

December 12, 1997

Approval: 12/19/97

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 97/96

4:40 p.m., September 19, 1997

Hong Kong, China

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Executive Board Attendance

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

Executive Directors

A.A. Al-Tuwaijri
M.-A. Autheman
T.A. Bernes
B. Esdar
E.R. Grilli
D.Z. Guti
D. Kaeser

W. Kiekens
K. Lissakers
A. Mirakhor
A.V. Mozhin
G. O'Donnell
A.S. Shaalan
M.R. Sivaraman
E. Srejber
G.F. Taylor
J.J. Toribio
J. de Beaufort Wijnholds
K. Yao
Y. Yoshimura
Zamani, A.G.

A.G. Zoccali

Alternate Executive Directors

C.X. O'Loughlin
W.-D. Donecker
N. Coumbis
J.P. de Morais
D. Gotz-Kozierkiewicz
H.F. O'Brien
J. Prader
B.S. Newman

A. Vernikov
J. Shields

H.B. Disanayaka

J. Guzmán-Calafell
Y.G. Yakusha
A. Barro Chambrier

S. Joyosumarto
Han M.
N. Eyzaguirre

R.H. Munzberg, Secretary
M.J. Miller, Assistant

Special One-Time Allocation of SDRs—Draft Report to Board of Governors on Proposed Fourth Amendment of the Articles of Agreement; and Report of Managing Director to Interim Committee

Staff representative: Gianviti, LEG

Eleventh General Review of Quotas

Staff representative: D. Williams, TRE

Also Present

C. Brachet, Office in Europe. External Relations Department: S.J. Anjaria, Director; M.E. Hansen, H. Puentes. Legal Department: F.P. Gianviti, General Counsel; W.E. Holder, Deputy General Counsel. Policy Development and Review Department: J.T. Boorman, Director. Secretary's Department: W.S. Tseng, Deputy Secretary; K.S. Friedman, P. Gotur, B.R. Hughes, S.W. Tenney, S.L. Yeager. Treasurer's Department: D. Williams, Treasurer; G. Wittich, Deputy Treasurer; M.G. Kuhn; O. Roncesvalles. Office of the Managing Director: B. Christensen, O.J. Evans. Advisors to Executive Directors: M. Askari-Rankouhi, O.L. Bernal, R.F. Cippa, S.S. Farid, P.-M. Fremann, C.M. Gonzalez, A.R. Ismael, R. Kannan, M.F. Melhem, H. Mori, H. Ogushi, O. Sein, M. Sobel. Assistants to Executive Directors: J.G. Borpujari, Huang X., L. Palei, J. Roaf, T.T. Schneider.

1. SPECIAL ONE-TIME ALLOCATION OF SDRS—DRAFT REPORT TO BOARD OF GOVERNORS ON PROPOSED FOURTH AMENDMENT OF THE ARTICLES OF AGREEMENT; AND REPORT OF MANAGING DIRECTOR TO INTERIM COMMITTEE

The Executive Directors considered a staff paper on a special one-time allocation of SDRs and the draft report to the Board of Governors on the proposed Fourth Amendment of the Articles of Agreement (EBS/97/170, 9/5/97; and Rev. 1, 9/12/97). They also had before them a draft report of the Managing Director to the Interim Committee on the same subject.

Ms. Srejber made the following statement:

I agree to the special one-time allocation of SDRs—proposed decision and draft report to the Board of Governors on the proposed fourth amendment of the Articles, and I do not have any objections to the formulations in the Managing Director's draft report to the Interim Committee on the SDR.

Mr. Shaalan made the following statement:

I support the proposed decision and draft report to the Board of Governors on the proposed fourth amendment of the Articles, and I have no objections to the formulations in the Managing Director's draft report to the Interim Committee on a special one-time allocation of SDRs.

Mr. Zoccali made the following statement:

I agree with the formulations in the Managing Director's draft report on a special one-time allocation of SDRs to the Interim Committee and support the proposed decision and draft report to the Board of Governors on the proposed fourth amendment of the Articles.

Mr. Sivaraman stated that he fully supported the proposed decision. With respect to the report of the Managing Director to the Interim Committee, perhaps the text should refer to the fact that the special allocation would give an opportunity to those members that did not have the occasion before to participate in the SDR system.

The General Counsel said that that had indeed been the original idea, but over the years, there had been an evolution in the approach to the issue. In his view, the text as it stood reflected the current thinking and the underlying justification for the amendment.

Mr. Sivaraman said that, in that case, he had no problem with it.

Mr. Taylor observed that it might have been Mr. Sivaraman's point that the text did not contain as clear a statement as it could have explaining why the Fund was recommending a special allocation of SDRs.

The Chairman observed that the text stated that the one-time allocation was for equity purposes and to enable all members of the Fund to participate in the SDR system.

He took it, therefore, that the proposed decision was acceptable to members of the Board, the Chairman stated. The report would be circulated to the members of the Interim Committee.

The Secretary, explaining the procedural arrangements for the vote by the Board of Governors on the draft resolution, said that the staff had been in consultation with the Chairman of the Board of Governors on the matter. The Chairman would put the proposed resolution for an amendment of the Articles on the special one-time equity allocation of SDRs on the agenda of the Board of Governors at the 1997 Annual Meeting. A revised agenda for the meeting of the Board of Governors would be circulated to the Governors on the following day, along with the draft report and the proposed resolution. The Governors' vote on the resolution would be the first item on the agenda on the first day of the Annual Meetings. The Chairman would introduce the resolution and ask members whether they would be agreeable to the resolution as proposed by the Executive Board.

Mr. Kaeser asked when the vote by the Governors would come up. Governors had a tendency to disappear at an early stage during the Annual Meetings, and they needed to make sure that the people who were voting in their place were properly accredited.

The Secretary said that the vote would be the very first item of business on the first afternoon of the meetings. The voting process should take very little time. The Chairman would introduce the resolution, refer to the agreement reached by the Executive Board, and ask the Governors whether he could take it that the resolution was acceptable to them. If no objection was raised at that time, the procedure would be concluded.

The General Counsel added that the hope was that there would be no need for a formal vote, and that the Chairman of the Board of Governors would be able to ascertain the sense of the meeting in the absence of a request from a Governor for a formal vote.

The Executive Board took the following decision:

Pursuant to the request of the Interim Committee that an amendment of the Articles of Agreement be proposed providing for a special one-time allocation of SDRs, the Executive Board:

- (a) adopts the "Report of the Executive Board to the Board of Governors on the Proposed Fourth Amendment of the Articles of Agreement of the Fund";
- (b) proposes the introduction in the Articles of Agreement of the modifications included in the Proposed Fourth Amendment attached to the Resolution in Part IV of the Report;
- (c) recommends the adoption by the Board of Governors of the Resolution in Part IV of the Report.

Decision No. 11578-(97/96), adopted
September 19, 1997

2. ELEVENTH GENERAL REVIEW OF QUOTAS

The Executive Directors considered briefly the matter of a quota increase under the Eleventh General Review of Quotas. They agreed to continue their discussion on September 20, 1997 (EBM/97/97).

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/97/95 (9/12/97) and EBM/97/96 (9/19/97).

3. ALGERIA—ACCEPTANCE OF OBLIGATIONS OF ARTICLE VIII, SECTIONS 2, 3, AND 4; AND EXCHANGE SYSTEM

Acceptance of Obligations of Article VIII, Sections 2, 3, and 4

The Fund notes with satisfaction that, with effect from September 15, 1997, Algeria has accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement. (EBD/97/105, 9/12/97)

Decision No. 11579-(97/96), adopted
September 15, 1997

Exchange System

Algeria maintains an exchange restriction, subject to approval under Article VIII, Section 2(a), arising from the absence of due notification to the banking system and the public of the practice of the Central Bank of approving all bona fide applications for foreign exchange in excess of de jure limits contained in relevant exchange regulations in respect of business and tourist travel, and for educational and medical purposes. In view of the authorities' intention to bring this practice to the attention of the banks and the general public by December 1997, the Fund approves the retention of this restriction until January 1, 1998. (EBD/97/105, 9/12/97)

Decision No. 11580-(97/96), adopted
September 15, 1997

**4. SOMALIA—OVERDUE FINANCIAL OBLIGATIONS—REVIEW
FOLLOWING DECLARATION OF INELIGIBILITY—POSTPONEMENT**

The review of Somalia's overdue financial obligations to the Fund provided for under paragraph 5 of Decision No. 9575-(90/154), adopted October 26, 1990, as amended, is postponed to a date to be determined by the Managing Director, when in his judgment there is once again a basis for evaluating Somalia's financial and economic situation, the stance of its economic policies, and its cooperation with the Fund, and in any event not later than March 18, 1998. (EBS/97/176, 9/12/97; and Cor. 1, 9/15/97)

Decision No. 11581-(97/96) adopted
September 15, 1997

5. GROUP TRAVEL BY EXECUTIVE DIRECTORS—FY 1998 PROGRAM

The Executive Board approves the recommendation concerning group travel by Executive Directors in FY 1998 as set forth in EBAM/97/141 (9/10/97).

Adopted September 15, 1997

6. EXECUTIVE BOARD TRAVEL

Travel by an Executive Director and by an Advisor as set forth in EBAM/97/143 (9/12/97) is approved.

APPROVAL: December 19, 1997

REINHARD H. MUNZBERG
Secretary