

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

August 31, 1988 - 88/62

Statement by Mr. Seyler on  
Overdue Financial Obligations to the Fund  
Draft Report to the Interim Committee  
(Preliminary)  
Executive Board Meeting 88/132  
August 30, 1988

Herewith are the suggestions of our constituency representing Austria, Belgium, Luxembourg, Hungary, and Turkey concerning changes in the Draft Report on Overdue Obligations.

In the following text, additions to the Draft Report are in bold face and underlined, while deletions are italicized and crossed out.

1. Page 6, paragraph 1, sentence 2:

They have requested the management and staff to give particular attention to strengthening reserve management preventive actions in developing and presenting proposals for the use of Fund resources, including the establishment of arrangements, on a case-by-case basis, to help ensure that members have on hand sufficient SDRs or other readily available resources to meet forthcoming obligations to the Fund as they fall due. ~~Such arrangements would not change the member's foreign exchange inflows or requirements under the arrangement but would represent a form of strengthened reserve management, intended to improve the prospects for timely payment to the Fund and help safeguard against possible interruption of the member's program.~~ Directors emphasized the critical importance for the Fund to ascertain, before committing resources to a member, that the member was firmly committed to implement its adjustment program. Prior actions could be required to give the Fund the necessary assurance.

2. Page 8, paragraph 2, insert after the first sentence ending with "standards":

The shadow program would have to represent a strong adjustment effort demonstrating to the Fund and to other creditors and donors that the member's policies constitute a break with the past. The program should include strong measures in the area of structural reform. It should be of sufficient duration--normally not less than a year--to provide the basis for ascertaining that the efforts are taking hold.

3. Page 9, paragraph 2, insert after the first sentence ending with "program":

... program. Different views were expressed about the appropriate extent of Fund financing.

Insert in second to the last line, after "policies"

... policies, in the view of these Directors, some frontloading of purchases or disbursements under Fund arrangements may be justified. However, another view stressed the need to determine the amount of Fund resources to be committed on a case-by-case basis. Any presumption of "retroactive" or frontloaded disbursements could run counter to the need to prevent the re-emergence of arrears in future years. Directors ...

4. Page 10, paragraph 3:

Such-support If support groups were established, such groups, comprising high-level governmental ...

5. Page 16. Delete the whole page.

We also have difficulty with the new page 16 proposed by Japan because it refers to adjustment of the rate of remuneration and obviously also to adjustment of the floor of that rate, a matter which was rejected by the Board earlier. In addition, the reference to a writing off of overdue repurchases in cases where the member withdraws from the Fund is purely hypothetical.