the Bolivia and Uganda papers.

It would be quite worthwhile to talk specific figures, I tried to compare the ratio of military expenditure and of social expenditure to current expenditure. And indeed one has to make one's own calculation because this comparison does not come out clearly from the report.

Education, health, and social services expenditures amount to 17 percent of current expenditures, while military spending amounts to 21 or 22 percent of current expenditures. Clearly, whatever we say, this cannot be described as a satisfactory situation, and, as Mr. Kiekens pointed out, we must be confident at the time of the completion point that there is a major and lasting shift in the balance between military and social expenditures.

I turn now to the amount and terms of the Fund contribution. First, on the terms of the assistance, it is proposed that the Fund should contribute in the form of a grant. In our February decision, it was agreed that the choice between grants and loans would be made on a case-by-case basis, "taking into account the objective of bringing the debt service-to-exports ratio to the debt sustainability target agreed for the member at the decision point."

Staff proposed a debt service-to-export target of 20 percent, whereas Uganda's total debt service should be below this target both in 1997 and 1998, i.e., before the debt relief. I do not challenge the proposal for a grant. It seems to me that the option of a loan has been quoted in our decision for the record and that there is no real intention to use it. But it would have been helpful either to document the case for a grant or to indicate as early as now that we do not intend to use loans.

A second comment related to the burden sharing. The draft decision indicates that our decision will be effective when we will have received satisfactory assurances regarding assistance from other creditors. Following on what Mr. Bernes said, I would like to say that in our view, and as regards AfDB, satisfactory assurances would be met if AfDB found a way to provide a minor contribution far below its share in Uganda's debt, which means that other creditors would have to match AfDB's missing contribution.

Finally, I wonder whether the Fund has negotiated well its burden sharing with the World Bank. It seems to me that the share of the Fund is more than proportional. The contribution of the World Bank is made of two elements. One is the contribution of the World Bank from the HIPC trust fund, which is similar to the contribution of the Fund, and another is an IDA grant, whose net present value is estimated at $22 million. But an IDA grant, I think, is donors' money which is entrusted to the management of the Bank and should not be treated in the same way as the Fund's and the Bank's own resources.

Ms. Lissakers commented that, like Mr. Autheman, she was dissatisfied with the social development performance indicators (Box 3), which were much less specific than structural indicators (Box 2). While she had not raised the issue in her statement, as the U.S. Director at the World Bank had noted the matter in the Board of the Bank, both Boards had requested the staff to formulate specific social development performance indicators, or means of measuring performance in the social sector. That request had not yet been met; thus, the framework of the HIPC Initiative was incomplete. It was troubling that the institutions were proceeding with the first HIPC case without specific social indicators being in place. Although she understood that the World Bank was responsible for formulating social indicators, she wondered whether the staff could explain the situation.

Mr. Daïri remarked that he agreed with Mr. Autheman and Ms. Lissakers that clearer indicators of social development were needed. He wondered how a low primary school enrollment rate of 40–50 percent could result in a literacy rate of 61 percent, which seemed to be inconsistent.

Mr. Kiekens noted that he too agreed that social indicators were important. He wished to add a fourth critical area of reform, an improved tax system and increased ratio of fiscal revenues to GDP, to Mr. Autheman's emphasis on privatization, social expenditure improvement, and trade liberalization.

Mrs. Guti said that the authorities agreed that it was important that social expenditures be emphasized, and would further increase them. The figures on social and military expenditures, nonetheless, were subject to dispute. The authorities had provided her with their own expenditure estimates indicating that social spending exceeded military spending by a wide margin.

Ms. Lissakers remarked that Mrs. Guti's and Mr. Daïri's comments highlighted the need for specific indicators that would enable the Fund to measure improvements in the social sector. All parties, including the authorities, strongly agreed that increased social expenditures and efforts were a key aspect of the success of Uganda's economic plan. However, the lack of specific indicators resulted in disagreements on the very basic issue of relative social and military expenditures. That issue would be resolvable if the World Bank and Fund had a clear analytical framework and clear benchmarks for measuring social sector progress. Recently, the Fund had rightly stressed the need for countries to shift expenditures from nonproductive—including military—sectors to productive sectors. She wondered how the Fund was going to recognize such a shift it if did not have the indicators for measuring the respective sectors. For example, primary school enrollment and attendance needed to be distinguished. While she recognized that it would be difficult to specify exact dates and precise targets in the social sector, she had expected that the agreed program with Uganda would have included at least some benchmarks to the effect that primary school enrollment and attendance were agreed to be a certain percentage at present, which should increase to a certain percentage by a specific date. If that were the case, the Fund would have some means of measuring progress in the social sector.

Mr. Esdar commented that he shared the concerns expressed. As the World Bank was responsible for providing social indicators, future HIPC papers by the staff should include a chapter supplied by the Bank on the social sector. He strongly suggested that management request such chapters from the Bank. He was concerned, nonetheless, by the increasing tendency in staff papers to state that educational and health systems had improved because expenditures on those systems had increased. For example, Germany and the United States spent large sums of money on their health systems, which did not necessarily mean that those systems were efficient. In many developing countries, the health and education infrastructures were sufficient—in terms, for example, of the number of people per hospital—but the services were distributed inefficiently. Gross expenditures in the social sector gave little indication of the adequacy of the social effort. In that context, he was concerned, like Mr. Grillli, about a facile tradeoff that resources saved in debt relief automatically implied, for example, better health systems. The issue in the social sector was not primarily one of expenditure, but of effectiveness of the sector.

Mr. O'Donnell said that he agreed with Mr. Esdar. The Fund might mistakenly be attempting to equate inputs and outputs: expenditures were not a good indicator of the adequacy of health systems. For instance, the United Kingdom spent comparatively less than the United States on health care, but with similar results in terms of the population's health. The staff could provide the data on social versus military expenditures, although one had to keep in mind the regional situation behind such expenditures, which should not be considered in isolation from the security situation among the countries. If the latter changed, then one could sensibly expect changes in military and social expenditures. Moreover, hiring more civil servants and buttressing the Anti-Smuggling Unit was not as efficient a means of increasing revenues as tariff reduction and trade liberalization, particularly elimination of the import bans, which all Directors stressed.

Mr. Autheman commented that he would be gratified if social spending were in fact higher than military spending. He agreed that the productivity of expenditures was important. However, one could not rely on the argument that the effectiveness of social expenditure was what mattered, not the amount—hence, that the distribution of expenditures between the social and military sectors was less important if the former were relatively efficient. Neither could one argue that the security situation in the region should make the Fund less critical of military spending than it traditionally was. The data on military expenditures in the staff report were not easy to find, but there were some: page 20 indicated that expenditures on health, education, and other social services were 17 percent of total recurrent expenditures; and page 10 indicated that defense expenditures were expected to be 12.2 percent of total expenditures in 1996/97. One could then calculate the ratio of recurrent spending to total spending, allowing a comparison to be made between social and military expenditures. If social expenditures were larger than military expenditures, he would be gratified to tell his authorities that they should be less concerned about the latter in Uganda. The question of military spending, nonetheless, could not be sidestepped, especially at the completion point.

Mr. Esdar remarked that he agreed with Mr. Autheman on the distribution between military and social expenditures, although the effectiveness of health, education, infrastructural, and other social expenditures remained vital.

Ms. Lissakers reiterated that the HIPC Initiative had to include specific performance criteria in the social sector as part of the conditionality under the initiative. It had been agreed that creditors would provide extraordinary debt relief and that debtors would take extraordinary measures in the structural and social areas. One needed some means of measuring extraordinary effort in the social sector, which was still lacking.

Mr. Sivaraman said that, although the measurement of the effectiveness of social expenditure was complex, the World Bank had a number of studies on the matter and was assessing such expenditures in many countries. It would perhaps not be difficult in Uganda to obtain adequate social data, showing the growth and effectiveness of social expenditures. In regard to primary education, one could measure the dropout rate; and in regard to health expenditures, one could measure the distribution of doctors, nurses, and hospital beds per thousand population in urban and rural areas. The measurement difficulties would not be insurmountable.

He wondered whether the sharp increase in interest payments on domestic debt, shown in Table 21 of the statistical appendix, was due to increased domestic borrowing or to increased long-term interest rates on treasury debt, Mr. Sivaraman added.

Mr. Daïri added that monitoring social sector performance was important, but tricky. That was especially the case regarding education spending per student, which could give a misleading impression in the case of Uganda, where the official primary school enrollment rate was 91 percent but the actual rate only about 40–50 percent. More reliable social performance indicators were needed.

Ms. van Geest—noting the importance of social development, expenditures, and indicators—stated that the Fund should respect its normal division of labor with the Bank, which was primarily responsible for the social sector.

Mr. Gruber made the following statement:

At this stage of the discussion I can limit my comments on the Article IV consultation and the midterm review under the third ESAF arrangement to a few remarks of emphasis and concentrate on the final document on the HIPC Initiative.

We commend the Ugandan authorities for their sustained commitment to the reform program and for the progress achieved on macroeconomic and structural adjustment. Particularly remarkable are, in our view, the encouraging increase in coffee export volumes, stemming partly from the strong supply response to sectoral reforms, as well as the robust growth in nontraditional exports, which is a strong sign for Uganda's economy to be on the road to diversification.

Like the staff, we see the main challenges for the continuation of the successful reform in the further improvement of the fiscal and in particular the revenue position, the further liberalization of the trade regime, and the continuing efforts in structural reforms, i.e., the reform of the financial sector, privatization and the public enterprise restructuring. Of special concern are, in our view, the weaknesses in tax administration and tax collection which risk to affect the expenditures in social and physical infrastructure, which are of crucial importance for the country's development.

Turning now to the final document on the HIPC Initiative. The Board has spent a considerable amount of time in recent weeks on the Initiative for Heavily Indebted Poor Countries. We can now earn the fruits of these discussions and consider the final document on the HIPC Initiative for the first eligible country. Uganda has a long and strong track record of macroeconomic and structural adjustment, which has been demonstrated again by the observance of all quantitative and structural performance criteria through end-1996 of the midterm review under the third annual ESAF arrangement. The structural benchmarks were also met, except the one on the value-added tax. This should flow into the determination of the decision and completion points as well as the setting of the debt sustainability targets. By determining these things, we have to consider, however, that Uganda—although each country is unique—will serve as an orientation point for the setting of further eligible countries.

We reiterate our support for the April 1997 decision point, prior to the Spring meetings of the Interim and Development Committees, subject to satisfactory assurances of action by other creditors. We agree that the resolution of individual outstanding creditor issues should not further delay the commitment of assistance from the Fund and IDA under the Initiative, given that the authorities are making best efforts in this respect. We expect, however, in future cases, debt reconciliation to be completed prior to the decision point.

We agree in principle on a completion point in April 1998. We have to emphasize, however, that a one year period between the decision and the completion point stretches the exceptional clause provision to the limit. Furthermore, this shortening does require a strong front-loading of structural reforms and ambitious targets regarding social sector issues.

On the conditionality we fully share the position of Ms. Lissakers, Mr. Esdar and others on the link between the setting of the completion point and the envisaged program conditionality.

Generally speaking, we would prefer the interim period being congruent with the ESAF arrangement so that the completion point would coincide with a midterm or an annual review under the ESAF arrangement. By this way, the formal commitment of the Fund and IDA could be based on a negotiated ESAF conditionality. The midterm or annual review would furthermore simplify monitoring of performance at the completion point.

Coming back on the conditionality for Uganda, we would like first to thank the staff for preparing the very helpful boxes 2 and 3 which list in a detailed way the envisaged structural reforms and social development performance indicators during the time up to the completion point. On the proposed conditionality we have the following comments:

Regarding privatization, we would have expected more ambitious qualitative targets, as well as a more ambitious timetable. The targets are set in percent of the numbers of enterprises without any indication about their size. We would suggest that the staff identifies a list of key enterprises, i.e., 5–10 enterprises, which have to be part of the 85 percent enterprises to be privatized. Furthermore, these enterprises should be privatized before March 1998, i.e., before and not after the completion point.

In order to improve competition and to increase customs revenues, we suggest to lift the remaining import bans by summer 1997, instead of March 1998 and June 1999, respectively. Finally, a more ambitious timetable to reduce subsidies should be aimed for (the current proposal is to limit subsidies to 3 percent of GDP by 1999). Regarding social sector issues, we wonder whether more specific measures (i.e., actual implementation of actions) rather than the currently proposed elaboration of plans, programs and strategies could be envisaged. In this respect, we can fully support Ms. Lissakers's and other speakers' request for clear and verifiable social indicators

We would prefer a debt target above 202 percent and would propose to continue to aim at 210 percent. This would take into account Uganda's vulnerability regarding coffee prices and still be at the low end of the 200–250 percent foreseen by the HIPC Initiative. By taking 210 percent, we also consider the very early completion point and leave the option open to provide more debt relief for a country more vulnerable than Uganda.

Caution is justified also in view of the optimistic export projections on which the DSA is based. We note that the growth rate, especially for nontraditional exports, is higher than in the preliminary paper. If we set the debt sustainability target too low and export performance falls short of current projections, we could be faced with a situation, in which achieving the target will not be compatible with a fair burden sharing between the various creditor groups.

We also propose a higher than 202 percent target as workers' remittances are excluded from the export calculation, therefore, making the situation look worse than it actually is. Most important, however, we have to face the fact that the financing of the HIPC Initiative and the interim ESAF has not yet been secured. We cannot spend money which we do not have.

Mr. Waterman made the following statement:

I would like to move immediately to the HIPC paper and the issues for discussion. Like others, we believe that Uganda does have a strong case for participating in the HIPC Initiative. In terms of the decision point, we also agree that we should take a decision this month prior to the spring meetings of the Interim and Development Committees.

On the completion point, I have indicated earlier that we could go along with the consensus in support of April 1998 on the basis that it is subject to satisfactory performance between now and then, and on that there has been a lot of discussion this morning on what is required in areas such as defense expenditure, revenue collection, financial and trade reform, and so on. So we will be looking very closely at what happens over the next year. It seems to me that having a completion point of April 1998 would represent a very significant shortening of stage two in recognition of Uganda's track record over the better part of a decade.

In terms of the debt targets, I know that my authorities would want me to go along with a consensus for a target of 202 percent for the NPV of debt-to-export ratio for a completion point in April of next year, and I do that. But, in saying that, I must say that at a personal level I have some reservations about that. If we believe in the overall range of 200 to 250 percent, I would have thought that we would place Uganda somewhat further up the range. In other words, I am not convinced that Uganda's overall level of vulnerability is greater than many of the other countries that might qualify under the HIPC Initiative.

Finally, I agree with earlier comments by others on the unproductive nature of all the outside noise and public discussion that has made our own deliberations more complex than they need to be. It seems to me that the NGOs and the other outsiders have a tendency to keep raising the ante, and I think they need to recognize now the significance of the debt initiative for both the Fund and the Bank, and direct their attention in the future to making sure that the countries that benefit from the relief use it wisely and continue with their reform efforts.

Mr. Himani stated that he endorsed the staff's analysis, its suggestion to shorten the second stage of adjustment to allow a completion point in April 1998, and a debt target of 202 percent at the completion point.

While he appreciated that Uganda was making every effort to service its debt, its outstanding arrears to the Arab Bank for Economic Development in Africa (BADEA) were a cause for concern, Mr. Himani considered. To his understanding, HIPCs were expected to normalize their relations with all creditors at an early stage, and prior to the decision point. In the case of Uganda, the short period between the preliminary debt sustainability analysis and the decision point might not have provided sufficient time for normalization. He expected that Uganda would be able to resolve its arrears to BADEA before the completion point, and wondered whether the staff would clarify procedures on arrears under the Initiative.

He agreed with Ms. Lissakers and Mr. Esdar that, ultimately, it was the strength and quality of reforms that determined investor confidence, not the certainty of debt relief, Mr. Himani added. He also agreed with Ms. van Geest on the need to observe the traditional division of labor between the Fund and the Bank on social sector issues.

Mr. Daïri said that he agreed with Mr. Himani's concern about Uganda's arrears to BADEA.

Mrs. Sein commended the authorities for their continued pursuit of strong adjustment policies. She broadly agreed with the staff's views on the 1997 Article IV consultation and midterm review under the ESAF, and could support the proposed draft decisions. As her chair had stated in the March 12, 1997 discussion on Uganda, she agreed that the country qualified for assistance under the initiative, that the decision point should be April 1997, and, given its strong record, that the completion point should be April 1998. In light of the vulnerability of the external sector, a target ratio of the net present value of debt to exports of 202 percent was appropriate. She wished to thank the staff for its efforts in regard to Uganda.

Mr. Ramdas made the following statement:

> The authorities are to be commended for their success in implementing appropriate fiscal and monetary policies to reduce inflation to a single digit rate, and to maintain a consistent growth path as they restructure the economy. The basis for this success is their consistent strategy of stabilizing exchange and interest rates, increasing tax revenues as a proportion of GDP, liberalizing prices, and creating a free market by removing marketing monopolies. Equally important in their achievements has been their relentless commitment to implementing strong adjustment and reform measures over the past ten years, with the assistance of the international community.
>
> The challenges that will test the authorities' political will and their capacity to implement reforms are medium-term ones, namely, achieving sustainable and broad-based economic growth—including through export diversification and private sector development—controlling inflation through prudent fiscal and monetary policies, and reducing poverty through prioritizing government spending in the context of a stable economy. The staff report sets out clearly the authorities' medium-term goals, which are designed to enhance Uganda's growth prospects. These goals include raising public sector savings

through revenue enhancement; expenditure reduction in nonpriority areas; financial sector reforms, including privatization of the UCB and its capitalization; restructuring of weak commercial banks; strengthening of bank supervision to boost private sector savings; additional structural reforms in the financial, health, education, civil service, and public enterprise sectors; and further trade liberalization to lower tariffs.

I agree broadly with the staff's recommendations and wish to comment on structural reform in the public utility and on private investment. In the electricity sector, the authorities have taken steps to improve operational efficiency in order to make the Uganda Electricity Board more attractive for private sector participation. In this context, I welcome the proposed amendment to the Electricity Act that will remove the Uganda Electricity Board's monopoly on power generation, thereby permitting free entry of independent power producers. I endorse the staff's view that improved performance in the power sector is critical to the growth process, and especially wish to draw attention to the recent reform efforts in Tanzania's telecommunications sector, which also took the initial step, namely, the determination of a competition and regulation policy. In this context, I support a wider application of the principle of introducing competition in other sectors where competition is lacking. In developing an incentive regime for private sector development, a second lesson may be observed from the staff report on Tanzania, in which the staff discouraged the authorities from granting wide-ranging investment incentives and exemptions given that domestic savings had been rising over the previous four years. That staff report stated further that, in attracting investment, emphasis should be placed on creating an enabling environment, including stable macroeconomic conditions, an improved infrastructure, and a more efficient bureaucracy, in which special incentives are vigorously controlled and are provided for only under the income tax legislation and under the authority of the Minister of Finance.

I support Uganda's eligibility for assistance under the HIPC Initiative; an April 1997 decision point; an April 1998 completion point; and proportional burden sharing by multilaterals, with the debt target set at 202 percent; and finalization of the decision on Uganda's eligibility on a lapse-of-time basis. My chair is convinced that the authorities have the political will to tackle the challenges that lie ahead, and urges them to accelerate their efforts to ensure timely implementation of planned reforms, and the recommendations of technical assistance missions. My chair also urges full participation by the authorities in the World Bank's public expenditure review.

Mr. Song commended the authorities for their achievements in restructuring the economy. He broadly agreed with the staff's analysis and its policy recommendations for the future structural adjustment effort. It was encouraging that Uganda had continued to make progress in macroeconomic stabilization and structural reform. With a nearly 11-year-long performance record in policy implementation and program attainment, Uganda qualified for a decision point in April 1997. A completion point in April 1998 would be reasonable, although he could consider supporting an earlier date if there were a consensus in the Board in its favor. The authorities' determination and efforts in reforming Uganda's economy were the most important guarantee for continued improvement in economic balances and efficiency. In view of Uganda's severe cash flow constraints and its heavy fiscal burden of external debt service, he supported a target ratio of the net present value of debt to exports of about 200 percent. He supported the proposed decisions.

After adjourning at 12:55 p.m., the Executive Board reconvened at 2:35 p.m.

The staff representative from the African Department commented that the staff shared Directors' concerns about the Non-Performing Assets Recovery Trust. The Trust had been a major topic of discussion during the staff's previous mission, which had led the government to make a firm public statement that defaulters would not be tolerated. The government had also agreed not to grant any more generalized waivers of interest payable, and had agreed to extend the life of the Trust. The political interference in the Trust in the second quarter of fiscal year 1996/97 had been on an ad hoc—not organized—basis, and the staff had recently confirmed with the authorities that political interference had diminished markedly. While it would take some time for the authorities to resume debt collections at the pace achieved in the first quarter of fiscal year 1996/97, the requisite measures were currently in place and the government was supporting the Trust publicly.

Investors had made their initial offers for the Uganda Commercial Bank (UCB), which the merchant bank, Morgan Grenfell, was assessing, the staff representative said. The merchant bank would advise the government by end-April on which offers to pursue. The investors making reasonable offers would be invited to examine the UCB, and to submit their final offers by end-June or thereabouts. While the authorities hoped that the privatization of the UCB would proceed as scheduled and were focusing all their efforts in that regard, they had discussed a fall-back plan in broad terms, if the offers were unsatisfactory. In that case, the authorities would turn the bank over to reputable managers to restructure it further, for later privatization. Regarding other banks, the staff had recently been informed that one of the weak banks (Kigezi) had been restructured, two months earlier than scheduled.

The privatization program had generally been transparent, and proper procedures had been followed, the staff representative added. Of the numerous enterprises that had been privatized thus far, complaints or questions about lack of transparency had been raised in only a few cases, on which the press had focused. When privatization was accelerated in the future, the staff would seek to ensure its transparency, and also that enterprises were sold for good value. Thus far, several large enterprises above a certain asset value had been privatized or had been considered for privatization.

The authorities had taken some positive steps in the power sector, although formulation and cabinet approval of the strategic plan for that sector had been delayed from March 1997 to June 1997, partly because the minister responsible had changed, the staff representative stated.

Revenues from the value-added tax had been better than programmed in the first half of 1996/97 despite poor compliance, mainly caused by a traders' strike and diversion of scarce administrative resources to deregister some of the 6,000 registered taxpayers following the change in the value-added tax threshold. Of the 6,000 payers of the value-added tax, only a few hundred were large taxpayers, accounting for a large share of the value-added tax collections. Many taxpayers were small and their contributions might not significantly affect the size of total tax collections; but it was important that all taxpayers habitually file tax returns, pay their taxes, and be included in the tax net, whatever their size, thereby broadening the tax base. Over time, as the small businesses expanded in size and numbers, even small taxpayers would cumulatively begin to make an appreciable contribution.

The authorities had implemented a number of measures to strengthen tax and customs administration, the staff representative continued. They were gradually addressing the problems with the Anti-Smuggling Unit (ASU), improving staff training and compensation, and providing it with additional and better equipment to cope with increased smuggling—including on Lake Victoria—and transforming the ASU from a military to a civilian institution—making it somewhat less aggressive in the process, given public complaints about previous high-handedness. As for the Uganda Revenue Authority (URA), its Board clearly needed to interfere less in management and daily operations and be responsible instead for overall monitoring and surveillance. The staff had proposed restructuring the URA, to redefine its field of influence under the successor ESAF arrangement. The authorities had taken several measures to improve customs administration, including changes in staff, and had increased training and computerization. Other measures were described in the footnotes of the staff report.

Of total revenues, 12 percent were provided by the income tax, 28 percent by customs duties, 24 percent by excise duties, 29 percent by the value-added tax, and 7 percent by nontax revenues, the staff representative indicated.

Public sector salaries had been increased in July 1996, substantially for lower-paid staff, such as teachers, and more modestly for mid-level civil servants, and incorporated into the budget, the staff representative pointed out. After some discussion, the Ministry of Finance had resisted further demands for increasing ministerial salaries and furniture allowances, and the staff had advised it not to revisit salaries during the course of the fiscal year.

Regarding the relative proportions of social and defense expenditures in the budget, both Mrs. Guti and Mr. Autheman were correct, although they referred to differing periods, the staff representative observed. Historically, social expenditures typically amounted to about 17 percent of recurrent expenditures. In the 1996/97 budget, social expenditures amounted to about 30 percent of recurrent expenditures and defense expenditures to about 20 percent of recurrent expenditures—if one included wage and nonwage recurrent expenditures in both the social and defense sectors. The staff had emphasized that the share of social expenditures should be further increased, and the share of defense expenditures further reduced. In its next mission, the staff would reiterate that defense expenditures should not increase as a proportion of GDP or of recurrent expenditures. Although the staff had not yet discussed the 1997/98 budget with the authorities, the latter had indicated, in principle, that if the security situation did not deteriorate, defense expenditures would form a declining proportion of the budget. That being said, Mr. Esdar's point was well taken that the quality of expenditure also mattered. The staff was dissatisfied with the quality of social expenditures; too little of it reached the grass roots, although the World Bank was trying to maximize the amount of spending that actually reached patients, or schools, for example.

The increasing domestic interest bill of the budget was due mainly to the recapitalization of the banking sector, the staff representative noted. In other words, the costs of recapitalization were included in the form of interest payments on the issued bonds to finance the recapitalizations. In addition, compared to the past, the stock of treasury bills had increased, as they had been used to control liquidity in the absence of fully developed monetary instruments.

The import bans had been used for protection and revenue reasons, the staff representative commented. Cigarettes and beer were subject to both import bans and high domestic excises. In the past, the authorities had tried to liberalize the market partially through granting special import licenses for cigarettes, for example, but the resulting cigarette imports had far exceeded those allowed under the special licenses—the customs officials had had difficulty in monitoring the imports and in controlling smuggling—resulting in lost domestic sales and lost excise taxes. While those problems remained and had to be addressed, the approach of the past had changed, and the authorities had agreed to eliminate the import bans and intensify their anti-smuggling efforts to contain the adverse fiscal implications of trade liberalization.

The staff had not provided information on average tariffs or on their fiscal impact because the current data were based on outdated rates and the tariff structure from 1995; since that time, recourse to exemptions had been markedly reduced, the staff representative said. The staff was attempting to obtain updated information on the structure of imports, including on imports that were in the higher tariff categories. Based on the previous tariff structure, the proposed tariff reductions would result in an average 5 percentage point decline in the weighted average tariff.

Even though employment statistics were inadequate, indirect and anecdotal evidence indicated that the growth in agricultural and industrial output had increased employment, the staff representative added.

The debt reconciliation exercise had proved to be time-consuming, the staff representative noted. The communications with Uganda's creditors—including the initial letters and subsequent exchange of data—had been especially time-consuming. A number of technical problems had arisen, including re-evaluation of time periods and exchange rates used to convert debt. Regarding specific creditors, the African Development Bank had agreed to participate in the HIPC Initiative. As for Uganda's arrears to BADEA, the projects for which the loans had been agreed had been much delayed and thus the disbursements as well. In the original contract with BADEA, a repayment schedule had been agreed based on the loan commitment. Given the subsequent delay in the projects and thus disbursements, the Ugandan authorities had asked BADEA if they could repay the loan on the basis of the disbursed debt; BADEA had responded that that was not allowed under its procedures, which specified that committed loans had to be repaid based on the original contract. The Ugandan authorities had approached BADEA again, and hoped that if the issue were not resolved shortly, BADEA might consider canceling the debt. That being said, they had agreed to repay the disbursed, but not committed, debt. Regarding debt to Tanzania, apparently Uganda owed for military assistance provided by the latter over a decade ago, but its amount and form was in dispute. Apart from the disputed cases, the Ugandan authorities had made offers to their non-Paris Club bilateral creditors to re-schedule debts on comparable Naples terms, in line with their commitment to the Paris Club.

The authorities had circulated the new reporting forms for balance of payments statistics—designed with Fund technical assistance—to commercial banks on March 27, 1997, and it was too early to assess the results, the staff representative stated. At least six months would need to pass before one could begin to assess the results, including data on private transfers.

Mr. Grilli suggested that the staff specify that the authorities reduce not only the maximum tariff but also the average tariff, or the tariff structure as a whole. It was his understanding that the authorities' reluctance to abolish the import bans, and replace them with a tariff or an excise tax collected at the border, was due to their difficulty controlling imports.

The staff representative from the African Department responded that smuggling indeed reduced tariff revenues, which could not be replaced by a domestic excise.

Mr. Daïri commented that anti-smuggling efforts were often ineffective, and could even lead, in some cases, to human rights abuses. Whenever possible, a better approach was to focus on reduction of tariff and nontariff protection.

The staff representative from the Policy Development and Review Department said that that staff shared the concerns raised by Mrs. Guti and other Directors regarding the time profile of Fund assistance under the initiative, and the possibility of front-loading assistance. It would be highly ironic if Uganda were to have less funds available for social spending with, rather than without, the initiative. The staff had not yet held detailed discussions with the authorities on the profile of Fund assistance; and other creditors' profiles of assistance remained unclear, particularly those that had provided debt relief through the Multilateral Debt Fund. The staff hoped to clarify the question in discussions with the authorities. As indicated in general terms in paragraph 35 of the paper, the staff's approach was to flatten Uganda's debt service profile to the Fund by means of moderate frond-loading of debt relief. That meant that the Fund would provide Uganda with more nominal debt relief in the first two years, when Uganda's debt service to the Fund would peak, than in the later seven years, when its debt service to the Fund would gradually decline. If debt service due the Fund were reduced by 25 percent, for example, over the next two years, the amount of debt relief to Uganda would be about $13-15 million a year—or about $30 million in the first two years—out of a total of $68 million in relief.

The staff's interpretation of burden sharing—underlying the proposed target of the net present value of debt to exports of 202 percent—was the same interpretation of that principle used in all staff papers for the HIPC Initiative, including those on costing the initiative, the staff representative stated. The staff recognized that there were differences of view in the Board on the appropriate interpretation of burden sharing, which would likely be discussed in forthcoming HIPC cases, in which differing interpretations would have significant financial consequences.

With respect to the contributions of non–Paris Club bilateral creditors to the initiative, the staff had followed the same principle that it had previously, namely, that when a debtor signed an agreement with the Paris Club, it also committed itself to seeking at least comparable terms with other bilateral creditors, the staff representative continued. In the case of Uganda, that meant that the Fund was assuming that the authorities would seek 80 percent debt reduction in present value terms from all of its bilateral creditors, including non–Paris Club ones.

Mr. Daïri commented that he had not questioned Paris Club principles, but wondered whether the Fund still expected non–Paris Club creditors to provide debt relief of 80 percent in net present value terms, and whether that was reasonable. If the Paris Club provided Uganda with 80 percent debt reduction, the average debt reduction for Uganda on its total debt, Paris Club and non–Paris Club, would be less than that, perhaps about 60–66 percent.

The staff representative from the Policy Development and Review Department responded that the debt relief calculations in the staff paper had assumed that Paris and non–Paris Club bilateral creditors would provide debt relief on equivalent terms.

The staff expected arrears to be normalized by the decision point, the staff representative added. That should be achievable in normal HIPC cases, given that the framework of the initiative allowed a country three years to reach the decision point, and another three years in the second phase of adjustment to normalize arrears with creditors. In the exceptional case of Uganda, given the shortened second phase, there was little time for the country to normalize arrears with creditors. The staff expected authorities to make their best efforts to reach agreements with creditors. The World Bank would assist the authorities in their consultations with multilateral creditors.

The staff had held preliminary consultation with the Paris Club, which had received the current paper, the staff representative continued. The Club was aware that the Fund was assuming 80 percent reduction by the Paris Club of the net present value of all eligible debt—including debt rescheduled on London terms, which was relatively substantial. The staff was confident that the Paris Club would act consistent with that explicit assumption.

Mr. Vernikov remarked that he appreciated the staff's frankness on the treatment of non–Paris Club debt. His earlier question had really been a suggestion to the staff to address the issue of non–Paris Club debt, an issue that would likely recur. It was unwise, methodologically speaking, to suggest that a poor country request rescheduling of its debt to another poor country on as favorable terms as Paris Club debt. The specific nature of Tanzania's claim on Uganda was not unique, but would arise in several other HIPC cases with debts to neighbors as well. He hoped that the staff could develop a methodology for dealing with the issue of non–Paris Club debt between HIPCs.

Authorities should be allowed sufficient time to complete the debt reconciliation process, particularly as settlement of claims with previous creditors was a precondition for implementing the initiative, Mr. Vernikov commented.

The staff representative from the Policy Development and Review Department stated that she agreed with Mr. Vernikov's second point. The staff was only asking the Board to adopt a decision in principle at the current discussion in order to allow further time for Uganda to complete its consultations with creditors, and to seek their assurances. Uganda was the first case for which the Board was approving debt relief under the HIPC Initiative, meaning that the logistics of the proposed decision were prototypical, and that the Fund was, in some respects, learning by doing. The staff had been mindful of Mr. Kiekens's point at a previous discussion to be particularly careful with the drafting of the proposed decision, which had been done by the Legal Department. More generally, the staff regarded the process as similar to that in the late 1980s and early 1990s when the Board had approved arrangements in principle, subject to receipt of a critical mass of financing assurances from commercial creditors. Once the Fund had received financing assurances from all of Uganda's creditors, it could finalize the decision without change. The proposed decision for Uganda included the basic parameters that the Board had to decide, including the terms of the financing to be made available by the Fund, which, in the case of Uganda, was in grant form. The staff hoped that the decision would remain unchanged when the Board finalized it in a few months' time—except for the addition of a schedule for the drawdown of the grant in the HIPC Trust Fund. The staff expected to follow the above process, although it had to be kept in mind that it was breaking new ground. As many consultations still had to be completed with many creditors—possibly resulting in unforeseen complexities—the staff might have to come back to the Board for further guidance on how to interpret, for example, when sufficient financing assurances had been received.

The staff representative from the African Department noted that, at the Board discussion on the preliminary HIPC document for Uganda, Directors had favored accelerated negotiation of the successor ESAF. While the staff could negotiate and present that program to the Board, the arrangement could only be approved when the current arrangement expired in mid-November 1997.

The staff representative from the World Bank commented that, unlike the case of the ESAF and the Bank's Structural Adjustment Credit (SAC), in which it was easy to devise specific conditionalities, the Bank did not currently have a framework for assessing overall performance in the social sector. The Bank staff, nonetheless, was working toward having a more structured approach to that sector.

He wished to elaborate on Uganda's reforms in the social sector, as only in that context could one formulate a framework that was sufficiently specific, the staff representative said. Uganda's performance had been excellent: Box 3 of the HIPC paper showed that the authorities' social efforts were comprehensive; and paragraph 40 of the Article IV consultation report indicated that real social expenditure had been growing by about 18 percent a year. In contrast, until 1996, military expenditures had been on a consistent downward trend, with substantial demobilization of soldiers. The authorities had consistently been spending more money on rebuilding the social sector, which had been in a debilitated state when the present government had assumed power in 1986. Following the dramatic decline in the social sector in the 1970s, Uganda was in a somewhat unique situation, in that more than half of aggregate expenditures on health and education were in the private sector. Building a sense of ownership and commitment on the part of the government was necessary if the agreed social sector reforms were to succeed.

Uganda had a massive program of universal primary education, aimed at increasing participation rates by one million students, the staff representative emphasized. The Bank was working closely with the authorities on achieving universal primary education. The Bank teams in the field had been instructed not to work on devising additional conditionalities in the educational system—although the Bank had evaluated the initial educational effort in February 1997—and to work closely with the authorities to minimize the costs and risks of the massive reform of the system. In fact, that was the Bank's priority in Uganda. Furthermore, the authorities were engaged in another massive effort to decentralize both the educational and health systems, or to move resources in those systems to the field.

The Bank had done survey work on the incidence and quality of expenditures, the staff representative pointed out. The survey work indicated some disturbing trends; for example, actual participation rates in primary education were much lower than the government's announced participation rates (see Appendix V of the staff report). The Bank's work on the incidence of expenditures indicated that only a small percentage of expenditures reached the district level. Those indicators had led the Bank staff to focus especially sharply on qualitative factors in the social sector.

The literacy and enrollment rates presented in the staff report were consistent, if one compared gross enrollment rates and actual enrollment rates, the staff representative continued. The Bank staff's work showed that four years of primary education was normally sufficient to make a student literate. It was therefore consistent with the estimated literacy rate of 61 percent.

The Bank was working closely with other donors, nongovernmental organizations, and the authorities to achieve the broad targets shown in Box 3 of the HIPC paper, the staff representative stated. In the interim, through April 1998, the Bank had agreed in its SAC to provide the additional resources needed by the government to finance the increased social expenditures. It was very much a process of building the government's sense of ownership of the social sector effort in cooperation with all other participants. Uganda's program was exceptional in the sense that the poverty reduction action program had provided the framework for the government's previous budget paper, and an updated version would do so for the 1998 budget, focusing on social sector expenditure and poverty reduction.

Uganda was at the stage of infrastructure privatization, although it was struggling with some internal tensions in that regard, the staff representative observed. Parliament was considering the legislation on privatizing the telecommunications company, which should be achieved by end-1997. The power sector was a good example of some of the tensions in the infrastructure area; although the new minister had less ambitious intentions for reform than the previous minister—which was not uncommon—President Museveni had already indicated earlier in the year that he was dissatisfied with the performance of the power sector, which should be privatized. Moreover, there were also tensions regarding the parastatals, and the ministers who wished to retain control of those enterprises. The Bank expected to receive the strategic framework for the power sector by June 1997 and would discuss whether it was sufficiently ambitious to prevent reforms in that sector from lagging any further.

Regarding the transparency of the privatization program, there had been many rumors in newspapers about senior government and political officials, the staff representative recalled. In dealing with the problem, the authorities faced a genuine dilemma between the fact that it was not unusual for senior officials to be relatively better off, thus able to purchase domestic assets, and the fact that if those officials were denied the ability to bid on enterprises, the latter would often be sold to foreigners, either within or outside Uganda. The Bank had certainly emphasized the need for as open a privatization process as possible. However, that would not necessarily dispel all of the rumors; every time a prominent person in Uganda was involved in the purchase of an asset, no matter how legitimate or fair the process might have been, their involvement was likely to be highlighted in the press.

Earlier that day, the Bank had been informed that the Board of the African Development Bank (AfDB) had approved a $180–230 million contribution to the HIPC Initiative over 1997–2003, the staff representative from the World Bank noted. The management of the AfDB would consider the modalities for contributing to the HIPC Trust Fund. Furthermore, some bilateral donors had made commitments to Uganda already, including the United Kingdom.

Ms. Lissakers asked what system the Bank used in monitoring social sector performance.

The staff representative from the World Bank responded that the Bank was working on elaborating the detailed objectives to be met in the areas of primary education and district health. It was formulating a detailed policy matrix for achieving universal primary education, including financial projections to help the government assess how much it could spend on education, and was focusing on the quality of the educational effort, in terms of the provision of related equipment, the building of permanent structures, and the training of teachers. The authorities had agreed that it was important not to fall into a pattern that had been typical in Africa, of making progress in achieving universal primary education then faltering. Tanzania, for example, had achieved primary school enrollment rates nearly 100 percent, but had fallen back to a rate of about 65 percent.

Ms. Lissakers said that she recognized that a somewhat different approach to monitoring was required in the social sector compared with the economic sector, but wondered whether the Bank would set any performance benchmarks that could be monitored by the time of Uganda's completion point.

The staff representative from the World Bank responded that the Bank would set performance benchmarks for expenditures in universal primary education and health care.

Ms. Srejber added that, like Ms. Lissakers, she was concerned that the Bank lacked specific criteria, benchmarks and monitoring procedures for assessing performance in the social sector, and for making comparisons in that sector between HIPCs. She wondered how the Bank was going to proceed.

The staff representative from the World Bank noted that there were three aspects of the Bank's efforts in the social sector in Uganda, which were strong compared with those in other African countries. First, the Bank's annual public expenditure reviews focused on establishing priority areas for expenditures, including social and cross-sector expenditures. Second, as part of its governance program, the Bank was conducting regular surveys of the quality of social services, down to the local level—including, for example, the views of parents on the school system—to get an accurate picture of performance in the social sector. As he had noted earlier, some of the results had been disappointing, and some civil servants had reacted somewhat defensively to them. Third, the Bank was using its best experience in Africa and elsewhere to work closely with the authorities to ensure a successful program in universal primary education, thereby avoiding some of the educational failures in other countries. The Bank was also redesigning its district-level health project to make it compatible with the authorities' efforts to decentralize health care generally. Training and capacity building were central aspects of the Bank's efforts in both the education and health sectors. It was moving as quickly as possible to formulate a clear and consistent approach to social conditionality.

Ms. Srejber asked when the general framework for social sector conditionality would be available.

The staff representative from the World Bank responded that he could not comment on the Bank's overall effort in social sector conditionality, but that, in the case of Uganda, the framework for social sector conditionality—including the poverty program—would be reflected in the 1998 fiscal budget. If the planned schedule was adhered to, specific social performance indicators would be available by the completion point for agreement with the government.

Mr. Daïri wondered whether too much emphasis was being placed on primary education at the expense of health care, where needs were more urgent. Uganda had a literacy rate of 61 percent, which some middle-income countries had not even achieved; in contrast, life expectancy was only 45 years, infant mortality was one out of every 10 children, and there were 25,000 people per physician.

Ms. Lissakers said that she and some other Directors were disconcerted that there was not yet a framework for measuring social conditionality by the time the first HIPC case was provided with assistance, despite the strong expectation of both Boards that it would be in place.

Moreover, as the staff had noted, the Board still disagreed on the appropriate interpretation of burden sharing, Ms. Lissakers continued. The proposed decision was not a final one, but only a decision in principle, subject to consultations with other creditors. As the Fund's assumptions regarding the actions of other creditors might prove to be incorrect, the Board had to retain the right to reassess the relative contributions of the Fund and the Bank in the case of Uganda, which was one of the purposes of having a two-step decision-making process. That had been the thrust of Mr. Yao's earlier question, namely, whether or not the Fund would stick with the currently proposed debt relief or seek to ensure that the amount provided in fact allowed an exit from unsustainable debt.

Mr. O'Donnell commented that burden sharing would need to be compatible with the original understanding in the August 1996 paper on the HIPC Initiative (EBS/96/135), that a country with arrears to non–Paris Club creditors not be excluded from the initiative, provided that it had made best efforts to reach agreement with those creditors on Paris Club terms. Ms. Lissakers's comments seemed to be compatible with that understanding.

Mr. Sivaraman pointed out that burden sharing was particularly complex when commercial credit was at stake. In the case of India, despite the fact that most of Uganda's bilateral debt was commercial, the Indian government was seeking to have that debt rescheduled.

The staff representative from the Policy Development and Review Department commented that the proposed burden sharing in the staff paper on Uganda was consistent with the original understanding on the HIPC Initiative. More generally, the staff would have to wait to see how the process with creditors unfolded, particularly as Uganda was the first HIPC case. By the decision point, she hoped that agreements would have been reached with all creditors, although that expectation might prove optimistic. Furthermore, if unforeseen technical problems were to arise, the staff might need to bring those issues to the Board for guidance.

Mrs. Guti stated that she especially welcomed the discussion, as it was rare that a country in her constituency attracted as much attention as Uganda had done. That focus reflected the importance that the international community attached to both the HIPC Initiative and Uganda's exceptional reform efforts. Uganda was committed to further reform to benefit its population, not merely to gain access to the HIPC Initiative. She hoped that the international community would continue to be a partner in Uganda's successful efforts to improve its population's living standards, and that the country would benefit from debt relief as early as possible.

Directors had emphasized that progress in the social sector needed to be an integral part of the ESAF arrangement accompanying HIPC Initiative debt relief, Mrs. Guti observed. The authorities attached great importance to the social sector. While they were well aware that military spending must be kept within limits, she would caution against simple comparisons of social versus military spending as a yardstick for judging Uganda's performance in the social sector. One had to look at social and military spending within the context of the wider budget, and military spending within the context also of political and security developments. That being said, as her chair had long advocated that Fund- and Bank-supported programs take account of social conditions, she hoped that the institutions' efforts in Uganda would help them design programs generally that were sensitive to social conditions. The fact that the Fund and Bank were not yet ready to monitor the social sector adequately was probably due to the old approach toward that sector, or their previous approaches to program design.

She would inform the authorities of the outstanding areas that the Board believed required further reforms, Mrs. Guti concluded.

Mr. Tahara indicated that he would abstain from voting, because his chair was deeply concerned by the proposed April 1998 completion point and the proposed ratio of the net present value of debt to exports of 202 percent.

Mr. Kiekens remarked that he agreed with the proposed approach to take the decision in principle, but hoped that it would be exceptional. In the future, financing assurances should normally be received before the decision point.

The staff representative from the Policy Development and Review Department commented that the two-stage approach to decision making on HIPC cases had always been part of the initiative's framework, and was not exceptional. The framework had envisaged that the Fund and Bank would first make recommendations to other creditors, giving them time to confirm that they would commit resources in line with the Bretton Woods institutions' recommendations.

The Acting Chairman made the following summing up:

> Executive Directors agreed with the thrust of the staff appraisal. They commended the Ugandan authorities for their continued strong implementation of adjustment policies and structural reforms in the first half of 1996/97, which had sustained Uganda's track record of rapid growth with moderate inflation. Particularly noteworthy was the timely tightening of fiscal and monetary policies that had contributed to a reversal of the upturn in inflation in the early part of the year. At the same time, Directors noted that Uganda's economy remained vulnerable to external shocks, which highlighted the importance of steadfast implementation of sound financial policies and structural reforms that were critical to strengthen the social, physical, and financial infrastructure, and thereby facilitate productive activity in the private sector. Directors congratulated Uganda for being the first country to be eligible for assistance

under the HIPC Initiative, based on its strong track record of adjustment over a long period.

Directors commended the Ugandan authorities for keeping the fiscal program on track and urged continued efforts to keep fiscal consolidation on a firm footing. Noting that Uganda's revenue-to-GDP ratio remained relatively low, Directors stressed the need to strengthen tax administration, particularly in the customs area, through strengthening the Anti-Smuggling Unit. Some Directors suggested that trade liberalization, including a more ambitious lowering of tariffs, would contribute to reduced smuggling and strengthened customs collection. Directors also urged efforts to improve the functioning of the Uganda Revenue Authority, value-added tax compliance, and collection of tax arrears. They welcomed the proposed new income tax legislation which, inter alia, should restructure investment incentives and broaden the tax base.

Directors commended the authorities on the introduction of Universal Primary Education (UPE). In this regard, they noted that UPE would require a reordering of expenditure priorities in order not to undermine the efforts toward fiscal consolidation, and measures to ensure that expenditures for the program were carried out efficiently. Directors stressed the importance of continued strict control over recurrent spending, and some called for the strict control of defense expenditure in order to release resources for priority social outlays. Some Directors also noted the need for more efficient budgetary and expenditure control systems.

Directors noted that considerable progress continued to be made in important structural areas. They particularly welcomed the proposed acceleration of reforms in the financial sector and in the pace of privatization. The importance of ensuring that the privatization process was transparent and equitable was emphasized. They underscored the importance of an early sale of the Uganda Commercial Bank, and the need to strengthen loan recovery. In this regard, they urged the government to demonstrate strong support for the Nonperforming Assets and Recovery Trust, and refrain from political interference. Regarding public enterprises, Directors stressed the importance of implementing reforms in the power sector, including through partial divestiture; the delay in completing the strategic plan for the power sector was regretted, as that sector was critical to sustainable growth. Directors also urged that the proposed trade liberalization measures, including the reduction in tariffs and the removal of the import bans, be implemented as envisaged, with some calling for some further cuts in import tariffs.

Directors noted that Uganda's balance of payments had improved, that structural reforms had led to a significant diversification of Uganda's exports. Nevertheless, they observed that the external position remained fragile. A strengthening of the external sector and sustaining rapid economic growth required the continued strong implementation of economic reforms to develop a more diversified export base, a dynamic private sector, and a market-friendly environment conducive to private investment. The authorities' efforts deserved the continued support of the international community.

Directors looked forward to considering a new ESAF arrangement and the specification of performance targets in critical structural policies, including in the areas of strengthening public finances, trade liberalization, privatization, and social policies.

Directors urged the authorities to continue with efforts to improve statistics, including with respect to workers' remittances.

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

The Executive Board took the following decisions:

Enhanced Structural Adjustment Facility—Review under Third Annual Arrangement

1. Uganda has consulted with the Fund in accordance with paragraph 2(d) of the third annual arrangement for Uganda under the Enhanced Structural Adjustment Facility (EBS/96/170, Sup. 1), and paragraph 31 of the memorandum annexed to the letter from the Minister of Finance of Uganda dated October 29, 1996.

2. The letter, and its annexed memorandum, dated April 4, 1997, from the Minister of Finance shall be attached to the third annual arrangement, and the letter and memorandum of October 29, 1996 shall be read as supplemented by the letter and memorandum dated April 4, 1997.

3. The Fund determines that the midterm review contemplated in paragraph 2(d) of the third annual arrangement has been completed and that Uganda may request disbursement of the second loan specified in paragraph 1(b) of that arrangement. (EBS/97/67, 4/8/97)

Decision No. 11490-(97/44), adopted
April 23, 1997

Initiative for Heavily Indebted Poor Countries—Final Assessment of Eligibility

The Executive Board adopts the following decision in principle, that is, subject to satisfactory assurances of appropriate action under the HIPC Initiative by other creditors. Once satisfactory assurances have been received, the decision will be finalized and circulated to the Board for approval, possibly on a lapse of time basis:

Based upon the external debt sustainability analysis for Uganda (EBS/97/24, 2/14/97; EBS/97/40, 3/10/97; and EBS/97/71, 4/11/97), the Fund, as Trustee of the Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations (ESAF/HIPC Trust) adopted by Decision No. 11436-(97/10) ESAF, February 4, 1997, decides:

(i) that, in accordance with Section III, paragraphs 1 and 2 of the ESAF/HIPC Trust Instrument (Instrument), Uganda is eligible and qualifies for assistance under the HIPC Initiative as defined in the Instrument;

(ii) that the completion point for Uganda will be April 30, 1998, provided that by then the Fund, as Trustee of the ESAF Trust, shall have approved a new three-year arrangement under the Enhanced Structural Adjustment Facility for Uganda and the first annual arrangement thereunder, and shall have completed the midterm review under the first annual arrangement;

(iii) that the external debt sustainability target for the present value of the debt-to-exports ratio for Uganda at the completion point will be 202 percent; the target for the debt-service-to-exports ratio will be 20 percent; and the target range for the present value of the debt-to-exports ratio should be 192–212 percent; and

(iv) that, in accordance with Section III, paragraphs 3(a) and 3(b) of the Instrument, the SDR equivalent of $68.9 million would be made available by the Trustee to Uganda at the completion point, in the form of a grant to permit a reduction in the present value of the debt owed by Uganda to the Fund, subject to satisfactory assurances regarding the exceptional assistance to be provided under the Initiative by Uganda's other creditors. This amount shall be committed by the Trustee once these assurances have been received and the schedule for the use of the proceeds of the Trust grant by Uganda shall be established, in accordance with Section III, paragraph 4 of the Instrument. At the completion point, in accordance with Section III, paragraph 3(c) of the Instrument, the Trustee may adjust the amount of assistance committed.

Decision No. 11491-(97/44), adopted
April 23, 1997

2. UNAUTHORIZED DISCLOSURE OF INFORMATION

Under other business, the Chairman said that he wished to discuss three recent incidents of unauthorized disclosure of information to the public. Mr. Grilli, in particular, had called attention to the fact that an Italian news agency (ANSA) and Reuters had carried a story on the Board's recent discussion on the Article IV consultation with Italy. That was a serious cause for concern, as it was the first time, to the Fund's knowledge, that a press leak had included references not only to a summing up but also to statements by Executive Directors—Mr. Bernes and Mr. Kaeser—meaning that three papers had apparently been leaked to the press. Given the seriousness of the leak, he had instructed the Secretary and the Director of the Office of Internal Audit and Inspection to investigate and report to him the circumstances of the leak. In the meantime, the staff would tighten internal information security measures regarding both papers and electronic documentation. He also appealed to Executive Directors to help reinforce among all those who received confidential Board papers the need to ensure that they did not fall into the wrong hands.

He gave the matter particular emphasis, in light of other lamentable leaks recently, the Chairman stated. For example, in the case of Malta, the Article IV consultation report had recently been recited in parliament by the opposition. Moreover, the Fund had proof that a staff paper had been sold by an official in Ukraine to a journalist, to which he was responding with a forceful letter. The Fund indeed had to deal with that situation forcefully, including by thorough inquiries.

Ms. Lissakers, recalling Mr. Grilli's comment in the previous discussion on Uganda that perhaps the best means of responding to smuggling was to accelerate trade liberalization, suggested that perhaps the best response to press leaks was to make the Board more transparent. Greater awareness of the Fund's views on countries' policies would increase the quality of debate, including in parliaments.

The Chairman commented that, in any event, he looked forward to the Board's finalization of its views on the release of press information notices.

Mr. Wijnholds noted that it was the first he had heard of the leak of a Fund paper on Ukraine and requested that Directors be kept informed in a timely manner of such leaks.

Mr. Grilli said that the problem of leaks to the press was an unpleasant one. His Italian authorities were highly concerned about the leaks of the Board's discussion on the Article IV consultation with Italy, as they were about the tendency for leaks regarding the HIPC Initiative. His Maltese authorities were equally concerned about the leak of the Article IV report, which had indeed been recited in parliament. Both authorities desired that the Fund make every effort to identify the sources of the leaks, including in other cases, and take every possible measure to prevent a recurrence. That being said, he did not believe that the parallelism between trade liberalization/smuggling and Fund transparency/leaks was valid.

The Chairman indicated that the Board would consider the matter in greater detail after the spring meeting of the Interim Committee.

3. SPECIAL ONE-TIME ALLOCATION OF SDRS—DRAFT OF PROPOSED FOURTH AMENDMENT OF ARTICLES OF AGREEMENT—FURTHER CONSIDERATION

The Executive Directors considered a staff paper on the draft proposed fourth amendment of the Articles of Agreement to provide for a special one-time allocation of SDRs (EBS/97/73, 4/17/97). They also had before them a background paper on the draft proposed fourth amendment of the Articles of Agreement (EBS/97/58, 4/1/97), and illustrative calculations of a special allocation of SDRs (SM/97/89, 4/1/97).

The Managing Director made the following statement:

> As Directors are aware, we have been requested by the Interim Committee to finalize our work on a proposed amendment for a special one-time SDR allocation by the time of its forthcoming meeting.
>
> The most recent staff report on this subject (EBS/97/73) describes an approach that, I hope, could receive the support of the Executive Board. The main elements of this approach would be the following:

First, an allocation would be made to all participants, including those that are in arrears to the Fund.

Second, with respect to members with overdue obligations that have been unable to consent to or pay for the proposed increase in their quotas under the Ninth General Review, the allocation would be calculated on the basis of their proposed Ninth Review quotas, rather than on their actual quotas under the Eighth Review.

Third, in recognition of the concerns expressed by a number of Directors regarding the need to ensure that the terms of the special allocation be consistent with the Fund's overall arrears strategy, the SDRs allocated to a participant in arrears to the Fund would be held in an escrow account until the participant had eliminated all of its overdue obligations to the Fund. This escrow mechanism would not apply to general allocations made in accordance with Article XVIII. Furthermore, I state for the record that this mechanism is part of the special regime we have defined together for this special one-time equity allocation and will not be extended at the initiative of management to general allocations.

With respect to the amount of the allocation and after careful consideration of the conclusions of the Chairman of the friends of the Chair, I have come to the conclusion that a consensus could be reached on a ratio of 30 percent leading to an overall allocation of SDR 22.4 billion.

I would be grateful if Executive Directors would indicate whether the above approach is acceptable to them at the forthcoming meeting on this subject, scheduled for Wednesday, April 23, 1997.

The General Counsel said that a correction should be made in the text of the proposed amendment. The first line of paragraph 4 dealing with the Federal Republic of Yugoslavia on page 9, began: "In accordance with 2(b)"—a parenthesis and two little "i"s should be added and the parenthesis closed, so that the new expression would read "2(b)(ii)."

Mr. Shaalan made the following statement:

At this late hour, I shall be very brief and to the point. In so doing, I would like to present the consensus of the G-9.

First, with regard to the size of the allocation, we wish to note that the original compromise proposal that the Managing Director made last September was for an allocation of SDR 26 billion. In the spirit of compromise, the G-9 is ready to accept a special one-time allocation of SDR 22.4 billion.

On the fourth amendment of the Articles of agreement contained in EBS/97/73, which is before us today, and again on page 9, item 5, we would like to propose an addition to the draft of the proposed fourth amendment. Section 5 would read, after 5(c)—and that would then be (d)—the following: "Except for the provisions of this paragraph, the principle of separation between the general department and the special drawing rights department and the unconditional character of the SDR as reserve assets shall be maintained." We request that this addition be included in the explanatory note, too.

The General Counsel observed that the addition proposed by Mr. Shaalan would not change the substance of the proposal. It merely clarified the effects of the proposed amendment. It remained consistent with the remainder of the proposal.

In response to a question from the Chairman, the General Counsel said that Mr. Shaalan's suggestion would not create any particular problem in the context of the staff's general paper.

Ms. Lissakers requested that a written text of Mr. Shaalan's proposed addition be circulated to Directors at some point.

The Chairman agreed, noting that Directors would receive Mr. Shaalan's amendment within a few minutes.

Mr. Wijnholds made the following statement:

I wanted to say that I welcomed this discussion and that I certainly welcome also what you have put in your statement. I think that it contains a good compromise on this matter of the SDR allocation, or one-time allocation, and the matter of countries in arrears to the Fund. I certainly can accept the way you are here treating it, and this form of an escrow account, I think, would be a good way to proceed.

On the language Mr. Shaalan proposed, I did see something in a memo of his today, which I can accept, but I take it that the new text is simply, let us say, a newer version, with all the legal niceties in it. If that is so, I can certainly accept that language.

Mr. Shaalan confirmed that, indeed, his proposal was merely a redraft of the ideas contained in the note he had circulated to Directors

Mr. Sivaraman made the following statement:

I will be very brief. I appreciate the efforts made by you and other colleagues to arrive at a consensus on this vexatious issue of allocating SDRs. I fully support your proposal.

As regards the amendment, I endorse whatever has been stated by Mr. Shaalan. I cannot, however, help saying that, while we will be marking a milestone in this area, we will also be leaving room for the future to criticize us: on the altar of consensus, we also tinkered with the basic framework of the Articles of this institution.

It is true that, as decades roll by, even constitutions of countries have changed, affecting their fundamentals. But if our objective is to ensure that certain of our actions do not encourage defaulters to this institution, we should in future seek different remedies instead of amending individual Articles to suit a particular situation. However, I support all these proposals here, and I hope every one of us will be able to agree to this.

Mr. Donecker made the following statement:

> Given the extended discussions on this issue on earlier occasions, I would like to comment only briefly on your most recent proposal for the envisaged SDR equity allocation.
>
> First, with regard to the draft legal text for the necessary amendment of the Fund's Articles of Agreement to allow for such a special one-time SDR allocation, we appreciate the efforts of management, the staff, and some Directors, like Mr. Shaalan, to find a compromise solution to the arrears countries' problems that could be supported by all Directors. During our last discussion on this issue, we expressed our preference for Alternative B. Your new proposal, which includes the freezing of the equity allocation to member countries in arrears to the Fund on an escrow account until these arrears are cleared, provides an acceptable alternative. We could also support a wording along the lines of Mr. Shaalan's proposed text, if it is acceptable to the Legal Department, and if there is a broad consensus in its favor.
>
> Secondly, we also welcome the fact that the motivation for the whole exercise of this special equity allocation—namely, to enable all members of the Fund to participate in the SDR system—was added to the explanatory text. We would, however, prefer to have this sentence, which now concludes the first paragraph of the explanatory text, at the very beginning of this paragraph on page 2 of the document before us, in order to first mention the goal of this initiative, as emphasized in several Interim Committee communiqués, and thereafter the instruments to achieve it—that is, the amendment of the Articles to allow for the special one-time allocation based on a common benchmark ratio of cumulative allocations through present quotas.
>
> I would propose, therefore, starting the introduction in the explanatory text on page 2 as follows. On page 2, under the heading "Explanatory Text and Introduction," the sentence would start: "To enable all members of the Fund to participate in the SDR system, the Interim Committee, in its September 29, 1996 communiqué, endorsed," and then the text as it says here. We would propose to delete the last sentence, because it would become redundant. So the text would start: "To enable all members of the Fund to participate in the SDR system, the Interim Committee, in its September 29, 1996 communiqué, endorsed the Executive Board's." Since this has been running through the Interim Committee as the objective of this whole exercise, I think we should not have any problems and other members should not have any problems to accept this editorial change.
>
> Thirdly, we welcome your proposal in general, but you will not be surprised that I have to state that it still contains a few elements which we cannot support or find difficult to accept. One issue which we find difficult to accept is the proposed special allocation to countries in arrears to the Fund on the basis of the fictive ninth quota review, if they have not undertaken the

necessary steps to have such a quota or may not even intend to do so. We do not see any compelling reason for deviating from the principle of an allocation to present participants in the SDR department based on actual quotas. Why give special bonuses to some arrears countries? However, if there seems to be consensus today in the Board on this issue along the lines proposed by management, in the spirit of compromise we would not stand in the way of such a consensus.

Now, and finally, to the element which we have agreed to discuss only after achieving a consensus on the legal and procedural side of the special allocation—that is, the volume of the special one-time allocation. Here I have to reiterate our position that we cannot agree to your proposed allocation volume of SDR 22.4 billion. This is clearly too high. There is no convincing logical reason why the volume of an equity allocation should go beyond the volume of all so far allocated SDRs; namely, SDR 21.4 billion. Therefore, a respective equity allocation proposal of yours should remain clearly below that figure to find the necessary broad support. But I believe we are getting closer to a possible compromise. I trust that, with the support of all of us, you will use the existing momentum in the right direction to put a modified proposal before our authorities at the Interim Committee meeting that should be below SDR 20 billion.

The Chairman said that he could support the formal change proposed by Mr. Donecker to include the phrase "to enable all members of the Fund." He could not recommend, however, to the members of the Board an amount of less than SDR 20 billion—that would be tantamount to a breach of confidence. Last September the Board had reached an agreement, only after Directors from developing countries had abandoned a principle to which they still remained attached. They had done so in response to the Chairman's strong pressure, after being told that he expected the industrial countries to agree to an amount that would not be substantially different from the amount in his latest proposal.

Mr. Donecker remarked that his chair had moved its position from the initial figure of SDR 3.6 or 4.4 billion for the equity allocation. The British-U.S. compromise proposal had included the amount of SDR 16 billion. The proposal for SDR 20 billion, or slightly below SDR 20 billion, if the Managing Director were to make it, would mean that the amount of the original equity allocation proposal would be added to the amount in the U.S. compromise proposal. However, the idea of more than doubling the existing total volume of SDRs was not acceptable.

The Chairman stated that it was too late for discussing all the prior proposals. That had been done in September. At that time, the German authorities had indicated that they would not attach undue importance to the figure itself—what mattered was the fact that developing countries accepted the fact that the Fund should proceed through a change of the Articles of Agreement. He had used his personal credibility by appealing to part of the Board in order to win their support for the compromise. At this juncture, it was impossible for him to suggest that the amount be reduced even further.

Ms. Lissakers made the following statement:

> Just brief remarks on the technical proposal. We can agree to the technical provisions of the proposed amendments and the use of a uniform benchmark and an escrow account for SDRs allocated to countries in arrears. I will want to have a look at Mr. Shaalan's proposed text, but I must say that at first blush it certainly looks acceptable to us. I gather Mr. Gianviti is comfortable with it.
>
> On the question of size, however, I must say that we have very much the same reaction as our German colleagues, in that it seems to us quite remarkable that an equity amendment should entail an allocation that would exceed the total amount of all previous allocations. It would appear to us to really be a serious departure from the basic rationale of an equity amendment and really create a perception that we are really doing a backdoor general allocation. As Mr. Donecker said, the fact is that the equity problem could be taken care of with a substantially smaller amount. I am not going to get into numbers, but the idea of using a benchmark of 30 percent and an overall allocation of SDR 22.4 billion is really beyond what could be justified on the basis of equity.

The Chairman observed that SDR 22.4 billion could be characterized as a doubling of the total from all the previous allocations only because the amount of SDRs in the system was insufficient. If there were SDR 40 billion or more in the system, which would be more appropriate, SDR 22.4 billion would not represent a doubling. That had been discussed extensively in September of 1996. The time had now come for a decision and for each Director to face up to his or her responsibilities.

Ms. Lissakers replied that the reason for not having frequent allocations of SDRs was the lack of justification on liquidity grounds. Neither was there any justification at present. Many Directors, as well as management and the Economic Counsellor, had commented on the more than ample liquidity. In that context, the U.S. chair was concerned about the proposed magnitude of the allocation the objective of which was to benefit those members who had not participated in prior allocations.

The Chairman remarked that the objective of the proposal was to ensure that all countries would have received an SDR allocation, and another objective was to honor a political compromise made in the Board in September of 1996. He would never accept a suggestion that an amount below the doubling of the quotas was compatible with the consensus of last September.

Ms. Lissakers stated that the record indicated that at least two chairs, including the German chair and the U.S. chair, had clearly stated that they could support an allocation of SDR 16 billion. Indeed, the German chair had suggested SDR 16.1 billion. The Chairman's understanding did not appear to be consistent with the record which was quite unambiguous on that point.

The Chairman stated that he would not discuss other chairs' interpretation of the record. He would only convey his interpretation, and invite Directors to take their own responsibilities.

Mr. Mirakhor said that the recent experience had taught him a lesson of having to be more circumspect about Board consensus in the future. That was unfortunate, because it undermined a long-held and honored tradition of the institution —namely, once a Board reached a consensus, decision or a compromises, it should abide by it. The developing country members had moved three times from its initial position on the strength of the Managing Director's arguments out of conviction that this would be in the interest of the Fund, the Board, and the international financial system. The time had come to move ahead.

Mr. Donecker remarked that the record showed that the previous time Mr. Esdar had clearly stated his support for SDR 16.1 billion. That had been Germany's position, without any ambiguity. It could not be conjectured that a consensus existed if one or several speakers representing a large share of the Fund had stated clearly that they could not go beyond SDR 16.1 billion. The misunderstanding was on the part of those who interpreted the statement differently.

The developing countries had not been the only ones that moved toward a compromise, Mr. Donecker said. Germany and the United States and other chairs had done so as well. At the outset, one could have had questions as to whether there should be an equity allocation. The Board had moved beyond that. Germany had then accepted the U.S. proposal, and had now moved even further, by agreeing to add almost SDR 4 billion. In order to use the current momentum and conclude an agreement, the movement must come also from the other side. There should be no doubt that Germany was a strong supporter of the SDR system. Indeed, the former President of the Deutsche Bundesbank, the late Dr. Eminger had been among the SDR's founding fathers. Germany had a strong interest in maintaining a strong SDR system which was beneficial to the whole world. However, it could not agree to the amount in the Managing Director's proposal because it was too high.

The Chairman remarked that it was refreshing to hear Mr. Donecker's words of faith in the SDR system, and urged him to move even further toward a compromise, respecting the Board's consensus of September 1996. While it was true that Mr. Esdar had mentioned SDR 16.1 billion, he had also accepted the consensus formulated by the Managing Director at the end of the meeting—namely, that even if the amount of the allocation would not be SDR 26.7 billion, it would be close to that figure.

Mr. Yoshimura made the following statement:

> I will be very brief on two points. On the question of the treatment of countries in arrears, the proposal made in the most current staff paper seems appropriate, and it strikes a good balance by taking the various positions on this matter into consideration. I hope that we can agree on the text of the amendment of the Articles along the lines of this statement, including Mr. Shaalan's additional text.
>
> On the allocation amount, this is a long overdue issue, and we should close this long discussion as soon as possible. My authorities welcome the fact that the G-9, the developing countries, have accepted an allocation of SDR 22.4 billion in the spirit of compromise. This chair is ready to be flexible so that we can reach agreement on the amount quickly.

In response to a question from the Chairman, Mr. Yoshimura said that he had no major difficulties with the compromise in its proposed form.

Mr. Zhang made the following statement:

I appreciate the Managing Director's efforts and attempt in his statement to bring consensus to this Board. In view of the extensive discussions on the special allocation of SDRs, I will only highlight our main position on this issue.

As mentioned on previous occasions, this chair supports the Managing Director's proposal that the benchmark of 33 percent of present quotas should be applied to this special SDR allocation. Today we can agree with the Managing Director's new proposal of a ratio of 30 percent leading to an overall allocation of SDR 22.4 billion for this special allocation provided that consensus in this Board can be reached.

As for amendment of the Articles concerning the arrears issue, we would like to emphasize that the principle of separation of the SDR and GRA departments, the unconditional characteristic of SDRs as a reserve asset, and the general allocation of SDRs should be taken care of. Indeed, I support Mr. Shaalan's statement.

Mr. Fremann made the following statement:

My authorities welcome the progress toward an agreement on an amendment for an SDR equity allocation. They accept the approach suggested by the Managing Director in his statement. They also accept the rewording of the draft amendment suggested by Mr. Shaalan on behalf of G-9 members and other Directors.

On the amount of allocation, I can go along with your proposal.

Ms. Srejber made the following statement:

I welcome this opportunity to try to conclude our work on a special allocation of SDRs, and would like briefly to comment upon the two main outstanding issues, namely how to address the allocations to countries that are in arrears to the Fund, and concerning the size of the allocation. On other issues, including the technical revisions, I can generally support the staff suggestions, but agree with Mr. Donecker that to mention right at the outset in the explanatory text that the special allocation would enable all members of the Fund to participate in the SDR system appears preferable to the present draft.

Regarding the treatment of members with overdue obligations to the Fund, I agree with you that we need to ensure that the terms of the special allocation are consistent with the Fund's overall arrears strategy. Regarding the suggestions on how to accommodate that, I would prefer the so-called alternative B in the staff paper, and share the views expressed by Mr. Wijnholds in his statement distributed for our Seminar discussion on April

9 in that regard. I agree that it appears inappropriate to allocate unconditional resources to members in arrears to the Fund, which may also have a bearing on how parliaments may react to the amendment at the time of its ratification. Furthermore, I am, in principle, attracted by a general exception that excludes members in arrears also from general allocations.

Having said that, I am, however, also willing to consider a reasonable compromise on the issue on how to treat members in arrears, and in that respect the idea of an escrow account has some appeal. In a spirit of compromise, I am, therefore, willing to go along with the approach outlined in the most recent staff report and in your own statement of yesterday on how to treat members with overdue obligations to the Fund, if this can gain the necessary support of the Board. Mr. Shaalan's new text seems acceptable as, according to Mr. Gianviti, it will not change the meaning of the paragraph.

Finally, with respect to the amount, my understanding of last year's compromise was that we decided to postpone the discussion on the size—I did not understand it as an acceptance of the amount you mentioned then. I said "I would like to say that the benchmark ratio mentioned in your statement is set a somewhat high level. We have to come back to this later." Now to my present position: my authorities can support a benchmark implying a total SDR allocation around the middle of the SDR 16–26 billion interval.

Well the middle between 16 and 26 is 21, and the argument that an equity allocation should not be larger than the outstanding amount makes sense, but the term "around the middle" of course allows for some flexibility, and if there is a possibility for a compromise, I don't think that SDR 1 billion or so should come between us in the end.

The Chairman said that he liked the formula described by Ms. Srejber, which appeared to correspond closely to his proposal. Was his interpretation correct?

Ms. Srejber replied that, if an agreement were within reach, she would not stand in the way of an agreement. She wished to note, however, that the midpoint between SDR 16 billion and SDR 26 billion was SDR 21 billion. It was also reasonable to argue that it would seem somewhat peculiar to have an allocation that was higher than the outstanding amount of SDRs.

The Chairman suggested that, in calculating the midpoint, it was appropriate to use SDR 26.7 billion, rather than SDR 26 billion, which would produce a number slightly higher than the one mentioned by Ms. Srejber.

Mr. Zoccali made the following statement:

We welcome the conclusion that a consensus is within reach on a special, one-time "equity" allocation of SDRs based on a draft amendment and the escrow account mechanism for the treatment of participants with overdue obligations to the Fund. This approach, in our view, bridges the gap between those who privilege the principle of separation and those who view as inappropriate an allocation of unconditional liquidity to members that persistently failed to grant the Fund a preferred creditor status.

In addition to appropriate wording in the explanatory text, the conclusion outlined in the Managing Director's BUFF/97/42, as further clarified by Mr. Shaalan, merits our full support. The proposed Draft of the Fourth Amendment of the Articles should explicitly include the suggested paragraph 5(d) to ensure that this Special Allocation will neither affect existing provisions, or the principle of separation between the SDR and the General Resources Departments or the unconditional character of the SDR as an international reserve asset.

Keeping in mind that the aforementioned conclusion already represents a significant compromise vis-à-vis the preferred solution of many chairs for an allocation along the lines of the Managing Director's original proposal, we would not consider it constructive if the 30 percent benchmark leading to an overall allocation of SDR 22.4 billion was to be called into question. Since some 60 percent of the total allocation would be distributed to industrial countries, some clarification as to whether a country could opt out in accordance with paragraph 4 of the proposed Schedule M establishing that "The Fund shall not allocate special drawing rights under this Schedule to those participants that have notified the Fund in writing prior to the date of the allocation of their desire not to receive the allocation.," might perhaps help allay the concerns of Mr. Donecker and Ms. Lissakers over the proposed amount of SDR 22.4 billion.

Mr. Kiekens considered that Mr. Zoccali's proposal was not feasible, because all the members that supported the amendment would also have to receive the SDRs.

The General Counsel stated that Mr. Kiekens's point applied only to general allocations. In that context, once a Governor had voted for an allocation, the member could not opt out. But that rule would not apply in the case of the special one-time allocation, as it would be made under an amendment Therefore, it was conceivable for a governor to vote in favor of the amendment while its country would later decide not to avail itself of the allocation.

Mr. Kiekens made the following statement:

I welcome very much your proposal, and I think that the draft amendment is fully acceptable, including the treatment of the countries in arrears, which is indeed very close to the compromise proposal I suggested during the last meeting. I also very much welcome the constructive compromise proposal by Mr. Shaalan on behalf of the countries of the G-9. I feel very much like them. I can strongly support it. Hence the only thing I can do in favor of them is to ask my colleagues who are still not at that level to reconsider their position. I cannot see that it is a responsible attitude to block a compromise on such a small number as SDR 1 or 2 billion. Lawyers have a saying: de minimis non curat proetor. I believe this is valid here too. .

Mr. Toribio made the following statement:

The position of this chair is totally favorable to the comments made by Mr. Shaalan, both in the amounts suggested and in the way to deal with countries in arrears. I have witnessed the efforts of management to find a solution to this problem of countries in arrears. I have also witnessed the efforts of the G-9 to find a further compromise, and I am sure the G-7 has also made an effort to accept it. But I would like to see the same spirit of compromise on the other question of the amount. I was not here last September, but the version I received was that, in fact, a compromise had been reached. From my point of view, it should not be so difficult to go to the records—that is why you keep minutes—and see what happened. Whatever the result of this research of past records, let me repeat that our position is favorable to this amount of SDR 22.4 billion, which is 30 percent.

Mr. Joyosumarto made the following statement:

The position of this chair is to agree with the draft amendment of the Articles, in accordance with the latest draft by the staff, and to support the additional language by Mr. Shaalan.

On the quantum of the allocation, in the beginning we supported a proportion of total allocation of SDR 26.8 billion to attain the benchmark ratio. Since this may not receive enough support from members of the Board, we can go along with your latest proposal of SDR 22.4 billion. Apart from the quantum of the allocation, I should make it clear also that I support the other aspect of your proposal with respect to the allocation of SDRs to members with overdue obligations to the Fund.

Mr. Kaeser made the following statement:

In the spirit of compromise, this chair supports the Managing Director's proposal concerning the size of the allocation. It means a ratio of 30 percent and an amount of SDR 22.4 billion. We did support, up to now, a ratio of 33 percent.

This chair can also join the support for the proposed draft amendment, with the changes proposed by Mr. Donecker and Mr. Shaalan. Mr. Kiekens just reminded us that we need 85 percent for an amendment of the Articles. I wonder if the American-German line is likely to be supported by 85 percent of the Board and whether this support can be secured. I do not know if, then, the amendment would be ratified by the necessary majority. At the end of the day, we have to ask who is asking for equity allocation. Perhaps we did forget about that since Madrid.

Mr. Bernes made the following statement:

In terms of the proposed amendment, we can accept it, as well as the proposal put forward by Mr. Shaalan.

On the question of size, I was not here in September, and I would not choose to interpret the interpretations. But, having followed the issue from a capital, I do think that there has been significant movement on both sides of this question. I certainly appreciate very much and welcome the statement by the G-9 today and the further movement.

This chair has always said that it would be difficult for us to support an allocation that would more than double the existing SDRs. My instructions, therefore, today would not allow me to go beyond that. Having said that, I do not think, despite some of the passion around the table, that we are in fact that far apart. In one of our earlier luncheon discussions, people noted that, while there is no linkage, there is a certain simultaneity to some decisions which hopefully the Interim Committee will take. I would certainly hope that, as we address the other issues, the very narrow remaining differences on size can be bridged.

Mr. Waterman made the following statement:

We certainly welcome your proposal and the G-9 position. The basic modalities, including the use of an escrow account for those countries in arrears, is acceptable to us. Mr. Shaalan's wording on the separation of the general department and the SDR department also looks okay. I do not expect that we would have any problem with Mr. Donecker's proposal.

On size, I do not have definitive advice. We would have favored something smaller than SDR 22.4 billion, but I do not expect we would want to stand out from the consensus if a billion dollars or so was involved.

Mr. Kafka made the following statement:

There should be no doubt about our position. We support the text proposed by Mr. Shaalan. We support the allocation of SDR 22.4 billion.

Mr. Shields made the following statement:

We are certainly prepared to accept the proposed text, including the treatment of arrears and the addition proposed by Mr. Shaalan, and also, on the explanatory document, the suggestions of Mr. Donecker.

On size, going back to the discussion we had earlier about interpretation of previous Board meetings, and indeed previous private conversations, this chair certainly moved up. In terms of the compromise, in particular one of the compromise ideas which involved 16 billion, we were still at that position at the last Board discussion. We indicated privately some flexibility, in the context of negotiations, but nothing that was said implied any number above 20 billion in those conversations. So any interpretation otherwise seems to be optimistic or misguided.

Looking at where we are at the moment, it is good to see flexibility around the table. There has been, already, as Mr. Donecker said, a good deal of flexibility on his side and from other major creditor chairs. I would have thought that the notion, as Mr. Donecker pointed out at the beginning, of more than doubling the existing allocation of SDRs in order to bring about equity was a little bizarre. It is very difficult, therefore, to justify any number higher than that. I noted what you said before, when Ms. Srejber was looking for a mid-way point, that perhaps we should not worry about the odd billion or so. It is important that we all keep that in mind.

Ms. Lissakers observed that the halfway point between 26.7 and 16 was 21.3, not 22.4.

Mr. Vernikov made the following statement:

This chair's views on the issue of SDRs Special Allocation are already well known and, I would say, predictable. We supported the management in the past, and we support the Managing Director's most recent proposal and its main elements. The suggested amount of SDR 22.4 billion is also acceptable, although it is at the lower end of my authorities' expectations. Nevertheless, the crucial word today is a compromise. I have a feeling that the solution of the notorious "equity problem" is within reach, so we must do all we can to adopt this long overdue decision which will allow a substantial number of Fund members to participate in the SDR system.

I am sincerely grateful to all those Chairs which demonstrated good will and the spirit of compromise by making a significant step from their previous positions toward a consensus point. May I also add that it was a wise decision to create an ad hoc group of Directors in order to bring this Board closer to an agreement on numbers and modalities of the Special Allocation. My special thanks go to the group coordinator Mr. Wijnholds for his skillful diplomatic efforts.

Let me once again reiterate that I endorse your proposal. Thank you.

Mr. Barro Chambrier made the following statement:

We appreciate very much your efforts in trying to reach a compromise on this issue of SDR equity allocation.

In order to reach a consensus, like Mr. Shaalan, we are inclined to go along with your proposal of 30 percent that will lead to an overall allocation of SDR 22.4 billion.

On other points, we support an amendment of the Articles that will take into account the above-mentioned concerns. Here, we also support the idea of an escrow account where the SDRs allocated to a participant in arrears to the Fund would be held.

We fully endorse Mr. Shaalan's suggestion.

Mr. Al-Tuwaijri made the following statement:

I agree with what has been said by Mr. Shaalan earlier in both the amendment and the size of the allocation.

Mr. Grilli made the following statement:

I would like also to say something from the standpoint of a chair that has been traditionally a very early, strong, and continuous supporter of SDRs in the international monetary system. Like Mr. Donecker said, we are also very much persuaded that SDRs have a role to play. We favor not only the continuation of their use, but judicious expansion of their role. Our position on the issues today is similar to all the speakers, or the previous speakers, on the question of the amendment and the technical changes to it.

On the size, I cannot help feeling and saying that the differences that have emerged are so small and, frankly, so bridgeable that an effort should be made to do so. It would be important to reach an agreement on this issue, and I think that we are very much within bridgeable distance.

There are two barriers that need to be overcome. One is the 30 percent benchmark that you have proposed and the corresponding 22.4 as being the authentic interpretation of the consensus, and the other is the barrier of those who feel that any equity allocation should be less than doubling the existing size. Otherwise, the idea [of equity of special ??] is lost.

The two barriers seem to be very important, from the standpoint of principles, and they are both important for those who hold those positions, but if we look at the numbers, the numbers are really very close. We are talking about a difference of a little more than $2 billion between the lower and the higher. I do not really want to belittle the point of principles that are on the table, which must be very dear to those who hold those principles and those positions. I respect them both. But I do think that there is really the possibility of finding a common position between these two numbers, less than 20 and a little higher than 22.

I am almost tempted to go Ms. Srejber's way and say let us take the midpoint. I really want to refrain from doing that, but simply plead with you that we do not miss this opportunity and recognize that the space that separates these two things is very small. Let us sort of make a leap of good sense and swallow of the pride on both sides a little bit and find an agreement. Would SDR 21 billion be acceptable?

Mr. Mirakhor observed that SM/97/80, issued by the Secretary on April 1, 1997, showed in Table 1 the midpoint of 30 percent, or SDR 22.4 billion which represented a compromise amount.

The Chairman welcomed Mr. Grilli's exhortation to the Board not to dramatize Directors' differences on the appropriate amount. Nevertheless, there was a line that he was not prepared to cross. When reporting to the Interim Committee on the Board's September discussion, he had stated that all Directors had agreed that the equity problem must be resolved through a one-time allocation of SDRs through an amendment of the Articles, which would broadly reflect the suggestions made in his statement. When trying to obtain the support of many Directors for that language, he had told them that he had been convinced that the Board's consensus would certainly be interpreted in good faith by all. Proposals for amounts around or even below SDR 20 billion did not broadly reflect that consensus. He could not agree to such interpretation because he would be guilty of having misled his colleagues.

Mrs. Guti stated that she supported the position taken by Mr. Shaalan.

Mr. Kiekens observed that the proposed allocation could not be considered as a doubling of the amount of outstanding SDRs, if it were assessed of in real terms, or relative to the existing quotas. At the time of the last general allocation, the ratio of SDR to quota had been higher than the ratio that would be reached under the proposal.

Mr. Shields considered that, since the objective of the special allocation was to ensure equity among members, nominal, rather than real, amounts were the relevant criterion in that context.

The Chairman said that, except for the amount, the Board had agreed on the decision, as amended by Mr. Donecker and Mr. Shaalan. He was concerned that the matter had not been concluded, given that the last Interim Committee had requested the Executive Board to finalize its work by the time of the Committee's next meeting which was scheduled to take place the following week. The Board should attempt to meet prior to Monday and reach a compromise that would be acceptable to all of its members.

4. ELEVENTH GENERAL REVIEW OF QUOTAS—STATEMENT BY MANAGING DIRECTOR

The Executive Directors considered the following statement by the Managing Director on the Eleventh General Review of Quotas.

> Since the last meeting of the Interim Committee, the Executive Directors had a productive meeting in December on the main issues relating to the Eleventh General Review of Quotas, and earlier this month they reviewed the Fund's liquidity position. A number of useful informal discussions on the main issues relating to the increase in and distribution of quotas have also taken place. I believe therefore it is now appropriate to focus more sharply our consideration of these matters so as to finalize the work of the Interim Committee next week.
>
> In earlier discussions, Directors' views ranged widely as regards the appropriate increase in quotas. On the one hand, a few Directors followed an approach which relies heavily on the role of the private markets in supplying appropriate amounts of balance of payments financing to members and concluded that only a modest increase in quotas was justified. On the other hand, and even without taking into account the possible effects on the Fund's responsibilities arising from the liberalization of capital movements, many Directors have supported a significant increase in quotas. We now need to narrow the differences.

We are all aware of the main factors that need to be taken into account in coming to a conclusion on the appropriate size of the Fund. These factors include the growth of world trade and payments, the increase in the size of the world economy, the imbalances in payments, including imbalances stemming from capital movements, as well as the role of private markets in financing these imbalances in an increasingly globalized environment. Furthermore, we need to take into account the Fund's liquidity position which, while strong at present, should be looked at in a medium-term context as the increase in quotas must last us well into the beginning of the next century.

The relative importance of each of these factors is a matter of judgment in determining the size of the increase in quotas under the Eleventh Review. In this regard, the Fund's history cautions us to avoid an increase that may prove to be inadequate after only a few years calling prematurely for a new quota exercise.

In the light of these considerations, and in the interest of the need to reach consensus, I suggest we consider an increase in the overall size of the Fund of between 55 percent and 65 percent. This seems a reasonable midway range between the broad majority of views and the concern expressed by a few Directors at the meeting of the Committee of the Whole in December 1996.

As regards the distribution of the quota increase, it was generally felt that the equiproportional element, which all agreed should be the predominant feature in this review, could be between 60 and 75 percent of the overall increase. For the sake of simplicity, it may be useful to perhaps split the difference and work on the basis that the equiproportional element of the increase would be two-thirds. Almost all Directors have also supported a selective element which would be distributed in proportion to members' shares in calculated quotas, i.e., Method A. Furthermore, almost all Directors have expressed support for the distribution of a small part of the overall increase to finance ad hoc increases for only a few members whose current quotas do not reasonably reflect their relative position in the world economy. In this regard, I would suggest that 5 percent of the overall increase be used to finance a few ad hoc increases in quotas. Furthermore, I would suggest that eligible members would be those whose ratios of calculated to actual quota shares are 1.5 or more and which also responded before today to my invitation made in December 1996 to express an interest in having an ad hoc adjustment in their quotas. Five countries have indicated that they would be interested in adjusting their quotas on an ad hoc basis: Austria, Germany, Japan, Korea, and Spain.[1] These countries meet the double criteria that I have just mentioned.

I am attaching to this statement two sets of tables (See Annex I) showing illustrative calculations based on the contours of an increase in and distribution of quotas under the Eleventh Review, as I have just outlined.

[1] I have also been informed that Singapore is not averse to taking up an ad hoc increase but the authorities are waiting for formal Cabinet approval before providing a definite answer to the Fund.

Basic Votes

At our last meeting of the Committee of the Whole, considerable interest was expressed in increasing the number of basic votes for each member. A change in the basic votes would require an amendment of the Articles. Given the sharp decline in the role of basic votes in relation to total votes, I believe that there is a strong case to restore the relative importance of basic votes in the Fund's voting structure. In our previous discussions of this issue, two basic approaches have been considered: first, to adopt a system followed, for example, by the Asian Development Bank, which provides for automatic changes in the size of basic votes so as to maintain the relative importance of such votes in relation to total votes. Other Directors have also suggested that the present number of basic votes be increased by a once-and-for-all factor, say, four times. I believe that the first approach would be a welcome improvement over the present regime, and I would be grateful for Directors' views on these alternative suggestions to resolve the issue of the basic votes.

Attached are the tables mentioned in my introductory statement (See Annex II). These tables show illustrative calculations of overall increases in quotas of 55 percent and 65 percent. Two thirds of the overall increase has been distributed in the form of an equiproportional increase, the same as in the tables attached to BUFF/97/41. The selective (Method A) increase in the attached tables represents 23.3 percent of the overall increase and has been distributed in proportion to members' shares in calculated quotas. The ad hoc element amounts to 10 percent of the overall increase. It has been distributed among 10 countries; Italy, Luxembourg, Malaysia, and Thailand have been added to the six countries included in the original tables in my statement.

The Chairman, extending his remarks, said that he had chosen a ratio of 66.7 percent for the equiproportional increase in quotas, as it was the approximate median between the ratios of 60 and 75 percent mentioned at the December 1996 meeting of the Committee of the Whole on the Review of Quotas (CW/Quotas/96/5, 12/16/96). Though a number of Directors had suggested a ratio of 60 percent, it would have caused a large shift in the distribution of quotas between advanced and developing countries. The new tables indicated that the ratio of 66.7 percent provided a reasonable increase in quotas for all members, an important consideration in view of many Directors' reaffirmation at the December 1996 meeting that the preponderant part of the quota increase should be equiproportional. The new tables also took account of further requests by some Directors for their countries to receive ad hoc increases. To accommodate some of those requests—for Singapore, Italy, Luxembourg, Malaysia, and Thailand, in particular—the cutoff ratio of calculated to actual quotas would have to be reduced somewhat below 1.5. With a ratio of 1.25, the ad hoc quota increase would amount to 10 percent of the total quota increase, and would be allocated among 10 countries. The tables showed those calculations for an overall quota increase of 55 percent and 65 percent. As requested at the December 1996 discussion, he would soon be able to circulate a proposed amendment of the Articles on basic votes.

The Board would have to indicate its views on the overall size of the quota increase, the distribution between an equiproportional, selective, and ad hoc increase, as well as the ratio between calculated to actual quota shares, and the proposed list of countries eligible for ad hoc increases, the Chairman noted.

Mr. Kafka wondered whether the current discussion could be postponed, to allow Directors time to consider the proposals and to obtain their authorities' views.

Mr. Shaalan commented that he agreed with Mr. Kafka.

Mr. Bernes, noting that he also agreed with Mr. Kafka, added that his chair had consistently taken the position that an ad hoc increase should be allocated among all countries with quotas below their calculated quota shares. Two of his members, Ireland and Antigua, had calculated quota shares more than 60 percent higher than their actual quotas, which they would likely wish to be addressed in the current quota review. Moreover, in the case of Canada, there was a 10 percent gap between its calculated and actual quotas. From his Canadian authorities' perspective, the current quota proposals were worse than the previous ones, as Canada would, as a result, have an even lower quota share under the current proposals than it currently had, despite the fact that its calculated quota share was 10 percent higher than its actual quota share. He hoped that Directors could have some time to reflect on the proposals.

The Chairman commented that, if the ad hoc increase were to be allocated among all members, the cutoff ratio of calculated to actual quotas would have to be increased substantially, and the ad hoc increase might in effect become a selective increase.

Mr. Wijnholds, noting that he appreciated Mr. Bernes's point, wondered whether Directors could receive a table showing a 10 percent ad hoc quota increase distributed among a larger number of countries than the 10 proposed.

The Chairman responded that such a table could be provided, although he would note that the more the ad hoc increase was distributed among members, the less was available for correcting the quotas of the members with the largest gaps between calculated and actual quotas. He had proposed the threshold ratio of calculated to actual quotas to correct the largest inequalities in quotas, but was flexible on the particular threshold ratio set.

In response to a question from Ms. Lissakers, the Chairman said that, in choosing a cutoff ratio of 1.25, he had balanced, on the one hand, the Board's view in December 1996 that only a few members should receive ad hoc quota increases—in the current case, 10 members out of a total membership of 181—and, on the other hand, the further requests by some other members for ad hoc increase. The threshold had to be between the ratios of 1.0 and 1.5, which the Board had considered previously.

Mr. Al-Tuwaijri commented that Directors would need more than one day to consider the new proposals and to obtain their authorities' views, particularly as many authorities were in transit to the Annual Meetings.

The Chairman observed that he appreciated Mr. Al-Tuwaijri's point, but believed that it was important that the Board not miss the window of opportunity to narrow the differences on the Eleventh General Review of Quotas, particularly on the distribution between the equiproportional, selective, and ad hoc increases.

Mr. Esdar stated that he agreed with the Chairman that the Board should make full use of the window of opportunity for reaching a consensus on the quota review, though the overall size of the quota increase could be left to the Interim Committee to decide. It was important for the Board to agree on the equiproportional and selective distribution of the quota increase. As he understood some Directors' desire to consult their authorities first, he could agree to holding the discussion the next day.

Mr. Kaeser noted that he would agree with a delay of one day in the Board discussion, although he was not sure that all issues could be resolved in the discussion. The tables, for example, did not indicate the effect on quota shares of an increase in basic votes. It would be preferable if the Board concentrated on reaching a consensus on the overall size of the quota increases.

The Chairman commented that he could easily supply a table showing the effect of an increase in basic votes on the quota shares.

Ms. Srejber observed that her authorities believed that the original proposal for a 5 percent ad hoc quota increase was too high, let alone a 10 percent increase. Sweden and Norway would exceed the threshold of calculated to actual quotas of 1.25.

Mr. Sivaraman added that he would need until the next day to come to a view on the current quota proposals, particularly as they differed greatly from what his authorities had expected.

Mr. Shaalan indicated that it might be preferable for the Board to concentrate on the size, rather than the distribution, of the quota increase. He would need more time to consult with the members of his constituency on the current proposals.

Mr. Toribio noted that the distribution of quotas was a delicate issue, and he believed that any quota proposals in which actual quotas were below calculated quotas was unfair. In an imperfect world, one had to live with inequity, but not growing inequity. If the ratio of calculated to actual quotas were reduced to 1.0, it would allow a larger than 10 percent ad hoc quota increase, which would be fairer.

Mr. Waterman remarked that he could agree to delaying the current discussion, albeit it would not decrease the disappointment of his Korean authorities about the proposal to increase the number of countries that would qualify for an ad hoc quota increase. Only a limited number of countries should qualify for an ad hoc quota increase, particularly as the greater the number of countries to benefit from an ad hoc increase, the less the resources to deal with countries with egregious discrepancies between their calculated and actual quotas.

Ms. Lissakers said that the size of the quota increase made a considerable difference to the distribution of the increase among members. The proposed quota increase of 55–65 percent represented the Chairman's views, not a consensus in the Board.

The Executive Directors agreed to continue their discussion on Thursday, April 24, 1997.

5. EXECUTIVE DIRECTOR

The Acting Chairman bade farewell to Mr. Kang on the completion of his service as Alternate Executive Director for Australia, Kiribati, Korea, the Marshall Islands, the Federated States of Micronesia, Mongolia, New Zealand, Papua New Guinea, the Philippines, Seychelles, the Solomon Islands, Vanuatu, and Western Samoa.

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/97/43 (4/22/97) and EBM/97/44 (4/23/97).

6. APPROVAL OF MINUTES

The minutes of Executive Board Meetings 96/33, and 96/40–96/42 are approved.

7. EXECUTIVE BOARD TRAVEL

Travel by Assistants to Executive Directors as set forth in EBAM/97/56 (4/17/97) is approved.

APPROVAL: October 24, 1997

REINHARD H. MUNZBERG
Secretary

Table 1. Illustrative Quotas (Fund of SDR 224 billion)
Overall increase: 55 percent
Apportionment of overall increase into 66.7/28.3/5 of equiproportional/selective/ad-hoc increases
Number of ad hoc increases: 6
(In SDR millions or percent)

Members ranked by present quota	Present Quota (1)	Equiproportional increase of 36.7 percent (2)	Selective increase (SDR 22.5 bil) (3)	Ad-hoc increase (SDR 4.0 bil) (4)	Total increase in quota Col.(2+3+4) (5)	Illustrative quota Col.(1+5) (6)	Present Quota Share (In percent) (7)	Illustrative quota share (In percent) (8)
UNITED STATES	26,526.8	9,726.5	3,982.9		13,709.4	40,236.2	18.362	17.970
JAPAN	8,241.5	3,021.9	2,370.3	1,821.9	7,214.1	15,455.6	5.705	6.903
GERMANY	8,241.5	3,021.9	2,001.4	464.5	5,487.8	13,729.3	5.705	6.132
FRANCE	7,414.6	2,718.7	1,190.1		3,908.8	11,323.4	5.133	5.057
UNITED KINGDOM	7,414.6	2,718.7	1,144.8		3,863.5	11,278.1	5.133	5.037
SAUDI ARABIA	5,130.6	1,881.2	332.5		2,213.8	7,344.4	3.552	3.280
ITALY	4,590.7	1,683.3	996.0		2,679.2	7,269.9	3.178	3.247
CANADA	4,320.3	1,584.1	749.9		2,334.0	6,654.3	2.991	2.972
RUSSIA	4,313.1	1,581.5	414.4		1,995.8	6,308.9	2.986	2.818
NETHERLANDS	3,444.2	1,262.9	615.2		1,878.1	5,322.3	2.384	2.377
CHINA	3,385.2	1,241.2	366.8		1,608.1	4,993.3	2.343	2.230
BELGIUM	3,102.3	1,137.5	553.2		1,690.7	4,793.0	2.148	2.141
INDIA	3,055.5	1,120.4	153.1		1,273.5	4,329.0	2.115	1.933
SWITZERLAND	2,470.4	905.8	414.6		1,320.4	3,790.8	1.710	1.693
AUSTRALIA	2,333.2	855.5	281.0		1,136.5	3,469.7	1.615	1.550
BRAZIL	2,170.8	796.0	272.6		1,068.6	3,239.4	1.503	1.447
VENEZUELA	1,951.3	715.5	123.8		839.2	2,790.5	1.351	1.246
SPAIN	1,935.4	709.7	458.0	64.8	1,232.4	3,167.8	1.340	1.415
MEXICO	1,753.3	642.9	298.2		941.1	2,694.4	1.214	1.203
SWEDEN	1,614.0	591.8	309.0		900.8	2,514.8	1.117	1.123
ARGENTINA	1,537.1	563.6	138.6		702.2	2,239.3	1.064	1.000
INDONESIA	1,497.6	549.1	178.5		727.6	2,225.2	1.037	0.994
SOUTH AFRICA	1,365.4	500.6	103.7		604.4	1,969.8	0.945	0.880
NIGERIA	1,281.6	469.9	96.2		566.1	1,847.7	0.887	0.825
AUSTRIA	1,188.3	435.7	282.9	46.0	764.6	1,952.9	0.823	0.872
NORWAY	1,104.6	405.0	222.6		627.6	1,732.2	0.765	0.774
IRAN, ISLAMIC REPUBLIC OF	1,078.5	395.5	135.5		531.0	1,609.5	0.747	0.719
DENMARK	1,069.9	392.3	215.3		607.6	1,677.5	0.741	0.749
UKRAINE	997.3	365.7	93.0		458.7	1,456.0	0.690	0.650
KUWAIT	995.2	364.9	126.9		491.8	1,487.0	0.689	0.664
POLAND	988.5	362.5	108.4		470.9	1,459.4	0.684	0.652
ALGERIA	914.4	335.3	78.4		413.7	1,328.1	0.633	0.593
FINLAND	861.8	316.0	142.4		458.4	1,320.2	0.597	0.590
MALAYSIA	832.7	305.3	197.4		502.7	1,335.4	0.576	0.596
LIBYA	817.6	299.8	70.2		370.0	1,187.6	0.566	0.530
KOREA	799.6	293.2	358.3	648.8	1,300.2	2,099.8	0.554	0.938
PAKISTAN	758.2	278.0	45.4		323.4	1,081.6	0.525	0.483
HUNGARY	754.8	276.8	66.7		343.4	1,098.2	0.523	0.490
ROMANIA	754.1	276.5	54.3		330.9	1,085.0	0.522	0.485
EGYPT	678.4	248.7	83.0		331.8	1,010.2	0.470	0.451

ANNEX I

Table 1. Illustrative Quotas (Fund of SDR 224 billion)

Overall increase: 55 percent

Apportionment of overall increase into 66.7/28.3/5 of equiproportional/selective/ad-hoc increases

Number of ad hoc increases: 6

(In SDR millions or percent)

Members ranked by present quota	Present Quota (1)	Equiproportional increase of 36.7 percent (2)	Selective increase (SDR 22.5 bil) (3)	Ad-hoc increase (SDR 4.0 bil) (4)	Total increase in quota Col.(2+3+4) (5)	Illustrative quota Col.(1+5) (6)	Present Quota Share (In percent) (7)	Illustrative quota share (In percent) (8)
ISRAEL	666.2	244.3	84.2		328.5	994.7	0.461	0.444
NEW ZEALAND	650.1	238.4	56.6		295.0	945.1	0.450	0.422
TURKEY	642.0	235.4	127.7		363.1	1,005.1	0.444	0.449
PHILIPPINES	633.4	232.2	70.7		302.9	936.3	0.438	0.418
CHILE	621.7	228.0	57.1		285.1	906.8	0.430	0.405
CZECH REPUBLIC	589.6	216.2	53.4		269.6	859.2	0.408	0.384
GREECE	587.6	215.5	87.2		302.6	890.2	0.407	0.398
THAILAND	573.9	210.4	176.2		386.6	960.5	0.397	0.429
COLOMBIA	561.3	205.8	51.2		257.0	818.3	0.389	0.365
PORTUGAL	557.6	204.5	128.9		333.3	890.9	0.386	0.398
IRELAND	525.0	192.5	135.3		327.8	852.8	0.363	0.381
PERU	466.1	170.9	30.6		201.5	667.6	0.323	0.298
BULGARIA	464.9	170.5	48.9		219.3	684.2	0.322	0.306
MOROCCO	427.7	156.8	41.4		198.3	626.0	0.296	0.280
BANGLADESH	392.5	143.9	19.0		162.9	555.4	0.272	0.248
UNITED ARAB EMIRATES	392.1	143.8	101.9		245.6	637.7	0.271	0.285
ZAMBIA	363.5	133.3	8.0		141.3	504.8	0.252	0.225
SINGAPORE	357.6	131.1	333.3	926.9	1,391.3	1,748.9	0.248	0.781
SRI LANKA	303.6	111.3	16.5		127.8	431.4	0.210	0.193
ZAÏRE	291.0	106.7	12.0		118.7	409.7	0.201	0.183
BELARUS	280.4	102.8	24.6		127.5	407.9	0.194	0.182
GHANA	274.0	100.5	7.1		107.6	381.6	0.190	0.170
CROATIA	261.6	95.9	35.2		131.1	392.7	0.181	0.175
ZIMBABWE	261.3	95.8	8.8		104.6	365.9	0.181	0.163
SLOVAK REPUBLIC	257.4	94.4	20.1		114.5	371.9	0.178	0.166
KAZAKSTAN	247.5	90.8	55.9		146.7	394.2	0.171	0.176
TRINIDAD AND TOBAGO	246.8	90.5	14.2		104.7	351.5	0.171	0.157
VIETNAM	241.6	88.6	12.7		101.3	342.9	0.167	0.153
CÔTE D'IVOIRE	238.2	87.3	18.3		105.6	343.8	0.165	0.154
URUGUAY	225.3	82.6	11.7		94.4	319.7	0.156	0.143
ECUADOR	219.2	80.4	21.0		101.4	320.6	0.152	0.143
SYRIAN ARAB REPUBLIC	209.9	77.0	27.2		104.2	314.1	0.145	0.140
ANGOLA	207.3	76.0	22.4		98.4	305.7	0.144	0.137
TUNISIA	206.0	75.5	24.9		100.5	306.5	0.143	0.137
JAMAICA	200.9	73.7	10.0		83.6	284.5	0.139	0.127
UZBEKISTAN	199.5	73.2	18.6		91.7	291.2	0.138	0.130
KENYA	199.4	73.1	10.2		83.4	282.8	0.138	0.126
QATAR	190.5	69.9	21.5		91.4	281.9	0.132	0.126
MYANMAR	184.9	67.8	20.4		88.2	273.1	0.128	0.122
YEMEN, REP. OF	176.5	64.7	15.0		79.7	256.2	0.122	0.114

Table 1. Illustrative Quotas (Fund of SDR 224 billion)
Overall increase: 55 percent
Apportionment of overall increase into 66.7/28.3/5 of equiproportional/selective/ad-hoc increases
Number of ad hoc increases: 6
(In SDR millions or percent)

Members ranked by present quota	Present Quota (1)	Equiproportional increase of 36.7 percent (2)	Selective increase (SDR 22.5 bil) (3)	Ad-hoc increase (SDR 4.0 bil) (4)	Total increase in quota Col.(2+3+4) (5)	Illustrative quota Col.(1+5) (6)	Present Quota Share (In percent) (7)	Illustrative quota share (In percent) (8)
SUDAN	169.7	62.2	7.5		69.8	239.5	0.117	0.107
DOMINICAN REPUBLIC	158.8	58.2	12.4		70.7	229.5	0.110	0.102
GUATEMALA	153.8	56.4	10.4		66.8	220.6	0.106	0.099
SLOVENIA	150.5	55.2	29.6		84.8	235.3	0.104	0.105
BRUNEI DARUSSALAM	150.0	55.0	23.8		78.8	228.8	0.104	0.102
PANAMA	149.6	54.9	14.6		69.5	219.1	0.104	0.098
TANZANIA	146.9	53.9	6.3		60.1	207.0	0.102	0.092
LEBANON	146.0	53.5	14.4		67.9	213.9	0.101	0.096
LUXEMBOURG	135.5	49.7	65.8		115.5	251.0	0.094	0.112
CAMEROON	135.1	49.5	14.2		63.8	198.9	0.094	0.089
UGANDA	133.9	49.1	3.0		52.1	186.0	0.093	0.083
BOLIVIA	126.2	46.3	6.0		52.3	178.5	0.087	0.080
EL SALVADOR	125.6	46.1	7.5		53.6	179.2	0.087	0.080
JORDAN	121.7	44.6	19.1		63.7	185.4	0.084	0.083
OMAN	119.4	43.8	34.3		78.0	197.4	0.083	0.088
COSTA RICA	119.0	43.6	11.8		55.5	174.5	0.082	0.078
SENEGAL	118.9	43.6	7.3		50.9	169.8	0.082	0.076
AZERBAIJAN	117.0	42.9	12.0		54.9	171.9	0.081	0.077
GEORGIA	111.0	40.7	3.8		44.5	155.5	0.077	0.069
GABON	110.3	40.4	15.8		56.2	166.5	0.076	0.074
LITHUANIA	103.5	38.0	12.5		50.4	153.9	0.072	0.069
CYPRUS	100.0	36.7	12.9		49.6	149.6	0.069	0.067
NAMIBIA	99.6	36.5	5.8		42.3	141.9	0.069	0.063
ETHIOPIA	98.3	36.0	5.5		41.5	139.8	0.068	0.062
NICARAGUA	96.1	35.2	3.5		38.8	134.9	0.067	0.060
PAPUA NEW GUINEA	95.3	34.9	8.5		43.4	138.7	0.066	0.062
HONDURAS	95.0	34.8	6.5		41.3	136.3	0.066	0.061
BAHAMAS, THE	94.9	34.8	8.2		43.0	137.9	0.066	0.062
LATVIA	91.5	33.6	10.1		43.6	135.1	0.063	0.060
MADAGASCAR	90.4	33.1	3.3		36.4	126.8	0.063	0.057
MOLDOVA	90.0	33.0	7.5		40.5	130.5	0.062	0.058
ICELAND	85.3	31.3	8.5		39.8	125.1	0.059	0.056
MOZAMBIQUE	84.0	30.8	3.6		34.4	118.4	0.058	0.053
BAHRAIN	82.8	30.4	26.4		56.8	139.6	0.057	0.062
GUINEA	78.7	28.9	4.4		33.3	112.0	0.054	0.050
SIERRA LEONE	77.2	28.3	1.5		29.8	107.0	0.053	0.048
MAURITIUS	73.3	26.9	8.3		35.2	108.5	0.051	0.048
PARAGUAY	72.1	26.4	7.1		33.6	105.7	0.050	0.047
MALI	68.9	25.3	3.1		28.4	97.3	0.048	0.043
SURINAME	67.6	24.8	4.1		28.9	96.5	0.047	0.043

Table 1. Illustrative Quotas (Fund of SDR 224 billion)

Overall increase: 55 percent

Apportionment of overall increase into 66.7/28.3/5 of equiproportional/selective/ad-hoc increases

Number of ad hoc increases: 6

(In SDR millions or percent)

Members ranked by present quota	Present Quota	Equiproportional increase of 36.7 percent	Selective increase (SDR 22.5 bil)	Ad-hoc increase (SDR 4.0 bil)	Total increase in quota Col.(2+3+4)	Illustrative quota Col.(1+5)	Present Quota Share (In percent)	Illustrative quota share (In percent)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MALTA	67.5	24.8	12.2		36.9	104.4	0.047	0.047
ARMENIA	67.5	24.8	5.4		30.2	97.7	0.047	0.044
GUYANA	67.2	24.6	2.5		27.1	94.3	0.047	0.042
CAMBODIA	65.0	23.8	1.6		25.4	90.4	0.045	0.040
KYRGYZ REP.	64.5	23.7	7.1		30.7	95.2	0.045	0.043
HAITI	60.7	22.3	2.1		24.3	85.0	0.042	0.038
TAJIKISTAN	60.0	22.0	18.8		40.8	100.8	0.042	0.045
RWANDA	59.5	21.8	1.6		23.4	82.9	0.041	0.037
CONGO	57.9	21.2	9.4		30.6	88.5	0.040	0.040
BURUNDI	57.2	21.0	1.3		22.3	79.5	0.040	0.035
TOGO	54.3	19.9	2.9		22.8	77.1	0.038	0.034
NEPAL	52.0	19.1	4.2		23.2	75.2	0.036	0.034
FIJI	51.1	18.7	4.6		23.3	74.4	0.035	0.033
MALAWI	50.9	18.7	3.0		21.6	72.5	0.035	0.032
MACEDONIA, FYR	49.6	18.2	6.1		24.3	73.9	0.034	0.033
BARBADOS	48.9	17.9	5.0		22.9	71.8	0.034	0.032
NIGER	48.3	17.7	2.5		20.2	68.5	0.033	0.031
TURKMENISTAN	48.0	17.6	13.1		30.7	78.7	0.033	0.035
MAURITANIA	47.5	17.4	2.5		19.9	67.4	0.033	0.030
ESTONIA	46.5	17.1	6.3		23.3	69.8	0.032	0.031
BENIN	45.3	16.6	3.6		20.2	65.5	0.031	0.029
BURKINA FASO	44.2	16.2	3.0		19.2	63.4	0.031	0.028
CHAD	41.3	15.1	1.8		16.9	58.2	0.029	0.026
CENTRAL AFRICAN REP.	41.2	15.1	1.3		16.4	57.6	0.029	0.026
LAO PEOPLE'S DEM.REP.	39.1	14.3	1.1		15.5	54.6	0.027	0.024
MONGOLIA	37.1	13.6	4.6		18.2	55.3	0.026	0.025
BOTSWANA	36.6	13.4	14.0		27.4	64.0	0.025	0.029
SWAZILAND	36.5	13.4	4.4		17.8	54.3	0.025	0.024
ALBANIA	35.3	12.9	3.2		16.2	51.5	0.024	0.023
EQUATORIAL GUINEA	24.3	8.9	0.3		9.2	33.5	0.017	0.015
LESOTHO	23.9	8.8	3.4		12.2	36.1	0.017	0.016
GAMBIA, THE	22.9	8.4	0.9		9.3	32.2	0.016	0.014
BELIZE	13.5	5.0	1.1		6.1	19.6	0.009	0.009
VANUATU	12.5	4.6	0.7		5.3	17.8	0.009	0.008
DJIBOUTI	11.5	4.2	1.2		5.5	17.0	0.008	0.008
ERITREA	11.5	4.2	1.0		5.2	16.7	0.008	0.007
ST. LUCIA	11.0	4.0	1.4		5.4	16.4	0.008	0.007
GUINEA-BISSAU	10.5	3.9	0.4		4.3	14.8	0.007	0.007
SAN MARINO	10.0	3.7	3.9		7.5	17.5	0.007	0.008
ANTIGUA AND BARBUDA	8.5	3.1	2.2		5.3	13.8	0.006	0.006

Table 1. Illustrative Quotas (Fund of SDR 224 billion)
Overall increase: 55 percent
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Number of ad hoc increases: 6
(In SDR millions or percent)

Members ranked by present quota	Present Quota (1)	Equiproportional increase of 36.7 percent (2)	Selective increase (SDR 22.5 bil) (3)	Ad-hoc increase (SDR 4.0 bil) (4)	Total increase in quota Col.(2+3+4) (5)	Illustrative quota Col.(1+5) (6)	Present Quota Share (In percent) (7)	Illustrative quota share (In percent) (8)
GRENADA	8.5	3.1	0.6		3.7	12.2	0.006	0.005
WESTERN SAMOA	8.5	3.1	0.5		3.6	12.1	0.006	0.005
SOLOMON ISLANDS	7.5	2.8	0.8		3.6	11.1	0.005	0.005
CAPE VERDE	7.0	2.6	0.7		3.2	10.2	0.005	0.005
ST. KITTS AND NEVIS	6.5	2.4	0.5		2.9	9.4	0.004	0.004
COMOROS	6.5	2.4	0.4		2.8	9.3	0.004	0.004
SEYCHELLES	6.0	2.2	1.2		3.4	9.4	0.004	0.004
ST. VINCENT AND THE GRENADINES	6.0	2.2	0.8		3.0	9.0	0.004	0.004
DOMINICA	6.0	2.2	0.5		2.7	8.7	0.004	0.004
MALDIVES	5.5	2.0	0.9		2.9	8.4	0.004	0.004
SÃO TOMÉ AND PRÍNCIPE	5.5	2.0	0.1		2.2	7.7	0.004	0.003
TONGA	5.0	1.8	0.4		2.2	7.2	0.003	0.003
BHUTAN	4.5	1.7	0.6		2.2	6.7	0.003	0.003
KIRIBATI	4.0	1.5	0.7		2.1	6.1	0.003	0.003
MICRONESIA, FEDERATED STATES OF	3.5	1.3	0.5		1.8	5.3	0.002	0.002
MARSHALL ISLANDS	2.5	0.9	0.3		1.3	3.8	0.002	0.002
Total	*144,457.7*	*52,968.1*	*22,511.3*	*3,972.9*	*79,452.3*	*223,910.0*	*100.0*	*100.0*

Table 2. Illustrative Quotas (Fund of SDR 238 billion)
Overall increase: 65 percent
Apportionment of overall increase into 66.7/28.3/5 of equiproportional/selective/ad-hoc increases
Number of ad hoc increases: 6
(In SDR millions or percent)

Members ranked by present quota	Present Quota (1)	Equiproportional increase of 43.3 percent (2)	Selective increase (SDR 26.6 bil) (3)	Ad-hoc increase (SDR 4.7 bil) (4)	Total increase in quota Col.(2+3+4) (5)	Illustrative quota Col.(1+5) (6)	Present Quota Share (In percent) (7)	Illustrative quota share (In percent) (8)
UNITED STATES	26,526.8	11,495.0	4,707.0		16,202.0	42,728.8	18.363	17.926
JAPAN	8,241.5	3,571.3	2,801.2	2,140.9	8,513.4	16,754.9	5.705	7.029
GERMANY	8,241.5	3,571.3	2,365.2	604.0	6,540.6	14,782.1	5.705	6.202
FRANCE	7,414.6	3,213.0	1,406.5		4,619.5	12,034.1	5.133	5.049
UNITED KINGDOM	7,414.6	3,213.0	1,353.0		4,566.0	11,980.6	5.133	5.026
SAUDI ARABIA	5,130.6	2,223.3	393.0		2,616.3	7,746.9	3.552	3.250
ITALY	4,590.7	1,989.3	1,177.1		3,166.4	7,757.1	3.178	3.254
CANADA	4,320.3	1,872.1	886.2		2,758.4	7,078.7	2.991	2.970
RUSSIA	4,313.1	1,869.0	489.7		2,358.7	6,671.8	2.986	2.799
NETHERLANDS	3,444.2	1,492.5	727.1		2,219.6	5,663.8	2.384	2.376
CHINA	3,385.2	1,466.9	433.5		1,900.5	5,285.7	2.343	2.218
BELGIUM	3,102.3	1,344.3	653.7		1,998.1	5,100.4	2.148	2.140
INDIA	3,055.5	1,324.1	181.0		1,505.0	4,560.5	2.115	1.913
SWITZERLAND	2,470.4	1,070.5	490.0		1,560.5	4,030.9	1.710	1.691
AUSTRALIA	2,333.2	1,011.1	332.1		1,343.1	3,676.3	1.615	1.542
BRAZIL	2,170.8	940.7	322.2		1,262.9	3,433.7	1.503	1.441
VENEZUELA	1,951.3	845.6	146.3		991.8	2,943.1	1.351	1.235
SPAIN	1,935.4	838.7	541.2	91.7	1,471.6	3,407.0	1.340	1.429
MEXICO	1,753.3	759.8	352.4		1,112.2	2,865.5	1.214	1.202
SWEDEN	1,614.0	699.4	365.1		1,064.5	2,678.5	1.117	1.124
ARGENTINA	1,537.1	666.1	163.8		829.9	2,367.0	1.064	0.993
INDONESIA	1,497.6	649.0	211.0		859.9	2,357.5	1.037	0.989
SOUTH AFRICA	1,365.4	591.7	122.6		714.3	2,079.7	0.945	0.873
NIGERIA	1,281.6	555.4	113.7		669.1	1,950.7	0.887	0.818
AUSTRIA	1,188.3	514.9	334.3	63.4	912.6	2,100.9	0.823	0.881
NORWAY	1,104.6	478.7	263.0		741.7	1,846.3	0.765	0.775
IRAN, ISLAMIC REPUBLIC OF	1,078.5	467.4	160.1		627.5	1,706.0	0.747	0.716
DENMARK	1,069.9	463.6	254.5		718.1	1,788.0	0.741	0.750
UKRAINE	997.3	432.2	109.9		542.1	1,539.4	0.690	0.646
KUWAIT	995.2	431.3	150.0		581.2	1,576.4	0.689	0.661
POLAND	988.5	428.4	128.1		556.5	1,545.0	0.684	0.648
ALGERIA	914.4	396.2	92.7		488.9	1,403.3	0.633	0.589
FINLAND	861.8	373.4	168.3		541.8	1,403.6	0.597	0.589
MALAYSIA	832.7	360.8	233.3		594.1	1,426.8	0.576	0.599
LIBYA	817.6	354.3	83.0		437.3	1,254.9	0.566	0.526
KOREA	799.6	346.5	423.4	742.2	1,512.1	2,311.7	0.554	0.970
PAKISTAN	758.2	328.6	53.6		382.2	1,140.4	0.525	0.478
HUNGARY	754.8	327.1	78.8		405.9	1,160.7	0.523	0.487
ROMANIA	754.1	326.8	64.2		391.0	1,145.1	0.522	0.480
EGYPT	678.4	294.0	98.1		392.1	1,070.5	0.470	0.449

Table 2. Illustrative Quotas (Fund of SDR 238 billion)
Overall increase: 65 percent
Apportionment of overall increase into 66.7/28.3/5 of equiproportional/selective/ad-hoc increases
Number of ad hoc increases: 6
(In SDR millions or percent)

Members ranked by present quota	Present Quota	Equiproportional increase of 43.3 percent	Selective increase (SDR 26.6 bil)	Ad-hoc increase (SDR 4.7 bil)	Total increase in quota Col.(2+3+4)	Illustrative quota Col.(1+5)	Present Quota Share (In percent)	Illustrative quota share (In percent)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ISRAEL	666.2	288.7	99.5		388.2	1,054.4	0.461	0.442
NEW ZEALAND	650.1	281.7	66.9		348.6	998.7	0.450	0.419
TURKEY	642.0	278.2	150.9		429.1	1,071.1	0.444	0.449
PHILIPPINES	633.4	274.5	83.5		358.0	991.4	0.438	0.416
CHILE	621.7	269.4	67.5		336.9	958.6	0.430	0.402
CZECH REPUBLIC	589.6	255.5	63.1		318.6	908.2	0.408	0.381
GREECE	587.6	254.6	103.0		357.7	945.3	0.407	0.397
THAILAND	573.9	248.7	208.2		456.9	1,030.8	0.397	0.432
COLOMBIA	561.3	243.2	60.5		303.8	865.1	0.389	0.363
PORTUGAL	557.6	241.6	152.3		393.9	951.5	0.386	0.399
IRELAND	525.0	227.5	159.8		387.3	912.3	0.363	0.383
PERU	466.1	202.0	36.2		238.1	704.2	0.323	0.295
BULGARIA	464.9	201.5	57.7		259.2	724.1	0.322	0.304
MOROCCO	427.7	185.3	49.0		234.3	662.0	0.296	0.278
BANGLADESH	392.5	170.1	22.5		192.6	585.1	0.272	0.245
UNITED ARAB EMIRATES	392.1	169.9	120.4		290.3	682.4	0.271	0.286
ZAMBIA	363.5	157.5	9.4		166.9	530.4	0.252	0.223
SINGAPORE	357.6	155.0	393.9	1,052.9	1,601.7	1,959.3	0.248	0.822
SRI LANKA	303.6	131.6	19.5		151.1	454.7	0.210	0.191
ZAÏRE	291.0	126.1	14.2		140.3	431.3	0.201	0.181
BELARUS	280.4	121.5	29.1		150.6	431.0	0.194	0.181
GHANA	274.0	118.7	8.4		127.1	401.1	0.190	0.168
CROATIA	261.6	113.4	41.6		154.9	416.5	0.181	0.175
ZIMBABWE	261.3	113.2	10.4		123.6	384.9	0.181	0.161
SLOVAK REPUBLIC	257.4	111.5	23.8		135.4	392.8	0.178	0.165
KAZAKSTAN	247.5	107.3	66.1		173.3	420.8	0.171	0.177
TRINIDAD AND TOBAGO	246.8	106.9	16.7		123.7	370.5	0.171	0.155
VIETNAM	241.6	104.7	15.0		119.7	361.3	0.167	0.152
CÔTE D'IVOIRE	238.2	103.2	21.6		124.8	363.0	0.165	0.152
URUGUAY	225.3	97.6	13.9		111.5	336.8	0.156	0.141
ECUADOR	219.2	95.0	24.9		119.8	339.0	0.152	0.142
SYRIAN ARAB REPUBLIC	209.9	91.0	32.2		123.2	333.1	0.145	0.140
ANGOLA	207.3	89.8	26.5		116.3	323.6	0.144	0.136
TUNISIA	206.0	89.3	29.5		118.7	324.7	0.143	0.136
JAMAICA	200.9	87.1	11.8		98.8	299.7	0.139	0.126
UZBEKISTAN	199.5	86.5	21.9		108.4	307.9	0.138	0.129
KENYA	199.4	86.4	12.1		98.5	297.9	0.138	0.125
QATAR	190.5	82.6	25.4		108.0	298.5	0.132	0.125
MYANMAR	184.9	80.1	24.1		104.2	289.1	0.128	0.121
YEMEN, REP. OF	176.5	76.5	17.7		94.2	270.7	0.122	0.114

Table 2. Illustrative Quotas (Fund of SDR 238 billion)
Overall increase: 65 percent
Apportionment of overall increase into 66.7/28.3/5 of equiproportional/selective/ad-hoc increases
Number of ad hoc increases: 6
(In SDR millions or percent)

Members ranked by present quota	Present Quota (1)	Equiproportional increase of 43.3 percent (2)	Selective increase (SDR 26.6 bil) (3)	Ad-hoc increase (SDR 4.7 bil) (4)	Total increase in quota Col.(2+3+4) (5)	Illustrative quota Col.(1+5) (6)	Present Quota Share (In percent) (7)	Illustrative quota share (In percent) (8)
SUDAN	169.7	73.5	8.9		82.4	252.1	0.117	0.106
DOMINICAN REPUBLIC	158.8	68.8	14.7		83.5	242.3	0.110	0.102
GUATEMALA	153.8	66.6	12.3		79.0	232.8	0.106	0.098
SLOVENIA	150.5	65.2	34.9		100.2	250.7	0.104	0.105
BRUNEI DARUSSALAM	150.0	65.0	28.2		93.2	243.2	0.104	0.102
PANAMA	149.6	64.8	17.3		82.1	231.7	0.104	0.097
TANZANIA	146.9	63.7	7.4		71.1	218.0	0.102	0.091
LEBANON	146.0	63.3	17.0		80.3	226.3	0.101	0.095
LUXEMBOURG	135.5	58.7	77.8		136.5	272.0	0.094	0.114
CAMEROON	135.1	58.5	16.8		75.4	210.5	0.094	0.088
UGANDA	133.9	58.0	3.6		61.6	195.5	0.093	0.082
BOLIVIA	126.2	54.7	7.1		61.8	188.0	0.087	0.079
EL SALVADOR	125.6	54.4	8.9		63.3	188.9	0.087	0.079
JORDAN	121.7	52.7	22.6		75.3	197.0	0.084	0.083
OMAN	119.4	51.7	40.5		92.2	211.6	0.083	0.089
COSTA RICA	119.0	51.6	14.0		65.5	184.5	0.082	0.077
SENEGAL	118.9	51.5	8.7		60.2	179.1	0.082	0.075
AZERBAIJAN	117.0	50.7	14.2		64.9	181.9	0.081	0.076
GEORGIA	111.0	48.1	4.5		52.6	163.6	0.077	0.069
GABON	110.3	47.8	18.6		66.4	176.7	0.076	0.074
LITHUANIA	103.5	44.9	14.8		59.6	163.1	0.072	0.068
CYPRUS	100.0	43.3	15.3		58.6	158.6	0.069	0.067
NAMIBIA	99.6	43.2	6.9		50.0	149.6	0.069	0.063
ETHIOPIA	98.3	42.6	6.4		49.0	147.3	0.068	0.062
NICARAGUA	96.1	41.6	4.2		45.8	141.9	0.067	0.060
PAPUA NEW GUINEA	95.3	41.3	10.0		51.3	146.6	0.066	0.062
HONDURAS	95.0	41.2	7.6		48.8	143.8	0.066	0.060
BAHAMAS, THE	94.9	41.1	9.7		50.9	145.8	0.066	0.061
LATVIA	91.5	39.7	11.9		51.6	143.1	0.063	0.060
MADAGASCAR	90.4	39.2	3.9		43.0	133.4	0.063	0.056
MOLDOVA	90.0	39.0	8.8		47.8	137.8	0.062	0.058
ICELAND	85.3	37.0	10.0		47.0	132.3	0.059	0.056
MOZAMBIQUE	84.0	36.4	4.2		40.6	124.6	0.058	0.052
BAHRAIN	82.8	35.9	31.2		67.1	149.9	0.057	0.063
GUINEA	78.7	34.1	5.2		39.3	118.0	0.054	0.050
SIERRA LEONE	77.2	33.5	1.8		35.2	112.4	0.053	0.047
MAURITIUS	73.3	31.8	9.8		41.6	114.9	0.051	0.048
PARAGUAY	72.1	31.2	8.4		39.7	111.8	0.050	0.047
MALI	68.9	29.9	3.7		33.6	102.5	0.048	0.043
SURINAME	67.6	29.3	4.9		34.2	101.8	0.047	0.043

Table 2. Illustrative Quotas (Fund of SDR 238 billion)
Overall increase: 65 percent
Apportionment of overall increase into 66.7/28.3/5 of equiproportional/selective/ad-hoc increases
Number of ad hoc increases: 6
(In SDR millions or percent)

Members ranked by present quota	Present Quota	Equiproportional increase of 43.3 percent	Selective increase (SDR 26.6 bil)	Ad-hoc increase (SDR 4.7 bil)	Total increase in quota Col.(2+3+4)	Illustrative quota Col.(1+5)	Present Quota Share (In percent)	Illustrative quota share (In percent)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MALTA	67.5	29.3	14.4		43.6	111.1	0.047	0.047
ARMENIA	67.5	29.3	6.4		35.7	103.2	0.047	0.043
GUYANA	67.2	29.1	2.9		32.0	99.2	0.047	0.042
CAMBODIA	65.0	28.2	1.8		30.0	95.0	0.045	0.040
KYRGYZ REP.	64.5	28.0	8.4		36.3	100.8	0.045	0.042
HAITI	60.7	26.3	2.4		28.8	89.5	0.042	0.038
TAJIKISTAN	60.0	26.0	22.3		48.3	108.3	0.042	0.045
RWANDA	59.5	25.8	1.9		27.7	87.2	0.041	0.037
CONGO	57.9	25.1	11.1		36.2	94.1	0.040	0.039
BURUNDI	57.2	24.8	1.5		26.3	83.5	0.040	0.035
TOGO	54.3	23.5	3.4		26.9	81.2	0.038	0.034
NEPAL	52.0	22.5	4.9		27.4	79.4	0.036	0.033
FIJI	51.1	22.1	5.4		27.5	78.6	0.035	0.033
MALAWI	50.9	22.1	3.5		25.6	76.5	0.035	0.032
MACEDONIA, FYR	49.6	21.5	7.2		28.7	78.3	0.034	0.033
BARBADOS	48.9	21.2	5.9		27.0	75.9	0.034	0.032
NIGER	48.3	20.9	3.0		23.9	72.2	0.033	0.030
TURKMENISTAN	48.0	20.8	15.5		36.3	84.3	0.033	0.035
MAURITANIA	47.5	20.6	3.0		23.5	71.0	0.033	0.030
ESTONIA	46.5	20.2	7.4		27.6	74.1	0.032	0.031
BENIN	45.3	19.6	4.2		23.8	69.1	0.031	0.029
BURKINA FASO	44.2	19.2	3.6		22.7	66.9	0.031	0.028
CHAD	41.3	17.9	2.1		20.0	61.3	0.029	0.026
CENTRAL AFRICAN REP.	41.2	17.9	1.5		19.4	60.6	0.029	0.025
LAO PEOPLE'S DEM.REP.	39.1	16.9	1.3		18.3	57.4	0.027	0.024
MONGOLIA	37.1	16.1	5.4		21.5	58.6	0.026	0.025
BOTSWANA	36.6	15.9	16.5		32.3	68.9	0.025	0.029
SWAZILAND	36.5	15.8	5.2		21.0	57.5	0.025	0.024
ALBANIA	35.3	15.3	3.8		19.1	54.4	0.024	0.023
EQUATORIAL GUINEA	24.3	10.5	0.4		10.9	35.2	0.017	0.015
LESOTHO	23.9	10.4	4.0		14.4	38.3	0.017	0.016
GAMBIA, THE	22.9	9.9	1.0		11.0	33.9	0.016	0.014
BELIZE	13.5	5.9	1.3		7.2	20.7	0.009	0.009
VANUATU	12.5	5.4	0.8		6.2	18.7	0.009	0.008
DJIBOUTI	11.5	5.0	1.5		6.4	17.9	0.008	0.008
ERITREA	11.5	5.0	1.2		6.2	17.7	0.008	0.007
ST. LUCIA	11.0	4.8	1.6		6.4	17.4	0.008	0.007
GUINEA-BISSAU	10.5	4.6	0.5		5.1	15.6	0.007	0.007
SAN MARINO	10.0	4.3	4.6		8.9	18.9	0.007	0.008
ANTIGUA AND BARBUDA	8.5	3.7	2.6		6.3	14.8	0.006	0.006

Table 2. Illustrative Quotas (Fund of SDR 238 billion)
Overall increase: 65 percent
Apportionment of overall increase into 66.7/28.3/5 of equiproportional/selective/ad-hoc increases
Number of ad hoc increases: 6
(In SDR millions or percent)

Members ranked by present quota	Present Quota	Equiproportional increase of 43.3 percent	Selective increase (SDR 26.6 bil)	Ad-hoc increase (SDR 4.7 bil)	Total increase in quota Col.(2+3+4)	Illustrative quota Col.(1+5)	Present Quota Share (In percent)	Illustrative quota share (In percent)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
GRENADA	8.5	3.7	0.7		4.4	12.9	0.006	0.005
WESTERN SAMOA	8.5	3.7	0.6		4.3	12.8	0.006	0.005
SOLOMON ISLANDS	7.5	3.3	1.0		4.2	11.7	0.005	0.005
CAPE VERDE	7.0	3.0	0.8		3.8	10.8	0.005	0.005
ST. KITTS AND NEVIS	6.5	2.8	0.6		3.4	9.9	0.004	0.004
COMOROS	6.5	2.8	0.5		3.3	9.8	0.004	0.004
SEYCHELLES	6.0	2.6	1.4		4.0	10.0	0.004	0.004
ST. VINCENT AND THE GRENADINES	6.0	2.6	0.9		3.5	9.5	0.004	0.004
DOMINICA	6.0	2.6	0.6		3.2	9.2	0.004	0.004
MALDIVES	5.5	2.4	1.1		3.5	9.0	0.004	0.004
SÃO TOMÉ AND PRÍNCIPE	5.5	2.4	0.2		2.6	8.1	0.004	0.003
TONGA	5.0	2.2	0.5		2.7	7.7	0.003	0.003
BHUTAN	4.5	2.0	0.7		2.6	7.1	0.003	0.003
KIRIBATI	4.0	1.7	0.8		2.5	6.5	0.003	0.003
MICRONESIA, FEDERATED STATES OF	3.5	1.5	0.6		2.1	5.6	0.002	0.002
MARSHALL ISLANDS	2.5	1.1	0.4		1.5	4.0	0.002	0.002
					0.0	0.0		0.000
Total	144,457.7	62,598.6	26,604.3	4,695.1	93,898.0	238,355.7	100.0	100.0

Table 3. Summary Statistics of Illustrative Distributions of Fund Quotas

	Fund of SDR 224 billion (Overall increase of 55 percent) (1)	Fund of SDR 238 billion (Overall increase of 65 percent) (2)
1. Apportionment between equiproportional, selective, and "ad hoc" increases 1/	66.7/28.3/5	66.7/28.3/5
2. Equiproportional increase, in percent of present quotas	36.7	43.3
3. Total quota increase, in SDR billions	79.5	93.9
Of which:		
Equiproportional	53.0	62.6
Selective	22.5	26.6
Ad hoc	4.0	4.7
4. Distribution of percentage shares in total quotas		
a. Industrial countries	62.4	62.5
b. Major oil exporters	9.4	9.3
c. Non-oil developing countries	28.3	28.2
Memo: Transition economies	7.2	7.2
5. Changes in shares in total Fund quotas, in percentage points		
a. Industrial countries	1.2	1.3
b. Major oil exporters	-0.6	-0.7
c. Non-oil developing countries	-0.6	-0.7
Memo: Transition economies	-0.4	-0.5
6. Adjustment coefficient, average, in percent		
a. Members receiving ad hoc increases	20.9	23.2
b. Other members	14.9	16.5
c. All members	19.5	21.6
d. Industrial countries	20.1	22.4
e. Major oil exporters	13.2	14.6
f. Non-oil developing countries	21.1	23.0

1/ Figures refer to the percentage shares of the overall quota increase devoted to the equiproportional, selective, and "ad hoc" elements, respectively. The selective increase is distributed in proportion to members' shares in calculated quotas, i.e., according to Method A as discussed in EB/CQuota/96/4 and EB/CQuota/95/2. The shares in calculated quotas are those presented as "Method I" (i.e. using market exchange rates to convert GDP data into SDR equivalents) in EB/CQuota/96/7. The ad hoc increase element is illustratively distributed to 6 members: Singapore, Korea, Japan, Germany, Spain, and Austria.

Table 1. Illustrative Quotas (Fund of SDR 224 billion, cutoff 1.25)
Overall Increase of: 55 percent
Apportionment of overall increase into 66.7 / 23.3 / 10 of equiproportional / selective / ad-hoc increases
Number of Ad hoc increases: 10
(In SDR millions or percent)

Members ranked by present quota	Present Quota	Equiproportional increase of 37 percent	Selective increase (SDR 18.5 billion)	Ad-hoc increase (SDR 7.9 billion)	Total increase in quota Col.(2+3+4)	Illustrative quota Col.(1+5)	Present Quota Share (In percent)	Illustrative quota share (In percent)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
UNITED STATES	26,526.8	9,726.5	3,280.0		13,006.5	39,533.3	18.363	17.656
GERMANY	8,241.5	3,021.9	1,648.2	1,895.2	6,565.2	14,806.7	5.705	6.613
JAPAN	8,241.5	3,021.9	1,952.0	3,079.7	8,053.6	16,295.1	5.705	7.278
FRANCE	7,414.6	2,718.7	980.1		3,698.7	11,113.3	5.133	4.963
UNITED KINGDOM	7,414.6	2,718.7	942.8		3,661.5	11,076.1	5.133	4.947
SAUDI ARABIA	5,130.6	1,881.2	273.9		2,155.1	7,285.7	3.552	3.254
ITALY	4,590.7	1,683.3	820.2	636.3	3,139.8	7,730.5	3.178	3.453
CANADA	4,320.3	1,584.1	617.6		2,201.7	6,522.0	2.991	2.913
RUSSIA	4,313.1	1,581.5	341.2		1,922.7	6,235.8	2.986	2.785
NETHERLANDS	3,444.2	1,262.9	506.7		1,769.5	5,213.7	2.384	2.329
CHINA	3,385.2	1,241.2	302.1		1,543.3	4,928.5	2.343	2.201
BELGIUM	3,102.3	1,137.5	455.5		1,593.0	4,695.3	2.148	2.097
INDIA	3,055.5	1,120.4	126.1		1,246.5	4,302.0	2.115	1.921
SWITZERLAND	2,470.4	905.8	341.4		1,247.2	3,717.6	1.710	1.660
AUSTRALIA	2,333.2	855.5	231.4		1,086.9	3,420.1	1.615	1.527
BRAZIL	2,170.8	796.0	224.5		1,020.5	3,191.3	1.503	1.425
VENEZUELA	1,951.3	715.5	101.9		817.4	2,768.7	1.351	1.237
SPAIN	1,935.4	709.6	377.1	403.7	1,490.5	3,425.9	1.340	1.530
MEXICO	1,753.3	642.9	245.6		888.5	2,641.8	1.214	1.180
SWEDEN	1,614.0	591.8	254.4		846.2	2,460.2	1.117	1.099
ARGENTINA	1,537.1	563.6	114.2		677.8	2,214.9	1.064	0.989
INDONESIA	1,497.6	549.1	147.0		696.1	2,193.7	1.037	0.980
SOUTH AFRICA	1,365.4	500.6	85.4		586.1	1,951.5	0.945	0.872
NIGERIA	1,281.6	469.9	79.2		549.2	1,830.8	0.887	0.818
AUSTRIA	1,188.3	435.7	233.0	253.7	922.4	2,110.7	0.823	0.943
NORWAY	1,104.6	405.0	183.3		588.3	1,692.9	0.765	0.756
IRAN, ISLAMIC REPUBLIC OF	1,078.5	395.5	111.6		507.0	1,585.5	0.747	0.708
DENMARK	1,069.9	392.3	177.3		569.6	1,639.5	0.741	0.732
UKRAINE	997.3	365.7	76.6		442.3	1,439.6	0.690	0.643
KUWAIT	995.2	364.9	104.5		469.4	1,464.6	0.689	0.654
POLAND	988.5	362.5	89.3		451.7	1,440.2	0.684	0.643
ALGERIA	914.4	335.3	64.6		399.9	1,314.3	0.633	0.587
FINLAND	861.8	316.0	117.3		433.3	1,295.1	0.597	0.578
MALAYSIA	832.7	305.3	162.6	175.0	642.9	1,475.6	0.576	0.659
LIBYA	817.6	299.8	57.8		357.6	1,175.2	0.566	0.525
KOREA	799.6	293.2	295.0	621.4	1,209.6	2,009.2	0.554	0.897
PAKISTAN	758.2	278.0	37.3		315.4	1,073.6	0.525	0.479
HUNGARY	754.8	276.8	54.9		331.7	1,086.5	0.523	0.485
ROMANIA	754.1	276.5	44.8		321.3	1,075.4	0.522	0.480
EGYPT	678.4	248.7	68.4		317.1	995.5	0.470	0.445

Table 1. Illustrative Quotas (Fund of SDR 224 billion, cutoff 1.25)
Overall Increase of: 55 percent
Apportionment of overall increase into 66.7 / 23.3 / 10 of equiproportional / selective / ad-hoc increases
Number of Ad hoc increases: 10
(In SDR millions or percent)

Members ranked by present quota	Present Quota (1)	Equiproportional increase of 37 percent (2)	Selective increase (SDR 18.5 billion) (3)	Ad-hoc increase (SDR 7.9 billion) (4)	Total increase in quota Col.(2+3+4) (5)	Illustrative quota Col.(1+5) (6)	Present Quota Share (In percent) (7)	Illustrative quota share (In percent) (8)
MALI	68.9	25.3	2.6		27.8	96.7	0.048	0.043
SURINAME	67.6	24.8	3.4		28.2	95.8	0.047	0.043
ARMENIA	67.5	24.8	4.5		29.2	96.7	0.047	0.043
MALTA	67.5	24.8	10.0		34.8	102.3	0.047	0.046
GUYANA	67.2	24.6	2.0		26.7	93.9	0.047	0.042
CAMBODIA	65.0	23.8	1.3		25.1	90.1	0.045	0.040
KYRGYZ REP.	64.5	23.7	5.8		29.5	94.0	0.045	0.042
HAITI	60.7	22.3	1.7		24.0	84.7	0.042	0.038
TAJIKISTAN	60.0	22.0	15.5		37.5	97.5	0.042	0.044
RWANDA	59.5	21.8	1.3		23.1	82.6	0.041	0.037
CONGO	57.9	21.2	7.7		28.9	86.8	0.040	0.039
BURUNDI	57.2	21.0	1.1		22.0	79.2	0.040	0.035
TOGO	54.3	19.9	2.3		22.3	76.6	0.038	0.034
NEPAL	52.0	19.1	3.4		22.5	74.5	0.036	0.033
FIJI	51.1	18.7	3.8		22.5	73.6	0.035	0.033
MALAWI	50.9	18.7	2.5		21.1	72.0	0.035	0.032
MACEDONIA, FYR	49.6	18.2	5.0		23.2	72.8	0.034	0.033
BARBADOS	48.9	17.9	4.1		22.0	70.9	0.034	0.032
NIGER	48.3	17.7	2.1		19.8	68.1	0.033	0.030
TURKMENISTAN	48.0	17.6	10.8		28.4	76.4	0.033	0.034
MAURITANIA	47.5	17.4	2.1		19.5	67.0	0.033	0.030
ESTONIA	46.5	17.1	5.2		22.2	68.7	0.032	0.031
BENIN	45.3	16.6	2.9		19.6	64.9	0.031	0.029
BURKINA FASO	44.2	16.2	2.5		18.7	62.9	0.031	0.028
CHAD	41.3	15.1	1.5		16.6	57.9	0.029	0.026
CENTRAL AFRICAN REP.	41.2	15.1	1.1		16.2	57.4	0.029	0.026
LAO PEOPLE'S DEM.REP.	39.1	14.3	0.9		15.3	54.4	0.027	0.024
MONGOLIA	37.1	13.6	3.8		17.4	54.5	0.026	0.024
BOTSWANA	36.6	13.4	11.5		24.9	61.5	0.025	0.027
SWAZILAND	36.5	13.4	3.6		17.0	53.5	0.025	0.024
ALBANIA	35.3	12.9	2.7		15.6	50.9	0.024	0.023
EQUATORIAL GUINEA	24.3	8.9	0.2		9.2	33.5	0.017	0.015
LESOTHO	23.9	8.8	2.8		11.6	35.5	0.017	0.016
GAMBIA, THE	22.9	8.4	0.7		9.1	32.0	0.016	0.014
BELIZE	13.5	5.0	0.9		5.9	19.4	0.009	0.009
VANUATU	12.5	4.6	0.6		5.2	17.7	0.009	0.008
DJIBOUTI	11.5	4.2	1.0		5.2	16.7	0.008	0.007
ERITREA	11.5	4.2	0.8		5.1	16.6	0.008	0.007
ST. LUCIA	11.0	4.0	1.1		5.2	16.2	0.008	0.007

Table 1. Illustrative Quotas (Fund of SDR 224 billion, cutoff 1.25)
Overall Increase of: 55 percent
Apportionment of overall increase into 66.7 / 23.3 / 10 of equiproportional / selective / ad-hoc increases
Number of Ad hoc increases: 10
(In SDR millions or percent)

Members ranked by present quota	Present Quota (1)	Equiproportional increase of 37 percent (2)	Selective increase (SDR 18.5 billion) (3)	Ad-hoc increase (SDR 7.9 billion) (4)	Total increase in quota Col.(2+3+4) (5)	Illustrative quota Col.(1+5) (6)	Present Quota Share (In perce_t) (7)	Illustrative quota share (8)
GUINEA-BISSAU	10.5	3.9	0.4		4.2	14.7	0.007	0.007
SAN MARINO	10.0	3.7	3.2		6.9	16.9	0.007	0.008
ANTIGUA AND BARBUDA	8.5	3.1	1.8		4.9	13.4	0.006	0.006
GRENADA	8.5	3.1	0.5		3.6	12.1	0.006	0.005
WESTERN SAMOA	8.5	3.1	0.4		3.5	12.0	0.006	0.005
SOLOMON ISLANDS	7.5	2.8	0.7		3.4	10.9	0.005	0.005
CAPE VERDE	7.0	2.6	0.5		3.1	10.1	0.005	0.005
COMOROS	6.5	2.4	0.3		2.7	9.2	0.004	0.004
ST. KITTS AND NEVIS	6.5	2.4	0.4		2.8	9.3	0.004	0.004
DOMINICA	6.0	2.2	0.4		2.6	8.6	0.004	0.004
SEYCHELLES	6.0	2.2	1.0		3.2	9.2	0.004	0.004
ST. VINCENT AND THE GRENADINES	6.0	2.2	0.6		2.8	8.8	0.004	0.004
MALDIVES	5.5	2.0	0.8		2.8	8.3	0.004	0.004
SÃO TOMÉ AND PRÍNCIPE	5.5	2.0	0.1		2.1	7.6	0.004	0.003
TONGA	5.0	1.8	0.3		2.2	7.2	0.003	0.003
BHUTAN	4.5	1.7	0.5		2.1	6.6	0.003	0.003
KIRIBATI	4.0	1.5	0.5		2.0	6.0	0.003	0.003
MICRONESIA, FEDERATED STATES OF	3.5	1.3	0.4		1.7	5.2	0.002	0.002
MARSHALL ISLANDS	2.5	0.9	0.3		1.2	3.7	0.002	0.002
Total	144,457.7	52,967.8	18,538.7	7,945.0	79,451.5	223,909.2	100.0	100.0

Table 2. Illustrative Quotas (Fund of SDR 238 billion, cutoff 1.25)
Overall Increase of: 65 percent
Apportionment of overall increase into 66.7 / 23.3 / 10 of equiproportional / selective / ad-hoc increases
Number of Ad hoc increases: 10
(In SDR millions or percent)

Members ranked by present quota	Present Quota (1)	Equiproportional increase of 43 percent (2)	Selective increase (SDR 21.9 billion) (3)	Ad-hoc increase (SDR 9.4 billion) (4)	Total increase in quota Col.(2+3+4) (5)	Illustrative quota Col.(1+5) (6)	Present Quota Share (In percent) (7)	Illustrative quota share (In percent) (8)
UNITED STATES	26,526.8	11,494.9	3,876.4		15,371.3	41,898.1	18.363	17.578
GERMANY	8,241.5	3,571.3	1,947.8	2,196.7	7,715.9	15,957.4	5.705	6.695
JAPAN	8,241.5	3,571.3	2,306.9	3,610.0	9,488.2	17,729.7	5.705	7.438
FRANCE	7,414.6	3,213.0	1,158.3		4,371.2	11,785.8	5.133	4.945
UNITED KINGDOM	7,414.6	3,213.0	1,114.2		4,327.2	11,741.8	5.133	4.926
SAUDI ARABIA	5,130.6	2,223.3	323.7		2,546.9	7,677.5	3.552	3.221
ITALY	4,590.7	1,989.3	969.3	735.7	3,694.4	8,285.1	3.178	3.476
CANADA	4,320.3	1,872.1	729.8		2,602.0	6,922.3	2.991	2.904
RUSSIA	4,313.1	1,869.0	403.3		2,272.3	6,585.4	2.986	2.763
NETHERLANDS	3,444.2	1,492.5	598.8		2,091.3	5,535.5	2.384	2.322
CHINA	3,385.2	1,466.9	357.0		1,823.9	5,209.1	2.343	2.185
BELGIUM	3,102.3	1,344.3	538.4		1,882.7	4,985.0	2.148	2.091
INDIA	3,055.5	1,324.1	149.0		1,473.1	4,528.6	2.115	1.900
SWITZERLAND	2,470.4	1,070.5	403.5		1,474.0	3,944.4	1.710	1.655
AUSTRALIA	2,333.2	1,011.1	273.5		1,284.5	3,617.7	1.615	1.518
BRAZIL	2,170.8	940.7	265.3		1,206.0	3,376.8	1.503	1.417
VENEZUELA	1,951.3	845.6	120.5		966.0	2,917.3	1.351	1.224
SPAIN	1,935.4	838.7	445.7	467.3	1,751.6	3,687.0	1.340	1.547
MEXICO	1,753.3	759.8	290.2		1,050.0	2,803.3	1.214	1.176
SWEDEN	1,614.0	699.4	300.7		1,000.1	2,614.1	1.117	1.097
ARGENTINA	1,537.1	666.1	134.9		801.0	2,338.1	1.064	0.981
INDONESIA	1,497.6	649.0	173.7		822.7	2,320.3	1.037	0.973
SOUTH AFRICA	1,365.4	591.7	101.0		692.6	2,058.0	0.945	0.863
NIGERIA	1,281.6	555.4	93.6		649.0	1,930.6	0.887	0.810
AUSTRIA	1,188.3	514.9	275.3	293.8	1,084.0	2,272.3	0.823	0.953
NORWAY	1,104.6	478.7	216.6		695.3	1,799.9	0.765	0.755
IRAN, ISLAMIC REPUBLIC OF	1,078.5	467.4	131.9		599.2	1,677.7	0.747	0.704
DENMARK	1,069.9	463.6	209.6		673.2	1,743.1	0.741	0.731
UKRAINE	997.3	432.2	90.5		522.7	1,520.0	0.690	0.638
KUWAIT	995.2	431.3	123.5		554.8	1,550.0	0.689	0.650
POLAND	988.5	428.4	105.5		533.9	1,522.4	0.684	0.639
ALGERIA	914.4	396.2	76.3		472.6	1,387.0	0.633	0.582
FINLAND	861.8	373.4	138.6		512.1	1,373.9	0.597	0.576
MALAYSIA	832.7	360.8	192.1	202.5	755.5	1,588.2	0.576	0.666
LIBYA	817.6	354.3	68.4		422.7	1,240.3	0.566	0.520
KOREA	799.6	346.5	348.7	761.2	1,456.4	2,256.0	0.554	0.946
PAKISTAN	758.2	328.6	44.1		372.7	1,130.9	0.525	0.474
HUNGARY	754.8	327.1	64.9		392.0	1,146.8	0.523	0.481
ROMANIA	754.1	326.8	52.9		379.7	1,133.8	0.522	0.476
EGYPT	678.4	294.0	80.8		374.8	1,053.2	0.470	0.442

Table 2. Illustrative Quotas (Fund of SDR 238 billion, cutoff 1.25)
Overall Increase of: 65 percent
Apportionment of overall increase into 66.7 / 23.3 / 10 of equiproportional / selective / ad-hoc increases
Number of Ad hoc increases: 10
(In SDR millions or percent)

Members ranked by present quota	Present Quota	Equiproportional increase of 43 percent	Selective increase (SDR 21.9 billion)	Ad-hoc increase (SDR 9.4 billion)	Total increase in quota Col.(2+3+4)	Illustrative quota Col.(1+5)	Present Quota Share (In percent)	Illustrative quota share
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ISRAEL	666.2	288.7	81.9		370.6	1,036.8	0.461	0.435
NEW ZEALAND	650.1	281.7	55.1		336.8	986.9	0.450	0.414
TURKEY	642.0	278.2	124.2		402.4	1,044.4	0.444	0.438
PHILIPPINES	633.4	274.5	68.8		343.2	976.6	0.438	0.410
CHILE	621.7	269.4	55.6		325.0	946.7	0.430	0.397
CZECH REPUBLIC	589.6	255.5	51.9		307.4	897.0	0.408	0.376
GREECE	587.6	254.6	84.9		339.5	927.1	0.407	0.389
THAILAND	573.9	248.7	171.5	291.5	711.7	1,285.6	0.397	0.539
COLOMBIA	561.3	243.2	49.8		293.1	854.4	0.389	0.358
PORTUGAL	557.6	241.6	125.4		367.1	924.7	0.386	0.388
IRELAND	525.0	227.5	131.6		359.1	884.1	0.363	0.371
PERU	466.1	202.0	29.8		231.8	697.9	0.323	0.293
BULGARIA	464.9	201.5	47.5		249.0	713.9	0.322	0.300
MOROCCO	427.7	185.3	40.3		225.7	653.4	0.296	0.274
BANGLADESH	392.5	170.1	18.5		188.6	581.1	0.272	0.244
UNITED ARAB EMIRATES	392.1	169.9	99.1		269.1	661.2	0.271	0.277
ZAMBIA	363.5	157.5	7.8		165.3	528.8	0.252	0.222
SINGAPORE	357.6	155.0	324.4	688.4	1,167.7	1,525.3	0.248	0.640
SRI LANKA	303.6	131.6	16.1		147.6	451.2	0.210	0.189
ZAÏRE	291.0	126.1	11.7		137.8	428.8	0.201	0.180
BELARUS	280.4	121.5	24.0		145.5	425.9	0.194	0.179
GHANA	274.0	118.7	6.9		125.7	399.7	0.190	0.168
CROATIA	261.6	113.4	34.2		147.6	409.2	0.181	0.172
ZIMBABWE	261.3	113.2	8.5		121.8	383.1	0.181	0.161
SLOVAK REPUBLIC	257.4	111.5	19.6		131.1	388.5	0.178	0.163
KAZAKSTAN	247.5	107.3	54.4		161.7	409.2	0.171	0.172
TRINIDAD AND TOBAGO	246.8	106.9	13.8		120.7	367.5	0.171	0.154
VIETNAM	241.6	104.7	12.3		117.0	358.6	0.167	0.150
CÔTE D'IVOIRE	238.2	103.2	17.8		121.0	359.2	0.165	0.151
URUGUAY	225.3	97.6	11.4		109.1	334.4	0.156	0.140
ECUADOR	219.2	95.0	20.5		115.5	334.7	0.152	0.140
SYRIAN ARAB REPUBLIC	209.9	91.0	26.5		117.5	327.4	0.145	0.137
ANGOLA	207.3	89.8	21.8		111.6	318.9	0.144	0.134
TUNISIA	206.0	89.3	24.3		113.5	319.5	0.143	0.134
JAMAICA	200.9	87.1	9.7		96.8	297.7	0.139	0.125
UZBEKISTAN	199.5	86.5	18.1		104.5	304.0	0.138	0.128
KENYA	199.4	86.4	10.0		96.4	295.8	0.138	0.124
QATAR	190.5	82.6	20.9		103.5	294.0	0.132	0.123
MYANMAR	184.9	80.1	19.9		100.0	284.9	0.128	0.120

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Number of Ad hoc increases: 10
(In SDR millions or percent)

Members ranked by present quota	Present Quota (1)	Equiproportional increase of 43 percent (2)	Selective increase (SDR 21.9 billion) (3)	Ad-hoc increase (SDR 9.4 billion) (4)	Total increase in quota Col.(2+3+4) (5)	Illustrative quota Col.(1+5) (6)	Present Quota Share (In percent) (7)	Illustrative quota share (In percent) (8)
YEMEN, REP. OF	176.5	76.5	14.6		91.1	267.6	0.122	0.112
SUDAN	169.7	73.5	7.3		80.9	250.6	0.117	0.105
DOMINICAN REPUBLIC	158.8	68.8	12.1		80.9	239.7	0.110	0.101
GUATEMALA	153.8	66.6	10.2		76.8	230.6	0.106	0.097
SLOVENIA	150.5	65.2	28.8		94.0	244.5	0.104	0.103
BRUNEI DARUSSALAM	150.0	65.0	23.2		88.2	238.2	0.104	0.100
PANAMA	149.6	64.8	14.2		79.0	228.6	0.104	0.096
TANZANIA	146.9	63.7	6.1		69.7	216.6	0.102	0.091
LEBANON	146.0	63.3	14.0		77.3	223.3	0.101	0.094
LUXEMBOURG	135.5	58.7	64.0	142.8	265.6	401.1	0.094	0.168
CAMEROON	135.1	58.5	13.9		72.4	207.5	0.094	0.087
UGANDA	133.9	58.0	2.9		61.0	194.9	0.093	0.082
BOLIVIA	126.2	54.7	5.9		60.6	186.8	0.087	0.078
EL SALVADOR	125.6	54.4	7.3		61.7	187.3	0.087	0.079
JORDAN	121.7	52.7	18.6		71.3	193.0	0.084	0.081
OMAN	119.4	51.7	33.3		85.1	204.5	0.083	0.086
COSTA RICA	119.0	51.6	11.5		63.1	182.1	0.082	0.076
SENEGAL	118.9	51.5	7.1		58.7	177.6	0.082	0.074
AZERBAIJAN	117.0	50.7	11.7		62.4	179.4	0.081	0.075
GEORGIA	111.0	48.1	3.7		51.8	162.8	0.077	0.068
GABON	110.3	47.8	15.3		63.1	173.4	0.076	0.073
LITHUANIA	103.5	44.9	12.2		57.0	160.5	0.072	0.067
CYPRUS	100.0	43.3	12.6		55.9	155.9	0.069	0.065
NAMIBIA	99.6	43.2	5.6		48.8	148.4	0.069	0.062
ETHIOPIA	98.3	42.6	5.3		47.9	146.2	0.068	0.061
NICARAGUA	96.1	41.6	3.4		45.1	141.2	0.067	0.059
PAPUA NEW GUINEA	95.3	41.3	8.3		49.5	144.8	0.066	0.061
HONDURAS	95.0	41.2	6.3		47.5	142.5	0.066	0.060
BAHAMAS, THE	94.9	41.1	8.0		49.1	144.0	0.066	0.060
LATVIA	91.5	39.7	9.8		49.5	141.0	0.063	0.059
MADAGASCAR	90.4	39.2	3.2		42.3	132.7	0.063	0.056
MOLDOVA	90.0	39.0	7.3		46.3	136.3	0.062	0.057
ICELAND	85.3	37.0	8.3		45.2	130.5	0.059	0.055
MOZAMBIQUE	84.0	36.4	3.5		39.9	123.9	0.058	0.052
BAHRAIN	82.8	35.9	25.7		61.6	144.4	0.057	0.061
GUINEA	78.7	34.1	4.3		38.4	117.1	0.054	0.049
SIERRA LEONE	77.2	33.5	1.4		34.9	112.1	0.053	0.047
MAURITIUS	73.3	31.8	8.1		39.9	113.2	0.051	0.047
PARAGUAY	72.1	31.2	7.0		38.2	110.3	0.050	0.046

Table 2. Illustrative Quotas (Fund of SDR 238 billion, cutoff 1.25)
Overall Increase of: 65 percent
Apportionment of overall increase into 66.7 / 23.3 / 10 of equiproportional / selective / ad-hoc increases
Number of Ad hoc increases: 10
(In SDR millions or percent)

Members ranked by present quota	Present Quota (1)	Equiproportional increase of 43 percent (2)	Selective increase (SDR 21.9 billion) (3)	Ad-hoc increase (SDR 9.4 billion) (4)	Total increase in quota Col.(2+3+4) (5)	Illustrative quota Col.(1+5) (6)	Present Quota Share (In percent) (7)	Illustrative quota share (In percent) (8)
MALI	68.9	29.9	3.0		32.9	101.8	0.048	0.043
SURINAME	67.6	29.3	4.0		33.3	100.9	0.047	0.042
ARMENIA	67.5	29.3	5.3		34.5	102.0	0.047	0.043
MALTA	67.5	29.3	11.8		41.1	108.6	0.047	0.046
GUYANA	67.2	29.1	2.4		31.5	98.7	0.047	0.041
CAMBODIA	65.0	28.2	1.5		29.7	94.7	0.045	0.040
KYRGYZ REP.	64.5	28.0	6.9		34.8	99.3	0.045	0.042
HAITI	60.7	26.3	2.0		28.3	89.0	0.042	0.037
TAJIKISTAN	60.0	26.0	18.3		44.3	104.3	0.042	0.044
RWANDA	59.5	25.8	1.6		27.4	86.9	0.041	0.036
CONGO	57.9	25.1	9.1		34.2	92.1	0.040	0.039
BURUNDI	57.2	24.8	1.3		26.1	83.3	0.040	0.035
TOGO	54.3	23.5	2.8		26.3	80.6	0.038	0.034
NEPAL	52.0	22.5	4.0		26.6	78.6	0.036	0.033
FIJI	51.1	22.1	4.4		26.6	77.7	0.035	0.033
MALAWI	50.9	22.1	2.9		25.0	75.9	0.035	0.032
MACEDONIA, FYR	49.6	21.5	5.9		27.4	77.0	0.034	0.032
BARBADOS	48.9	21.2	4.8		26.0	74.9	0.034	0.031
NIGER	48.3	20.9	2.5		23.4	71.7	0.033	0.030
TURKMENISTAN	48.0	20.8	12.7		33.5	81.5	0.033	0.034
MAURITANIA	47.5	20.6	2.4		23.0	70.5	0.033	0.030
ESTONIA	46.5	20.2	6.1		26.3	72.8	0.032	0.031
BENIN	45.3	19.6	3.5		23.1	68.4	0.031	0.029
BURKINA FASO	44.2	19.2	2.9		22.1	66.3	0.031	0.028
CHAD	41.3	17.9	1.7		19.6	60.9	0.029	0.026
CENTRAL AFRICAN REP.	41.2	17.9	1.3		19.1	60.3	0.029	0.025
LAO PEOPLE'S DEM.REP.	39.1	16.9	1.1		18.0	57.1	0.027	0.024
MONGOLIA	37.1	16.1	4.5		20.6	57.7	0.026	0.024
BOTSWANA	36.6	15.9	13.6		29.4	66.0	0.025	0.028
SWAZILAND	36.5	15.8	4.3		20.1	56.6	0.025	0.024
ALBANIA	35.3	15.3	3.1		18.4	53.7	0.024	0.023
EQUATORIAL GUINEA	24.3	10.5	0.3		10.8	35.1	0.017	0.015
LESOTHO	23.9	10.4	3.3		13.7	37.6	0.017	0.016
GAMBIA, THE	22.9	9.9	0.9		10.8	33.7	0.016	0.014
BELIZE	13.5	5.9	1.1		6.9	20.4	0.009	0.009
VANUATU	12.5	5.4	0.7		6.1	18.6	0.009	0.008
DJIBOUTI	11.5	5.0	1.2		6.2	17.7	0.008	0.007
ERITREA	11.5	5.0	1.0		6.0	17.5	0.008	0.007
ST. LUCIA	11.0	4.8	1.3		6.1	17.1	0.008	0.007

Table 2. Illustrative Quotas (Fund of SDR 238 billion, cutoff 1.25)
Overall Increase of: 65 percent
Apportionment of overall increase into 66.7 / 23.3 / 10 of equiproportional / selective / ad-hoc increases
Number of Ad hoc increases: 10
(In SDR millions or percent)

Members ranked by present quota	Present Quota (1)	Equiproportional increase of 43 percent (2)	Selective increase (SDR 21.9 billion) (3)	Ad-hoc increase (SDR 9.4 billion) (4)	Total increase in quota Col.(2+3+4) (5)	Illustrative quota Col.(1+5) (6)	Present Quota Share (In percent) (7)	Illustrative quota share (In percent) (8)
GUINEA-BISSAU	10.5	4.6	0.4		5.0	15.5	0.007	0.006
SAN MARINO	10.0	4.3	3.8		8.1	18.1	0.007	0.008
ANTIGUA AND BARBUDA	8.5	3.7	2.2		5.8	14.3	0.006	0.006
GRENADA	8.5	3.7	0.6		4.3	12.8	0.006	0.005
WESTERN SAMOA	8.5	3.7	0.5		4.2	12.7	0.006	0.005
SOLOMON ISLANDS	7.5	3.3	0.8		4.0	11.5	0.005	0.005
CAPE VERDE	7.0	3.0	0.6		3.7	10.7	0.005	0.004
COMOROS	6.5	2.8	0.4		3.2	9.7	0.004	0.004
ST. KITTS AND NEVIS	6.5	2.8	0.5		3.3	9.8	0.004	0.004
DOMINICA	6.0	2.6	0.5		3.1	9.1	0.004	0.004
SEYCHELLES	6.0	2.6	1.1		3.7	9.7	0.004	0.004
ST. VINCENT AND THE GRENADINES	6.0	2.6	0.7		3.3	9.3	0.004	0.004
MALDIVES	5.5	2.4	0.9		3.3	8.8	0.004	0.004
SÃO TOMÉ AND PRÍNCIPE	5.5	2.4	0.1		2.5	8.0	0.004	0.003
TONGA	5.0	2.2	0.4		2.6	7.6	0.003	0.003
BHUTAN	4.5	2.0	0.5		2.5	7.0	0.003	0.003
KIRIBATI	4.0	1.7	0.6		2.4	6.4	0.003	0.003
MICRONESIA, FEDERATED STATES OF	3.5	1.5	0.5		2.0	5.5	0.002	0.002
MARSHALL ISLANDS	2.5	1.1	0.3		1.4	3.9	0.002	0.002
Total	144,457.7	62,598.3	21,909.4	9,390.0	93,897.7	238,355.4	100.0	100.0

Table 3. Summary Statistics of Illustrative Distributions of Fund Quotas

	Fund of SDR 224 billion (Overall increase of 55 percent) (1)	Fund of SDR 238 billion (Overall increase of 65 percent) (2)
1. Apportionment between equiproportional, selective, and "ad hoc" increases 1/	66.7/23.3/10	66.7/23.3/10
2. Equiproportional increase, in percent of present quotas	36.7	43.3
3. Total quota increase, in SDR billions	79.5	93.9
Of which:		
Equiproportional	53.0	62.6
Selective	18.6	21.9
Ad hoc	7.9	9.4
4. Distribution of percentage shares in total quotas		
a. Industrial countries	62.9	63.0
b. Major oil exporters	9.2	9.2
c. Non-oil developing countries	27.9	27.8
Memo: Transition economies	7.1	7.1
5. Changes in shares in total Fund quotas, in percentage points		
a. Industrial countries	1.6	1.8
b. Major oil exporters	-0.7	-0.8
c. Non-oil developing countries	-1.0	-1.0
Memo: Transition economies	-0.5	-0.6
6. Adjustment coefficient, average, in percent		
a. Members receiving ad hoc increases	30.7	33.9
b. Other members	14.6	15.8
c. All members	26.5	29.2
d. Industrial countries	30.0	32.8
e. Major oil exporters	14.5	16.1
f. Non-oil developing countries	20.1	22.8

1/ Figures refer to the percentage shares of the overall quota increase devoted to the equiproportional, selective, and "ad hoc" elements, respectively. The selective increase is distributed in proportion to members' shares in calculated quotas, i.e., according to Method A as discussed in EB/CQuota/96/4 and EB/CQuota/95/2. The shares in calculated quotas are those presented as "Method I" (i.e. using market exchange rates to convert GDP data into SDR equivalents) in EB/CQuota/96/7. The ad hoc increase element is illustratively distributed to 10 members: Austria, Germany, Italy, Japan, Korea, Luxembourg, Malaysia, Singapore, Spain, and Thailand.

Table 1. Illustrative Quotas (Fund of SDR 224 billion, cutoff 1.25)
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(In SDR millions or percent)

Members ranked by present quota	Present Quota (1)	Equiproportional increase of 37 percent (2)	Selective increase (SDR 18.5 billion) (3)	Ad-hoc increase (SDR 7.9 billion) (4)	Total increase in quota Col.(2+3+4) (5)	Illustrative quota Col.(1+5) (6)	Present Quota Share (In percent) (7)	Illustrative quota share (In percent) (8)
ISRAEL	666.2	244.3	69.3		313.6	979.8	0.461	0.438
NEW ZEALAND	650.1	238.4	46.6		285.0	935.1	0.450	0.418
TURKEY	642.0	235.4	105.1		340.5	982.5	0.444	0.439
PHILIPPINES	633.4	232.2	58.2		290.4	923.8	0.438	0.413
CHILE	621.7	228.0	47.0		275.0	896.7	0.430	0.400
CZECH REPUBLIC	589.6	216.2	44.0		260.1	849.7	0.408	0.380
GREECE	587.6	215.5	71.8		287.3	874.9	0.407	0.391
THAILAND	573.9	210.4	145.1	247.3	602.8	1,176.7	0.397	0.526
COLOMBIA	561.3	205.8	42.2		248.0	809.3	0.389	0.361
PORTUGAL	557.6	204.5	106.1		310.6	868.2	0.386	0.388
IRELAND	525.0	192.5	111.4		303.9	828.9	0.363	0.370
PERU	466.1	170.9	25.2		196.1	662.2	0.323	0.296
BULGARIA	464.9	170.5	40.2		210.7	675.6	0.322	0.302
MOROCCO	427.7	156.8	34.1		191.0	618.7	0.296	0.276
BANGLADESH	392.5	143.9	15.7		159.6	552.1	0.272	0.247
UNITED ARAB EMIRATES	392.1	143.8	83.9		227.7	619.8	0.271	0.277
ZAMBIA	363.5	133.3	6.6		139.9	503.4	0.252	0.225
SINGAPORE	357.6	131.1	274.5	517.0	922.6	1,280.2	0.248	0.572
SRI LANKA	303.6	111.3	13.6		124.9	428.5	0.210	0.191
ZAÏRE	291.0	106.7	9.9		116.6	407.6	0.201	0.182
BELARUS	280.4	102.8	20.3		123.1	403.5	0.194	0.180
GHANA	274.0	100.5	5.9		106.3	380.3	0.190	0.170
CROATIA	261.6	95.9	29.0		124.9	386.5	0.181	0.173
ZIMBABWE	261.3	95.8	7.2		103.0	364.3	0.181	0.163
SLOVAK REPUBLIC	257.4	94.4	16.6		111.0	368.4	0.178	0.165
KAZAKSTAN	247.5	90.8	46.0		136.8	384.3	0.171	0.172
TRINIDAD AND TOBAGO	246.8	90.5	11.7		102.2	349.0	0.171	0.156
VIETNAM	241.6	88.6	10.4		99.0	340.6	0.167	0.152
CÔTE D'IVOIRE	238.2	87.3	15.0		102.4	340.6	0.165	0.152
URUGUAY	225.3	82.6	9.7		92.3	317.6	0.156	0.142
ECUADOR	219.2	80.4	17.3		97.7	316.9	0.152	0.142
SYRIAN ARAB REPUBLIC	209.9	77.0	22.4		99.4	309.3	0.145	0.138
ANGOLA	207.3	76.0	18.4		94.5	301.8	0.144	0.135
TUNISIA	206.0	75.5	20.5		96.1	302.1	0.143	0.135
JAMAICA	200.9	73.7	8.2		81.9	282.8	0.139	0.126
UZBEKISTAN	199.5	73.2	15.3		88.4	287.9	0.138	0.129
KENYA	199.4	73.1	8.4		81.5	280.9	0.138	0.125
QATAR	190.5	69.9	17.7		87.6	278.1	0.132	0.124
MYANMAR	184.9	67.8	16.8		84.6	269.5	0.128	0.120

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YEMEN, REP. OF	176.5	64.7	12.4		77.1	253.6	0.122	0.113
SUDAN	169.7	62.2	6.2		68.4	238.1	0.117	0.106
DOMINICAN REPUBLIC	158.8	58.2	10.2		68.5	227.3	0.110	0.101
GUATEMALA	153.8	56.4	8.6		65.0	218.8	0.106	0.098
SLOVENIA	150.5	55.2	24.4		79.5	230.0	0.104	0.103
BRUNEI DARUSSALAM	150.0	55.0	19.6		74.6	224.6	0.104	0.100
PANAMA	149.6	54.9	12.0		66.9	216.5	0.104	0.097
TANZANIA	146.9	53.9	5.2		59.0	205.9	0.102	0.092
LEBANON	146.0	53.5	11.8		65.4	211.4	0.101	0.094
LUXEMBOURG	135.5	49.7	54.2	115.5	219.4	354.9	0.094	0.159
CAMEROON	135.1	49.5	11.7		61.3	196.4	0.094	0.088
UGANDA	133.9	49.1	2.5		51.6	185.5	0.093	0.083
BOLIVIA	126.2	46.3	5.0		51.2	177.4	0.087	0.079
EL SALVADOR	125.6	46.1	6.2		52.2	177.8	0.087	0.079
JORDAN	121.7	44.6	15.7		60.4	182.1	0.084	0.081
OMAN	119.4	43.8	28.2		72.0	191.4	0.083	0.085
COSTA RICA	119.0	43.6	9.7		53.4	172.4	0.082	0.077
SENEGAL	118.9	43.6	6.0		49.6	168.5	0.082	0.075
AZERBAIJAN	117.0	42.9	9.9		52.8	169.8	0.081	0.076
GEORGIA	111.0	40.7	3.2		43.9	154.9	0.077	0.069
GABON	110.3	40.4	13.0		53.4	163.7	0.076	0.073
LITHUANIA	103.5	38.0	10.3		48.2	151.7	0.072	0.068
CYPRUS	100.0	36.7	10.7		47.3	147.3	0.069	0.066
NAMIBIA	99.6	36.5	4.8		41.3	140.9	0.069	0.063
ETHIOPIA	98.3	36.0	4.5		40.5	138.8	0.068	0.062
NICARAGUA	96.1	35.2	2.9		38.1	134.2	0.067	0.060
PAPUA NEW GUINEA	95.3	34.9	7.0		41.9	137.2	0.066	0.061
HONDURAS	95.0	34.8	5.3		40.2	135.2	0.066	0.060
BAHAMAS, THE	94.9	34.8	6.8		41.6	136.5	0.066	0.061
LATVIA	91.5	33.6	8.3		41.9	133.4	0.063	0.060
MADAGASCAR	90.4	33.1	2.7		35.8	126.2	0.063	0.056
MOLDOVA	90.0	33.0	6.2		39.2	129.2	0.062	0.058
ICELAND	85.3	31.3	7.0		38.3	123.6	0.059	0.055
MOZAMBIQUE	84.0	30.8	2.9		33.7	117.7	0.058	0.053
BAHRAIN	82.8	30.4	21.8		52.1	134.9	0.057	0.060
GUINEA	78.7	28.9	3.6		32.5	111.2	0.054	0.050
SIERRA LEONE	77.2	28.3	1.2		29.5	106.7	0.053	0.048
MAURITIUS	73.3	26.9	6.8		33.7	107.0	0.051	0.048
PARAGUAY	72.1	26.4	5.9		32.3	104.4	0.050	0.047