

May 17, 2016
Approval: 5/24/16

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 15/91-1

2:00 p.m., September 23, 2015

1. Republic of Nauru—Report of the Committee on Membership

Documents: EBD/15/51

Staff: Tumbarello, APD; Krueger, FIN; Allum, SPR

Length: 11 minutes

Executive Board Attendance

M. Zhu, Acting Chair

Executive Directors	Alternate Executive Directors
	N. Tshazibana (AE)
	R. N'Sonde (AF), Temporary
	V. De la Barra (AG), Temporary
B. Sterland (AP)	P. Fachada (BR)
	P. Sun (CC)
	H. Zavarce (CE), Temporary
	M. Hough (CO), Temporary
	S. Benk (EC)
	S. Badirou-Gafari (FF)
	C. Ziegler (GR), Temporary
	R. Gunaratne (IN)
	M. Spinella (IT), Temporary
	T. Tsuden (JA), Temporary
	G. Nadali (MD), Temporary
	W. Abdelati (MI), Temporary
	S. Matei (NE), Temporary
	A. Jekabsone (NO), Temporary
	L. Palei (RU)
	H. Alogeel (SA)
M. Omar (ST)	L. Kotecki (SZ)
	A. Weller (US), Temporary
	E. Myers (UK), Temporary

C. McDonald, Acting Secretary
T. Rumbaugh, Summing Up Officer
M. Guerra Bradford, Board Operations Officer
M. Yslas, Verbatim Reporting Officer

Also Present

Asia and Pacific Department: A. Jamaludin, P. Tumbarello. Finance Department: H. Hatanpaa, C. Janada, T. Krueger. Legal Department: K. Christopherson Puh, A. Kosonen. Research Department: D. Igan. Strategy, Policy, and Review Department: P. Allum. Executive Director: N. Yambaye (AF). Alternate Executive Director: V. Plater (AP). Senior Advisors to Executive Directors: R. Ngugi (AE), G. Nkhata (AE), S. Rouai (SA), D. Saudabayev (SZ), M. Sidi Bouna (AF). Advisors to Executive Directors: O. Diakite (AF), M. Cheng (CC).

1. REPUBLIC OF NAURU—REPORT OF THE COMMITTEE ON MEMBERSHIP

The Chairman of the Committee on Membership (Mr. Omar) made the following statement:

I am honored to be involved in these proceedings where the Fund considers the admission of a new member, the Republic of Nauru. I would like to express my appreciation to the members of the Committee on Membership for Nauru and the other chairs who contributed to the deliberations of the committee on August 27, 2015. I also thank the staff members who have facilitated this process.

I am pleased to report that the committee reached a consensus on an initial quota for Nauru. The committee's recommendation of SDR 2 million is within the range considered by the staff to be appropriate for the country following the normal procedures for calculating quotas for new members. The committee also agreed that the government of Nauru should be given the option to consent to an increase in its quota to SDR 2.8 million in accordance with the provisions of the Board of Governors Resolution No. 66-2 on the Fourteenth General Review of Quotas and Reform of the Executive Board.

The Nauru authorities have notified me of their agreement with the recommended initial quota and the other terms and conditions, and of their desire to move forward with the procedures for membership in the Fund. The Nauru authorities are also working on the requirements for membership. Once the Board of Governors adopts their Membership Resolution and the Nauru authorities complete the requirements, the latter will be in a position to proceed to the final steps of the membership process; namely, the deposit of the Instrument of Acceptance and the signing of the Articles of Agreement in Washington D.C.

On behalf of the committee members, I thank the Nauru authorities for their cooperation and wish them well. I look forward to welcoming Nauru in the near future as the one hundred and eighty-ninth member of the Fund.

Mr. Sterland made the following statement:

I am happy to have been asked to assist Nauru in its application to join the Fund. Nauru's application for membership in the Fund reflects its ambition to continue to deepen its integration with the international community. The authorities look forward to taking on the rights and

obligations of Fund membership. I thank all the Directors and the committee for their support. Should Governors approve the application, the authorities stand ready to undertake the necessary domestic procedures for membership as soon as practicable.

I also thank the staff for its assistance and work on this, and make special note of the IMF Resident Representative in Fiji, Mr. Feridhanusetyawan, for all the work and engagement with the authorities. I thank Mr. Omar for his leadership of the committee.

Mr. Nadali welcomed Nauru's membership to the Fund. He asked why the initial quota payment of SDRs was only 24 percent of total quota and not 25 percent. He asked if the reserve asset payment could be paid in Australian dollars, which was the country's local currency, and included in the Financial Transactions Plan (FTP).

The Deputy Director of the Finance Department (Mr. Krueger) responded that the proportion of the reserve asset payment proposed for Nauru was in line with the proportion that had been historically paid by all members for initial quotas and for quota increases. That number was historically 24 percent of total quotas. In principle, the reserve asset payment could be paid in a reserve asset currency such as the Australian dollar, but the authorities had indicated that they wanted to make that payment in SDRs.

The Acting Chair (Mr. Zhu) remarked that he looked forward to welcoming Nauru to the Fund and to a productive cooperation with the Nauru authorities.

The Executive Board took the following decision:

Republic of Nauru—Report of the Committee on Membership

1. The Board of Governors is requested to vote without meeting pursuant to Section 13 of the By-Laws of the Fund on the attached draft Resolution.
2. The Secretary is directed to send the attached report and draft Resolution on Membership for the Republic of Nauru to each member of the Fund by rapid means of communication on or before September 25, 2015.
3. To be valid, votes must be cast by Governors or Alternate Governors and must be received at the seat of the Fund before 6:00 p.m., Washington time, on November 6, 2015. Votes received after that time will not be counted.
4. The effective date of the Resolution of the Board of Governors shall be the last day allowed for voting.

5. All votes cast pursuant to this decision shall be held in the custody of the Secretary until counted, and all proceedings with respect thereto shall be confidential until the Executive Board determines the result of the vote.

6. The Secretary is authorized to take such further action as he shall deem appropriate to carry out the purpose of this decision.

Decision No.15863-(15/91), adopted
September 23, 2015

Attachment

APPROVAL: May 24, 2016

JIANHAI LIN
Secretary

**REPORT OF THE EXECUTIVE BOARD
MEMBERSHIP FOR THE REPUBLIC OF NAURU**

The Republic of Nauru applied on April 15, 2014, for admission to membership in the International Monetary Fund in accordance with Article II, Section 2 of the Articles of Agreement of the Fund. Pursuant to Section 21 of the By-Laws, the Executive Board has consulted with the representative of the Government of Nauru and has agreed upon the terms and conditions which, in the opinion of the Executive Board, the Board of Governors may wish to prescribe for admitting Nauru to membership in the Fund. The Executive Board has therefore approved the attached Resolution for submission to the Board of Governors for a vote without meeting pursuant to Section 13 of the By-Laws.

**INTERNATIONAL MONETARY FUND
DRAFT RESOLUTION
MEMBERSHIP FOR REPUBLIC OF NAURU**

WHEREAS, the Republic of Nauru, on April 15, 2014, applied for admission to membership in the International Monetary Fund in accordance with Article II, Section 2 of the Articles of Agreement of the Fund;

WHEREAS, pursuant to Section 21 of the By-Laws of the Fund, the Executive Board has consulted with the representative of the Government of Nauru and has agreed upon the terms and conditions, which, in the opinion of the Executive Board, the Board of Governors may wish to prescribe for admitting Nauru to membership in the Fund;

WHEREAS, pursuant to its national legislation, Nauru does not issue a currency of its own but uses the Australian dollar as legal means of payment, which for the purposes of the Articles of Agreement of the Fund is deemed to be the currency of Nauru;

NOW, THEREFORE, the Board of Governors, having considered the recommendations of the Executive Board, hereby resolves that the terms and conditions upon which Nauru shall be admitted to membership in the Fund shall be as follows:

1. *Definitions:* As used in this Resolution:
 - (a) The term "Fund" means the International Monetary Fund;
 - (b) The term "Articles" means the Articles of Agreement of the Fund, as amended; and
 - (c) The term "SDRs" means Special Drawing Rights of the Fund.
2. *Quota:* The quota of Nauru shall be SDR 2.0 million.

3. *Payment of Subscription:* The subscription of Nauru shall be equal to its quota. Nauru shall pay twenty four percent of its subscription in SDRs or in the currencies of other members selected by the Managing Director from those currencies that the Fund would receive in accordance with the Fund's quarterly financial transactions plan in effect at the time of payment. The balance of the subscription shall be paid in the currency of Nauru.
4. *Timing of Payment of Subscription:* Nauru shall pay its subscription within six months after accepting membership in the Fund.
5. *Increase in Quota Once the Fourteenth General Review of Quotas Becomes Effective:* The quota of Nauru shall be increased to SDR 2.8 million, subject to the consent of Nauru to be given in accordance with the provisions of the Resolution of the Board of Governors No. 66-2 on the Fourteenth General Review of Quotas and Reform of the Executive Board. This increase shall take effect in accordance with the terms of that Resolution and Nauru shall pay the increase in accordance with Article III, Section 3 of the Articles.
6. *Exchange Transactions with the Fund and Remuneration:* Nauru may not engage in transactions under Article V, Section 3, or receive remuneration under Article V, Section 9, until its subscription has been paid in full.
7. *Exchange Arrangements:* Within 30 days after accepting membership in the Fund, Nauru shall notify the Fund of the exchange arrangements it intends to apply in fulfillment of its obligations under Article IV, Section 1 of the Articles.
8. *Representation and Information:* Before accepting membership in the Fund, Nauru shall represent to the Fund that it has taken all actions necessary to sign and deposit the Instrument of Acceptance and to sign the Articles as contemplated by

paragraphs 9(a) and 9(b) of this Resolution, and Nauru shall furnish to the Fund such information in respect of such action as the Fund may request.

9. *Effective Date of Membership:* After the Fund shall have informed the government of the United States of America that Nauru has complied with the conditions set forth in paragraph 8 of this Resolution, Nauru shall become a member of the Fund on the date when Nauru shall have complied with the following requirements:
 - (a) Nauru shall deposit with the government of the United States of America an instrument stating that it accepts in accordance with its law the Articles and all the terms and conditions prescribed in this Resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this Resolution; and
 - (b) Nauru shall sign the original copy of the Articles held in the Archives of the government of the United States of America.
10. *Period of Acceptance of Membership:* Nauru may accept membership in the Fund pursuant to this Resolution not later than six months after the effective date of this Resolution, which date shall be the date of its adoption by the Board of Governors; provided, however, that if the circumstances of Nauru are deemed by the Executive Board to warrant an extension of the period during which Nauru may accept membership pursuant to this Resolution, the Executive Board may extend such period until such later date as it may determine.