

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

May 5, 1988

To: Members of the Executive Board
From: The Secretary
Subject: Final Minutes of Executive Board Meeting 87/134

The following corrections have been made in the final minutes of EBM/87/134 (9/11/87):

Page 6, item 2, para. 1, line 4: for "(SM/87/222, 8/21/87; and Cor. 1, 9/3/87)"
read "(SM/87/222, 8/21/87)"
line 5: for "(SM/87/221, 8/21/87)"
read "(SM/87/221, 8/21/87; and Cor. 1, 9/3/87)"

A corrected page is attached.

Att: (1)

Other Distribution:
Department Heads

The Treasurer recalled that the General Arrangements to Borrow had been comprehensively revised in 1983. The revised GAB had become effective on December 26, 1983 for a period of five years. Under the provisions of the GAB, a decision on renewal had to be taken at least one year in advance of the expiration of the current period, namely, no later than December 24, 1987. On the basis of the review of the present GAB that was undertaken by the Treasurer's Department, the staff at the G-10 Deputies meeting had expressed the view that it would be desirable to renew the arrangements for another period of five years. No comments had been made or questions raised by the Deputies with respect to that recommendation. The matter would be discussed by the G-10 Ministers at their meeting on September 27, 1987 in Washington. If the Ministers agreed to the renewal of the GAB, the staff would issue a paper in October 1987 for the Executive Board's consideration; the paper could be discussed by the Board around mid-November. Individual GAB participants need not formally concur in the renewal of the GAB after it was approved by the Executive Board. Any participant wishing to withdraw, however, would have to do so at least six months before the effective date of the renewal. The Chairman of the Deputies had reminded the group that a small number of additional countries had requested to become participants in the GAB. Informal contacts by the Chairman of the Deputies with the current participants had shown that there was a wide spectrum of views on that matter. The Chairman planned to report on the outcome of his soundings to the G-10 Ministers at their meeting on September 27, 1987.

Mr. Kafka said that it would be useful to have the three statements by the staff at the present meeting circulated to the Executive Directors. In addition, he was disappointed to learn that the staff had limited its suggestions to the Deputies to an extension of the GAB for another five years without having first discussed with the Executive Board whether the GAB should be modified in one way or another.

The Treasurer noted that the GAB had not been used in the four years since it had been revised, in December 1983. The Fund and the individual GAB participants had had no actual experience with the working of the revised provisions of the GAB, and the staff had seen no reason for suggesting any modifications to the provisions. Nothing had happened to suggest that the arrangements were unsatisfactory in any respect.

Mr. Kafka said that he understood the reasons for the staff's conclusion that modifications might be unnecessary. However, he wondered why the Executive Board had not been given an opportunity to express its opinion before the staff made its recommendation to the G-10 Deputies. The failure to consult the Executive Board was regrettable. There might well be misunderstandings if the Executive Board was not given a chance to comment and make suggestions on the GAB before the expiration date.

Mr. Grosche commented that he understood Mr. Kafka's position. However, it seemed fair and appropriate to give the GAB participants themselves an opportunity to consider recommendations concerning the arrangement before the recommendations were reviewed by the Executive Board.

Mr. Kafka said that he had not meant to suggest that the procedure that had been followed was unfair. He would have hoped that the staff, having informed the GAB that the staff had no proposals for changes in the arrangements, would have at least also informed the participants that the Executive Board's opinion on the matter had not yet been sought; after all, the Fund was to be the recipient of any financing provided under the GAB.

The Chairman noted that the decision on the renewal of the GAB was not to be taken until the end of 1987. Accordingly, the Executive Board still had ample time to consider recommendations for changes in the Arrangements.

Mr. Sengupta stated that he agreed with Mr. Kafka that it would have been useful for the Deputies to be aware of the Executive Board's views on the GAB when the staff had discussed the matter with the Deputies. The G-24 report on the role of the Fund in adjustment with growth recommended reforms of the GAB. While the GAB participants were of course free to consider the provisions of the Arrangements, any presentation on the subject by the staff should reflect the Executive Board's position. The Executive Board should have an opportunity to discuss the GAB before the staff examined the Arrangements with the participants.

The Secretary noted that there was a long-established understanding whereby the staff would report orally to the Executive Board on its participation in G-10 meetings.

Mr. Kafka said that he hoped that in future it might be possible to circulate staff reports on G-10 meetings using the grey paper that was occasionally used for the circulation of statements prior to a Board meeting.

Mr. Nimatallah stated that he agreed with Mr. Kafka. It would be helpful to have the staff's statements circulated on grey paper or in an even less formal manner.

The Executive Directors concluded their discussion on the staff report on the G-10 Deputies' meeting.

2. WORLD ECONOMIC OUTLOOK - DEVELOPMENTS, PROSPECTS, AND POLICY ISSUES

The Executive Directors considered a staff paper on prospects and policy issues related to the world economic outlook (EBS/87/182, 8/21/87). They had before them as background material a statistical appendix (SM/87/222, 8/21/87) and a staff paper on medium-term scenarios (SM/87/221, 8/21/87; and Cor. 1, 9/3/87).