

February 12, 2007

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 06/108

December 22, 2006

**DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING**

The following decisions were adopted by the Executive Board without meeting in the period between EBM/06/107 (12/20/06) and EBM/06/108 (12/22/06).

**4. REPUBLIC OF MONTENEGRO—MEMBERSHIP—GOVERNORS' VOTE**

The Executive Board approves the report of the Secretary (EBD/06/130, Sup. 1, 11/17/06) on the canvass of votes of the Governors on Resolution No. 57-1, with respect to the membership for the Republic of Montenegro, approved by the Executive Board (EBM/06/99, 11/17/06) for submission to the Board of Governors. The Governors vote on the Resolution is recorded as follows:

|  |           |
|--|-----------|
| Total Affirmative Votes:                           | 2,174,406 |
| Votes Against the Resolution:                      | 0         |
| Total Votes Cast:                                  | 2,174,406 |
| Abstentions Recorded:                              | 0         |
| Other Replies:                                     | 0         |
| Total Replies:                                     | 2,174,406 |
| Votes of Members that could not be counted:        | 1,107     |
| Votes of Members that did not reply <sup>1</sup> : | 32,943    |
| Total Votes of Members <sup>2</sup> :              | 2,208,456 |

<sup>1</sup> The Secretary's communications were not sent to Liberia, Somalia and Zimbabwe.

<sup>2</sup> The voting rights of Liberia and Zimbabwe were suspended effective March 5, 2003, and June 6, 2003, respectively, pursuant to Article XXVI, Section 2(b) of the Articles of Agreement; therefore, the total votes of members exclude the votes previously exercised by Liberia and Zimbabwe.

Decision No. 13848-(06/108), adopted  
December 20, 2006

**5. MAKING THE MISREPORTING POLICIES LESS ONEROUS IN *DE MINIMIS* CASES**

1. In order to address cases of misreporting that are considered to be de minimis in nature, the following amendments are hereby made to the decisions referred to below. To be considered de minimis, a deviation from a performance criterion, assessment criterion or other specified condition would be so small as to be trivial with no impact on the assessment of performance under the relevant member's program, as illustrated by the examples set out in Table 1 of EBS/06/86.

**2. Misreporting and Noncomplying Purchases in the General Resources Account – Guidelines on Corrective Action (Decision No. 7842-(84/165), adopted November 16, 1984, as amended):**

A new paragraph 9 shall be inserted as follows:

“9. For the purposes of this decision:

(i) whenever the Managing Director considers there is evidence indicating that a member may have made a noncomplying purchase, but the nonobservance of the relevant performance criterion or other specified condition was de minimis in nature, as defined in paragraph 1 of Decision No. 13849, the communication referred to in paragraph 1 may be made by a representative of the relevant Area Department;

(ii) if the Managing Director determines that a member has made a noncomplying purchase and considers that the nonobservance of the relevant performance criterion or other specified condition was de minimis in nature, as defined in paragraph 1 of Decision No. 13849, the notification referred to in paragraph 2 may be made by a representative of the relevant Area Department, and the report of the Managing Director contemplated in paragraph 2 shall, wherever possible, be included in a staff report on the relevant member that deals with issues other than the noncomplying purchase and shall include a recommendation that the related nonobservance be considered to be de minimis in nature, and that a waiver for nonobservance be granted. In those rare cases when such a staff report cannot be issued to the Board promptly after the Managing Director concludes that a noncomplying purchase has been made, the Managing Director

shall consult Executive Directors and, if deemed appropriate by the Managing Director, a stand-alone report on the noncomplying purchase will be prepared for consideration by the Executive Board, normally on a lapse-of-time basis; and

(iii) whenever the Executive Board finds that a noncomplying purchase has been made but that the nonobservance of the relevant performance criterion or other specified condition was de minimis in nature as defined in paragraph 1 of Decision No. 13849, a waiver for nonobservance shall be granted by the Executive Board.”

**3. Appendix I of the Instrument to Establish the Poverty Reduction and Growth Facility and Exogenous Shocks Facility Trust (Decision 11832-(98/119) ESAF, adopted November 20, 1998, as amended):**

A new paragraph (h) shall be inserted as follows:

“(h) For the purposes of this decision:

(i) whenever the Managing Director considers there is evidence indicating that a member may have received a noncomplying disbursement, but the nonobservance of the relevant performance criterion or other specified condition was de minimis in nature, as defined in paragraph 1 of Decision No. 13849, the communication referred to in paragraph (b) may be made by a representative of the relevant Area Department;

(ii) if the Managing Director determines that a member has received a noncomplying disbursement and considers that the nonobservance of the relevant performance criterion or other specified condition was de minimis in nature, as defined in paragraph 1 of Decision No. 13849, the notification referred to in paragraph (c) may be made by a representative of the relevant Area Department, and the report of the Managing Director contemplated in paragraph (c) shall, wherever possible, be included in a staff report on the relevant member that deals with issues other than the noncomplying disbursement and shall include a recommendation that the related nonobservance be considered to be de minimis in nature, and that a waiver for

nonobservance be granted. In those rare cases when such a staff report cannot be issued to the Board promptly after the Managing Director concludes that a noncomplying disbursement has been made, the Managing Director shall consult Executive Directors and, if deemed appropriate by the Managing Director, a stand-alone report on the noncomplying disbursement will be prepared for consideration by the Executive Board, normally on a lapse-of-time basis; and

(iii) whenever the Executive Board finds that a noncomplying disbursement has been made but that the nonobservance of the relevant performance criterion or other specified condition was de minimis in nature as defined in paragraph 1 of Decision No. 13849, a waiver for nonobservance shall be granted by the Executive Board.”

**4. Policy Support Instrument – Framework (Decision No. 13561-(05/85), adopted October 5, 2005, as amended):**

(i) A new paragraph 15 shall be inserted as follows:

“15. For the purposes of this decision:

(a) whenever the Managing Director considers there is evidence that the member’s reporting of information noted in paragraph 10 above was inaccurate, but the nonobservance of the relevant assessment criterion or other specified condition was de minimis in nature, as defined in paragraph 1 of Decision No. 13849, the communication referred to in paragraph 11 may be made by a representative of the relevant Area Department;

(b) if the Managing Director determines that, in fact, a member has reported such inaccurate information to the Fund, but the nonobservance was de minimis in nature, as defined in paragraph 1 of Decision No. 13849, the notification referred to in paragraph 12 may be made by a representative of the relevant Area Department, and the Executive Board shall be informed of the misreporting in a staff report on a review under the relevant PSI or, if no such review is provided for, a staff report which deals with issues other than the misreporting, and shall include a recommendation that the Executive Board find that the misreporting was de minimis in nature and had no effect on program performance under the PSI. In those rare cases in

which no review is provided for, and no other such staff report on the member is to be issued to the Board promptly after the Managing Director concludes that misreporting has taken place, the Managing Director shall consult Executive Directors and, if deemed appropriate by the Managing Director, a stand-alone report on the misreporting will be prepared for consideration by the Executive Board normally on a lapse-of-time basis; and

(c) whenever the Executive Board finds that a member has misreported information referred to in paragraph 10, but that the nonobservance of the relevant assessment criterion or other specified condition was *de minimis* in nature as defined in paragraph 1 of Decision No. 13849:

(i) the Executive Board shall also find that the misreporting had no effect on program performance; and

(ii) the fact of misreporting shall not be published by the Fund.

(ii) Existing paragraphs 15-20 shall be renumbered accordingly.

**5. The Instrument to Establish a Trust for Special PRGF Operations for the Heavily Indebted Poor Countries and Interim PRGF Subsidy Operations (Annex to the Decision No. 11436-(97/10), adopted February 4, 1997, as amended):**

Section III, paragraph 3(d) shall be amended by deleting all of the language immediately following “its poverty reduction efforts” and replacing it with:

“, or (iii) in cases where the Executive Board finds the nonobservance of the relevant performance-related condition to be *de minimis* in nature as defined in paragraph 1 of Decision No. 13849 (hereinafter “*de minimis*”). The retransfer of these amounts will not affect the amount of commitment in NPV terms to the member as established at the decision point. Where the Managing Director or the Trustee, as the case may be, believes the nonobservance of a performance-related condition to be *de minimis* in nature, (i) any communications with the member respecting such nonobservance may be made by a representative of the relevant Area Department, and (ii) the Executive Board shall be informed of the misreporting in a staff report which deals with issues other than the

misreporting; in those rare cases where such a staff report cannot be issued to the Executive Board promptly after the Managing Director concludes that misreporting has taken place, the Managing Director shall consult Executive Directors and, if deemed appropriate by the Managing Director, a stand-alone report on the misreporting will be prepared for consideration by the Executive Board normally on a lapse-of-time basis. The Fund shall issue press releases on its decisions regarding the circumstances of a misreporting and the applicable remedies. except with respect to instances of misreporting involving the nonobservance of performance-related conditions which the Fund considers to be de minimis in nature.”

**6. Transparency and Fund Policies – Publication Policies  
(Decision No. 13564-(05/85), adopted October 5, 2005):**

Paragraph 17 shall be amended by inserting the following language immediately after the word “obligations”:

“, and (iii) any discussion of a breach of obligation under Article VIII, Section 5 or misreporting under applicable Fund policies that the Managing Director has proposed be treated as de minimis in nature as defined in paragraph 1 of Decision No. 13849”

**7. Strengthening the Effectiveness of Article VIII, Section 5  
(Decision No. 13183-(04/10), adopted January 30, 2004):**

(i) Paragraph 6 shall be amended by inserting the following language immediately following the words “lack of capacity on the part of the member”:

“; provided however, that in de minimis cases, as defined in paragraph 1 of Decision No. 13849, the preliminary communications and consultations with the member may be conducted by the Area Department.”

(ii) Paragraph 6 shall be further amended by deleting the word “consulting” and replacing it with “the consultation” immediately following the words “If, after”:

(iii) A new paragraph 18 shall be inserted as follows:

“18 (a) The following procedures shall apply to cases in which a member provides inaccurate information required under Article VIII, Section 5:

(i) for the purposes of a performance criterion under an arrangement in the General Resources Account, or

(ii) for another purpose in circumstances where the relevant information is reported to the Fund with respect to a performance criterion under an arrangement under the Poverty Reduction and Growth Facility or the Exogenous Shocks Facility, or an assessment criterion under a Policy Support Instrument, and understandings have been reached between Fund staff and the relevant member that such reporting shall be made not only for the purposes of the relevant arrangement or instrument but for such other purposes as well, and

where the deviation from the relevant performance criterion or assessment criterion, as the case may be, is judged to be de minimis as defined in paragraph 1 of Decision No. 13849.

(b) Whenever the Managing Director considers a deviation described in paragraph 18 (a) to be de minimis in nature:

(i) the consultations and notifications contemplated in paragraph 6 may be made by a representative of the relevant Area Department, and

(ii) the report of the Managing Director contemplated in paragraph 8 shall, wherever possible, be included in a staff report on the relevant member that deals with issues other than the potential breach of Article VIII, Section 5 and, with respect to potential remedial actions for such breach of obligation, shall include a recommendation that no further action be taken by the Fund. In those rare cases in which such a document cannot be issued to the Board promptly after the Managing Director concludes that a breach of obligation under Article VIII, Section 5 has arisen, the Managing Director shall consult Executive Directors

and, if deemed appropriate by the Managing Director, a stand-alone report under Rule K-1 will be prepared for consideration by the Executive Board normally on a lapse-of-time basis.

(c) Whenever the Executive Board, under paragraph 11(a), finds that a breach of obligation under Article VIII, Section 5 has occurred but that the relevant deviation was de minimis in nature as defined in paragraph 1 of Decision No. 13849,

(i) the Executive Board shall decide that no further action be taken by the Fund with respect to the breach, and

(ii) under paragraph 17, the finding of breach of obligation shall not be published by the Fund.”

Decision No. 13849-(06/108), adopted  
December 20, 2006

## **6. EXECUTIVE BOARD TRAVEL**

Travel by members of the Executive Board as set forth in EBAM/06/140 (12/20/06) is approved.

## **7. TRAVEL BY MANAGING DIRECTOR**

Travel by the Managing Director as set forth in EBAP/06/155 (12/20/06) is approved.

SHAILENDRA J. ANJARIA  
Secretary