

## INTERNATIONAL MONETARY FUND

## Minutes of Executive Board Meeting 87/34

10:00 a.m., March 2, 1987

M. Camdessus, Chairman  
R. D. Erb, Deputy Managing Director

Executive DirectorsAlternate Executive Directors

A. Abdallah

Song G., Temporary

M. K. Bush

G. Seyler, Temporary

R. Morales, Temporary

T. Alhaimus

M. Finaish

G. Grosche

Hon C.-W., Temporary

J. Hospedales, Temporary

M. Foot

M. A. Kyhlberg, Temporary

D. McCormack

J.-C. Obame, Temporary

I. A. Al-Assaf

M. Massé

L. Filardo

G. Pineau, Temporary

J. de Beaufort Wijnholds

I. Sliper, Temporary

G. Ortiz

O. Kabbaj

G. Salehkhoul

A. K. Sengupta

K. Yamazaki

F. Di Mauro, Temporary

L. Van Houtven, Secretary  
L. Collier, Assistant

1. Jamaica - 1986 Article IV Consultation; Stand-By  
Arrangement; and Purchase Transaction - Compensatory  
Financing Facility . . . . . Page 3
2. Gabon - Technical Assistance . . . . . Page 34
3. Assistant to Executive Director . . . . . Page 35
4. Approval of Minutes . . . . . Page 35
5. Executive Board Travel . . . . . Page 35

Also Present

E. P. G. Seaga, Prime Minister and Minister of Finance and Planning, Jamaica; H. Brown, Governor; A. Ally, Deputy Governor, Bank of Jamaica. IBRD: J. F. Chevallier, Latin America and the Caribbean Regional Office. African Department: J. R. Hill. Asian Department: M. Ishihara. Exchange and Trade Relations Department: J. T. Boorman, G. Hacche, S. Kanesa-Thasan. External Relations Department: A. F. Mohammed, Director; H. P. Puentes. Fiscal Affairs Department: A. A. Tait, Deputy Director; M. Teijeiro. Legal Department: J. K. Oh. Middle Eastern Department: P. H. Mathieu. Research Department: N. M. Kaibni, H. C. Kim, R. Pownall. Western Hemisphere Department: S. T. Beza, Associate Director; D. L. Budhoo, M. Caiola, L. A. Cardemil, D. A. Citrin, E. Decarli, J. Ferrán, J. P. Guzman, M. E. Hardy, A. S. Linde, S. C. de Sosa, S. J. Stephens. Personal Assistant to the Managing Director: R. M. G. Brown. Advisors to Executive Directors: L. P. Ebrill, G. D. Hodgson, K. Murakami, A. Ouanes, A. Vasudevan. Assistants to Executive Directors: A. R. Al-Abdullatif, O. S.-M. Bethel, S. K. Fayyad, G. K. Hodges, S. King, K.-H. Kleine, M. Lundsager, V. K. Malhotra, T. Morita, J. A. K. Munthali, L. M. Piantini, G. Schurr, I. Zaidi.

1. JAMAICA - 1986 ARTICLE IV CONSULTATION; STAND-BY ARRANGEMENT; AND  
PURCHASE TRANSACTION - COMPENSATORY FINANCING FACILITY

The Executive Directors considered the staff report for the 1986 Article IV consultation with Jamaica, together with a request for a stand-by arrangement in an amount equivalent to SDR 85 million (EBS/87/27, 2/9/87; and Sup. 1, 2/27/87) and a request for a purchase under the compensatory financing facility (EBS/87/23, 2/6/87; and Sup. 1, 2/27/87). They also had before them a background paper on recent economic developments in Jamaica (SM/87/38, 2/17/87).

The Right Honorable Edward Seaga, Prime Minister and Minister of Finance and Planning, was present as the representative for Jamaica.

The staff representative from the Western Hemisphere Department said that EBS/87/27, Supplement 1 contained a modification of the proposed performance criteria for March 1987 to take account of a change in the timing of expected disbursements from the World Bank.

Mr. Seaga said that he had sought the opportunity to describe at the present meeting the background strategies and policy options that accounted for the economic performance described in the staff papers in order to give Directors a deeper understanding of the Jamaican economy and of the data in the presentation.

Jamaica was grateful for the continuing support received from the Fund over the years, but that support had generally been of a critical nature due, to some extent, to the lack of knowledge and appreciation of those policy considerations that he would describe, Mr. Seaga continued. The data presented in the documents were comprehensive, and he therefore did not intend to retrace the upswings and downswings of performance under the various programs with the Fund over the past five to six years. Instead, he proposed to compare the country's position in 1980/81 vis-à-vis 1986/87--those fiscal years corresponded with program periods--to establish the level of adjustment that had been achieved, rather than survey the intervening years, as had been done by the staff. However, to understand what had transpired in the Jamaican economy in the 1980s, particularly in terms of policies and strategies, it was necessary to know the events of the 1970s, which had set the stage for later developments.

The 1970s had been a period of severe economic and social dislocation and deterioration, set against a background of unsuccessful adjustments, Mr. Seaga stated. The main economic indicators reflected those developments. The fiscal deficit as a percentage of GDP had risen from 3.6 percent in 1971/72 to 16.8 percent in 1980/81. Net international reserves had deteriorated from a surplus of US\$204.4 million to a negative position of US\$525 million. The unemployment rate had grown from 23.5 percent of the labor force to 27.3 percent, while the actual number of unemployed had increased by more than 40 percent. Inflation had averaged 22 percent over the 1972-80 period versus 4.2 percent over the 1962-72 period.

Investment growth, in terms of real fixed capital formation, had averaged minus 12.4 percent between 1972 and 1980 versus a positive rate of 5.7 percent between 1962 and 1972. Growth during the 1972-80 period had recorded eight consecutive years of negative performance, averaging minus 2.3 percent, versus a positive average of 5.8 percent over the 1962-70 period.

Economic developments in the 1970s contrasted sharply with the stability of the preceding ten years, Mr. Seaga continued. The transition had been traumatic, although the oil shock during the 1970s had not affected the Jamaican economy because receipts from a levy on bauxite output had exceeded the additional costs of oil.

The main economic indicators did not show the total extent of deterioration, Mr. Seaga remarked. The equivalent of 50 percent of all skilled persons trained during 1977-80 had migrated during that period, the productive sector had suffered from severe power outages and work stoppages, and inventories had declined severely. Equally distressing was the inability to redirect the economy from an import-substitution model to an export-oriented model and to reduce the dependence on the bauxite sector, which was responsible for some 70-75 percent of foreign exchange earnings and a substantial portion of total revenue. In 1980 the authorities had set three main objectives: to reverse the deterioration in the financial accounts by undertaking a stabilization program with the Fund, to restructure the economy to reduce the dependence on bauxite through structural adjustment programs in collaboration with the World Bank, and to deregulate the economy to unleash the capacity of the productive sector, with the assistance of the U.S. Agency for International Development.

With respect to the stabilization program, data indicated that the fiscal deficit had been reduced from 16.8 percent in 1980/81 to 2.9 percent in 1986/87, Mr. Seaga said. The overall deficit of the public sector--comprising the fiscal deficit, the Bank of Jamaica's deficit, and the public enterprise accounts--had been reduced from 17.8 percent of GDP in 1980/81 to 6.1 percent in 1986/87; a level of 3 percent was projected for 1987/88, with consolidation at a sustainable level of 1.5-2.0 percent expected by 1989/90.

It was noteworthy that in 1980/81, the public enterprises--consisting of 21 major public enterprises operating on a commercial basis--had required loans to fund total debt service and 60 percent of capital outlays and had achieved no overall surplus, Mr. Seaga added. The turnaround from 1980/81 to 1986/87 had been impressive: no loans had been required to fund debt service, and total capital expenditures had been financed from the internal surplus, amounting to US\$270 million, with an overall surplus of US\$553 million--about 3.5 percent of GDP--projected for 1987/88. The stock of net international reserves had amounted to US\$204.4 million in 1972 and had deteriorated to minus US\$526 million by 1980, Mr. Seaga noted. For 1986/87, reserves amounted to minus \$525.8 million. Improvements in the course of 1980-87 had been wiped out by changes in the rate

of exchange. Medium-term projections indicated that by 1990 reserves would improve to a level of minus US\$142.7 million, and by 1992 reserves were forecast to be positive--at US\$105 million--for the first time since 1974.

The stabilization program had therefore been instrumental in achieving stabilization of the fiscal public sector deficit and the overall deficit at a sustainable level into the medium term, Mr. Seaga observed. The adjustment process, however, had not been as successful in improving net international reserves and had merely maintained reserves at the same negative level over the period. That stagnation had been due not only to changes in the parity of the Jamaica dollar vis-à-vis other currencies but also to the collapse of the commodity markets in the recent recession. The bauxite sector was responsible for 75 percent of Jamaica's foreign exchange earnings. Output had amounted to 12.4 million tons in 1980/81, had deteriorated to a low of 6 million tons in 1985/86, and had moved upward to 6.6 million tons in 1986/87. The sector's net foreign exchange earnings had declined from US\$380 million in 1980/81 to US\$123 million in 1986/87.

A recently completed study, using bauxite's earnings in 1980/81 as a base and assuming no international recession and continued bauxite production and earnings, had provided startling results, Mr. Seaga said. Under those assumptions, Jamaica's net international reserves would have improved by US\$877 million, thereby achieving a significant surplus. The study also showed that significant growth levels would have been achieved, and it indicated that the overall fiscal position would have been in significant surplus. In analyzing the data on economic performance, the tendency was to ascribe to policies the problems encountered or the deterioration noted against performance targets, without recognizing that the policies might have had to be adjusted to deal with extraordinary circumstances beyond the authorities' control. In fact, that single factor in the Jamaican economy had been responsible for the shortfalls against targeted performance levels and for the delay in the adjustment process despite the existence of Fund programs for some ten years, a situation that had become a matter of concern to Executive Directors. The adjustment process had taken longer because of the severe fallout in bauxite earnings without which Jamaica would not be requesting further Fund support but would instead have registered increased growth, elimination of the fiscal deficit, and a turnaround in international reserves.

The authorities' second objective was the structural adjustment of the Jamaican economy, Mr. Seaga continued. To reduce the dependence on bauxite, emphasis had been placed on the tourism, agricultural, and manufacturing sectors. Tourism had improved significantly, with the number of visitor arrivals virtually doubling from 493,000 in 1980 to 954,000 in 1986, and net tourism earnings increasing from US\$230 million in 1980 to US\$476 million in 1986. A target of 1 million visitors had been set for 1987.

In the agricultural sector, output of major crops had fallen over a long period, and farmers had become demoralized, Mr. Seaga commented. At present, the decline in output had been arrested, and the authorities had initiated programs of expansion in nontraditional crops. With respect to the two traditional crops, banana production had risen significantly, while measures to restructure the sugar industry had been put in place with the assistance of a World Bank program. Impressive gains had been achieved in the minor crops--including coffee, coconut, citrus, and cocoa--for which markets existed. New crops were being cultivated in Jamaica on a major scale--although production of winter vegetables had encountered problems--and they simply required time to reach maturity. Most important, the authorities had put to use virtually all the unutilized and underutilized land in the country--about 200,000 acres--capable of commercial high-technology agriculture as a result of a program started four years previously. Following the introduction of modern technology, agriculture had become the most dynamic investment sector in the economy, and the current profits resulting from the program were not exceptional. Production data would not reflect the restructuring until the maturity of the crops which, in the case of coffee, for example, could take four years. A study was planned to assess potential foreign exchange earnings that existed in the ground with respect to the expansion of the various traditional and nontraditional crops, in order to indicate the extent to which the restructuring been successful.

The manufacturing sector had not shown the desired results in restructuring although some subsectors had shown improvement, Mr. Seaga reported. Jamaica's new garment production capacity was the fastest growing in the world as a result of bilateral aid programs with the United States. In 1980, 4 garment factories employing some 3,000 people had produced for export; at present 80 factories employed some 20,000 people, with most of that growth taking place in the previous 2 1/2 years. In fact, a backlog of 2.5 million square feet of factory space requirements existed. Furniture manufacturing, although incipient, was headed in the same direction. The other sectors' nonperformance had mainly resulted from their inability to market to the non-CARICOM area, for example, small firms attempting to penetrate large markets such as the United States. The nontraditional areas of manufacture had shown overall only 4.7 percent growth between 1980/81 and 1986/87; absent the CARICOM area, the rate of growth to third-country markets was more impressive at 14.7 percent. Much of the manufacturing sector's performance was not recorded in either the trade accounts or in GDP because those enterprises' activities had taken place in the free zone. Goods passing through the free zone were not treated as being produced in the country, and the services account reflected merely the remittances for local expenditures such as utilities and salaries.

The mining sector was beginning to show signs of revival, moving from a low output of 6 million tons in 1985/86 to 6.6 million tons in 1986/87 and a forecast level of 9 million tons from 1989/90 onward, Mr. Seaga noted.

Production had peaked at 12 million tons in 1980, and the expectation was that half of the production lost during the course of the recession would be regained.

The services sector had shown significant incremental growth as a result of the restructuring of the economy, Mr. Seaga said. In 1980/81, gross earnings had been US\$459.2 million and by 1986/87 they had increased to US\$795 million, or an average growth of 12 percent a year. The improvement was due in part to tourism and to the free zone's performance. Dynamic growth was expected because of the successful introduction of data entry as a service subsector industry. Recently, an international agreement had been reached for the introduction of a facility dedicated to high-speed data transmission, which would provide the infrastructure for considerable expansion in the data entry industry for both voice and visual transmissions. The expansion should increase foreign exchange earnings and employment substantially.

The broad structural adjustment of the economy had been undertaken with the assistance of the World Bank over a series of programs, Mr. Seaga observed. Adjustment programs in the trade and investment and public enterprise sectors were under way, while one in the agricultural sector was planned. Those were fine-tuning programs, as the broad spectrum of adjustment had been completed. Under the trade and investment program, tariff reform had been introduced to narrow the wide range--at present, from zero percent to more than 200 percent--of tariffs, and would result in a simplified system ranging from 5 percent to 30 percent for customs and stamp duties. The first step had been to reduce all tariffs to a maximum level of 68 percent and to reduce the stamp duty on imports from 16 percent to 10 percent. Those two steps, introduced a few days previously, had affected some 4,200 import items.

The purpose was not only to simplify the structure of the tariff system and to narrow the range of tariffs but also to increase the revenue base, Mr. Seaga added. Numerous exemptions had existed as a result of the high tariffs, and the revenue base had been only 21 percent of total imports and 31 percent of non-oil imports; at present it amounted to 34 percent and 39 percent, respectively. The tariff reform program called for continuing reduction on an annual basis over the next four years from the current maximum of 68 percent to 30 percent for consumer goods, 20 percent for capital goods, 10 percent for raw materials, and 5 percent for utilities.

Those measures followed a recently completed tax reform that had improved Jamaica's position as the second highest taxed country in the world in terms of individual levels of taxation, at 57.5 percent, starting at J\$12,000 or US\$2,000, Mr. Seaga continued. As a result of the reform, the level had been reduced to 33 percent across the board, and the threshold for taxation had been raised substantially. Corporate taxation had recently been reduced from 45 percent to 33 percent in keeping with individual taxation.

It was therefore possible to conclude that the second objective set in 1980--the economy's structural adjustment--was progressing well in all areas except nontraditional exports, Mr. Seaga observed. Nevertheless, when nontraditional exports to third-country markets were taken into account, as well as the increases in terms of growth on an average annual basis of 14.7 percent a year, that area was performing satisfactorily.

The authorities' third objective, deregulation of the economy, was being carried out under a program with the assistance of the U.S. Agency for International Development, Mr. Seaga stated. The authorities had deregulated import restrictions, which in 1980 had encompassed some 1,300 items for which import licenses had had to be obtained and at present covered 56 items consisting largely of strategic, medicinal, or agricultural products. However, 101 other items remained under special regimes to protect small farm production.

Virtually all price controls had been removed, but recently they had had to be reimposed on a number of basic food items, medicinal products, and agricultural imports--such as fertilizer and animal feed--to ensure achievement of the inflation target of 7 percent, which had been set as a critical part of the Fund program, Mr. Seaga noted.

Another area of deregulation had been divestment or privatization of publicly owned enterprises, Mr. Seaga reported. Thirty enterprises had been privatized, providing annual revenue of US\$57 million, avoiding annual losses of US\$51.5 million, and incurring sales of assets totaling US\$120 million, for a total benefit of US\$228.5 million. In addition, some 70,000 acres of the 100,000 acres of land available for distribution by the Government to landless farmers had been either leased or sold. The first major corporation to be privatized was the largest commercial bank in Jamaica--the National Commercial Bank--which had been 100 percent government owned. The Government had divested 51 percent of its shares at a value of US\$90 million, which was three times larger than any previous single issue on the Jamaican stock exchange. Nevertheless, the offer had been oversubscribed nearly three times at US\$250 million. By limiting the amount that could be purchased by individual shareholders, the offer against subscription had been allocated to 30,000 shareholders. As a result, the number of shareholders in respect of companies listed on the stock exchange had increased from 3,000 to 33,000, thereby broadening and democratizing ownership in the Jamaican economy. The program of privatization would continue actively during the current year.

The authorities were also deregulating exchange control and had further relaxed regulations concerning current account transactions, Mr. Seaga remarked. The amount of foreign exchange allowable for travel had been increased from US\$55 to US\$150 per person. In sum, the economy had been broadly deregulated, and the momentum of divestment was being maintained; some areas remained under control for largely unavoidable policy reasons.



After a series of stops and starts, the adjustment programs were currently producing results with some targets met and others achieved in part, Mr. Seaga commented. The major shortfall--in net international reserves--resulted from the considerable downturn in the bauxite industry. In addition, the country had been unable to realize the potential of non-traditional exports; a 7.5 percent import tax rebate was being introduced in order to achieve the results in the manufacturing sector that had been obtained in tourism and agriculture.

Three new policy directions had emerged from the overall reversal of the economic decline of the 1970s, Mr. Seaga remarked. First, the development of social and infrastructural investment was urgent because much of the adjustment had been achieved at the expense of reduced investment in both social programs and infrastructure. Serious declines had occurred in various services. The number of hospitals had been severely reduced with only four major hospitals remaining and the rest serving as clinics. The ability to maintain the physical plants of schools had become impaired. The judiciary's workplace and the condition of roads, drainage, and irrigation had deteriorated. Those developments had resulted from the reduction of capital outlays from 12 percent of GDP in 1981/82 to 5.5 percent in 1986/87, a level that was not sufficient to provide for capital expansion and plant maintenance. In comparison, the country was spending 9.5 percent of GDP on interest payments.

The second policy direction concerned national debt and the debt service ratio, Mr. Seaga continued. Following the stabilization of the public sector deficit, attention could be focused on the reduction of the debt service ratio, which currently was extraordinarily high at 73.6 percent before debt rescheduling and 51.6 percent after rescheduling. The aim, through the Paris Club and bilateral and multilateral efforts, was to reduce the debt service ratio to 26.5 percent, which was roughly the international norm, by 1994/95. A presentation to the Paris Club would be made in a few days seeking not only a renegotiation of debt falling due in the current year but an improvement in the terms of the previous negotiation in order to enable Jamaica to provide additional funds for investment and growth and to improve capital outlays. A similar presentation would also be made to the commercial banks for a more liberal rescheduling of debt falling due, based upon which there should be more significant resources for investment and growth. He hoped that the Paris Club negotiations would include a meaningful increase in the moratorium period and a more liberal approach to interest payment relief. Jamaica would prefer a program that eliminated the need for continued Paris Club reschedulings on an annual basis and included a reduction of the high debt service ratio to the international norm over a given period of time. In doing so, resources would be freed for investment and growth, which would also benefit debt servicing.

Over the past two years, there had been a net outward transfer to Jamaica's three major creditors, Mr. Seaga explained. It had amounted to US\$151 million in 1986/87, and it was projected to reach US\$154 million in 1987/88. Net transfers to the Inter-American Development Bank had

totaled US\$56 million in 1986/87 and were expected to fall to US\$14 million in 1987/88. Net transfers of US\$2 million to the U.S. Agency for International Development in 1986/87 were expected to become negative in 1987/88. For the economy as a whole, a net outward transfer before rescheduling of US\$300.2 million would take place in 1986/87, and the transfer of US\$258.7 million was expected in 1987/88.

Some of the problems faced by Jamaica in rescheduling its debt resulted from its having borrowed properly, Mr. Seaga observed. Unlike many countries, it had not borrowed heavily from commercial banks; in fact, its commercial bank indebtedness was only 12 percent of total debt. But Jamaica's multilateral bank indebtedness amounted to 40 percent and could not be rescheduled. For that reason, Jamaica's rescheduling effort should be regarded in a different light; the country should be accorded an extension of the moratorium period and 100 percent interest rescheduling to compensate for the fact that only 60 percent of total debt could be rescheduled.

The third new policy direction was the promotion of growth, which was the ultimate objective of Jamaica's economic strategy, but more resources were required, Mr. Seaga stated. Although four of the past six years had seen positive growth, the performance had been only marginal when taken in aggregate. The medium-term scenario programmed modest growth of 2-3 percent; that rate should be expanded to at least 3-4 percent over the period in order to meet the deferred needs of the social sector and infrastructure and to provide the employment opportunities that would reduce social pressures.

In sum, the medium-term projections showed a continuation of the recovery in 1981-86, depending on certain factors, Mr. Seaga said. First, the maintenance of social and political stability would require improved capital outlays and low inflation, as high inflation had been one of the most destabilizing factors in the social sector. Second, improved foreign exchange earnings and debt relief would release more resources for growth; and third, the level of growth and employment would contribute significantly. On that basis, and with some cautious optimism, recovery could be completed in the future. Growth and development in the Jamaican economy had taken place over the past six years; unemployment had been reduced from 27.3 percent to 25 percent and inflation had been reduced from an average of 22 percent to 15.5 percent. However, the authorities feared that the marginal improvement might not be sufficient to attain the goals of a more meaningful improvement in performance.

The Government was seeking the Board's approval of its request for a stand-by arrangement in an amount equivalent to SDR 85 million and for a purchase under the compensatory financing facility of SDR 41 million, Mr. Seaga noted. He wished to express the appreciation of the Government for the Fund's efforts over the past ten years and its patience in assisting the Jamaican economy. The country would have experienced full recovery had it not been for the impact of the international recession,

but progress had been made in stabilization, restructuring, and deregulation. Achievements had been significant in some cases and modest in others, but overall they had not met the needs that had developed over two decades. Those decades of adjustment had been long and difficult for the Jamaican people; for that reason, the adjustment effort had to be tempered by the absorptive capacity of people who lived under a democratic system of government.

The Chairman observed that a historical perspective was important in discussing the Jamaican Government's efforts to restructure, deregulate, and adjust the economy, in cooperation with the Fund, following the severe dislocation of the economy in the 1970s.

Mr. Hospedales made the following statement:

We support Jamaica's request for a stand-by arrangement as well as a purchase under the compensatory financing facility, the criteria for which have been met. We are in general agreement with the thrust of the staff's analysis and appraisal of Jamaica's recent economic performance and medium-term prospects.

Jamaica has maintained close cooperation with the Fund for over a decade; in fact, total credit outstanding from the Fund at the end of December 1986 was equivalent to 381 percent of quota. But for both internal and external reasons the establishment of a basis for resuming sound and stable noninflationary growth was proving difficult to achieve. The design of the program to be supported by the Fund has involved a long and arduous process of delicate negotiations, which is not surprising in view of its comprehensiveness. The macroeconomic and structural adjustment initiatives adopted in recent years have laid the necessary groundwork for future growth, despite a continuous deterioration in the terms of trade, which was more substantial than anticipated, and a sharp decline in net capital inflows. Other significant domestic and external imbalances remain in the economy: unemployment is extraordinarily high at 25 percent, and external public debt is equivalent to over 160 percent of GDP. The servicing of debt absorbs a large share of domestic savings, and debt service payments before rescheduling amounted to 65 percent of exports of goods and services in 1985/86.

In the context of these grave imbalances, we welcome the emphasis placed by the authorities on a further reduction of the overall public sector deficit to 3 percent of GDP at the end of the program. Such a reduction, from an average of 13.5 percent over the previous five years, should strengthen the external current account position, contribute to the reduction of inflation, and ensure appropriate financing of the private sector. Nevertheless, capital expenditure as a proportion of GDP declined by about 5 percentage points over the last five years and is projected to

fall further during the course of the program. We are convinced that the restoration of financial stability and the momentum of growth requires increased diversification of the economy and the resultant rise in export supply. But this process depends critically on a resumption of investment and imports and, therefore, on the availability of finance. The authorities have shown considerable courage and good judgment in maintaining positive real interest rates to mobilize domestic savings to finance higher investment levels. However, the rate of growth of 1.1 percent programmed for 1987/88 is inconsistent with the requirements of Jamaica; higher and sustained growth is central to the solution of Jamaica's debt crisis and the reduction in the high level of unemployment.

Generally, we are well aware of the significant constraints on improving the rate of savings. At the same time, the financial resources currently being made available by the Fund appear to be inadequate to support efficient adjustment with solid growth. In fact, during the course of the program Jamaica will be in a net repurchase position with the Fund. We therefore urge the international financial community, including the World Bank, to respond appropriately to the strict, comprehensive program being implemented by Jamaica in a way consistent with the country's capacity to use foreign savings efficiently. A favorable outcome to the negotiations for rescheduling by official creditors and commercial banks is an important step in this process.

The Jamaican authorities recognize the importance of a competitive exchange rate; yet they are appropriately concerned about the confidence factors associated with an environment in which stable pegging plays an important role, especially in respect of capital flows, including the repatriation of external assets. In any event, to ensure that conditions for devaluation do not emerge--conditions which, if anticipated, could provoke capital flight--the authorities must accord high priority to domestic measures to maintain the economy's international competitiveness. We welcome the steps that have been taken to increase nonwage competitiveness through an overhaul of corporate taxation; but Jamaica must continue the process of influencing wage settlements in a noninflationary direction as much as possible. The central elements of the program are broadly supported by a number of structural initiatives in the area of taxation--including income tax and tariff reform--which will improve the overall efficiency of the economy.

This chair underscores, however, the paramount importance of determined and sustained policy implementation in restoring the credibility of Jamaica's adjustment efforts and generating exceptional financing.

Mrs. Filardo commented that once again the authorities had embarked on a comprehensive economic program with the support of multilateral institutions. The ambitious program aimed at redressing financial imbalances and implementing profound structural changes.

During the previous Board discussion on Jamaica (EBM/85/108, 7/17/85), several doubts had been expressed about the country's medium-term economic outlook, debt position, and frequent and unsuccessful utilization of Fund resources, Mrs. Filardo continued. Speakers had emphasized the importance of the Tripartite Mission's final results in addressing the fundamental issue of the viability of the Jamaican economy, which had not only been badly shocked by the collapse of its main export product prices and markets but had also suffered a decline in net capital inflows.

During the period 1985-86, the program under the stand-by arrangement had encountered difficulties as a result of three factors: a pronounced shortfall in export earnings; the delay in net official capital inflows; and expansionary domestic financial policies that had exacerbated the external and internal imbalances of the economy, Mrs. Filardo remarked. The authorities were requesting approval of a new program that they had developed in collaboration with the Fund staff. That request was made under difficult circumstances when Jamaica's stabilization program had been fraught with problems and external assistance had been abruptly reduced.

The Tripartite Mission had completed its report in May 1986, and it saw scope for only modest growth in real GDP over the following years, Mrs. Filardo commented. Among its main recommendations, it urged the authorities to permit the exchange rate to be market determined and to reduce the public sector deficit by 3-4 percent of GDP by 1986/87. She wondered if the Tripartite Mission had properly addressed the profound economic imbalances of Jamaica and if its recommendations envisaged a medium-term solution for the economy. Total external debt was 169.3 percent of GDP, and the debt/GDP ratio was 273 percent of GDP, one of the highest in the world; considerable rigidity was involved in debt rescheduling as 40 percent of Jamaica's total debt was concentrated in multilateral institutions.

The balance of payments had been under constant pressure, Mrs. Filardo noted. Exports of alumina and bauxite, which accounted for 54 percent of total exports, had dropped sharply during 1985/86, largely because of the depressed market situation, representing lower prices and volume. Agricultural exports had declined because of bad weather conditions and a reduction in the U.S. sugar quota. Manufacturing industries had also been adversely affected by weak demand in neighboring countries. Total travel receipts had declined because of a reduction in the average per diem expenditure in SDR terms. Therefore, growth in Jamaica's export capacity appeared to be limited, at least in the short run.

The real effective depreciation that had taken place during the past few years could have been sufficient to stimulate exports, but such an increase depended not only on a competitive exchange rate but also on the behavior of external markets, Mrs. Filardo observed. Although she endorsed the importance of maintaining a competitive exchange rate, she wondered what rate the staff considered appropriate to stimulate exports, and which exports and markets it was envisaging. In the paper on the compensatory financing request, the staff estimated an expansion of alumina exports as a result of the resumption of operations by the refinery that had been closed in 1985 and a large increase in the number of tourist arrivals as a result of tourist diversion from Europe because of security reasons. With respect to the increase in alumina exports, she wondered whether there was not some inconsistency in the argument, since in reality the decline had been mainly attributable to market conditions; as to tourism, Jamaica would be competing with CARICOM countries. Perhaps the staff had been too optimistic about tourism and alumina market prospects for Jamaica.

The assumptions on the external sector, except for the increase in textile exports, were surrounded by serious uncertainties, Mrs. Filardo commented. To fill the wide financial gap, a sound adjustment and structural program supported by large concessional international assistance would be required. Nevertheless, net capital inflows were expected to decline owing to higher debt repayments and reduced bilateral aid.

She wondered whether the staff recommendations regarding the fiscal deficit target would be feasible as the budget seemed to be suffering from rigidities on the expenditure and revenue sides, Mrs. Filardo continued. The overall public sector deficit had been about 15 percent of GDP for four years, and a reduction of more than 50 percent in one year was programmed--from 14 percent of GDP in 1986 to 6.1 percent in 1987. Because the deficit had been financed mainly by external sources, the impact of currency depreciation and the high real foreign interest rate had had a significant impact. The deficit had also been adversely affected by the operational losses of the Bank of Jamaica, reflecting in part the assumption by the Bank of nonfinancial public debt, accounting for 51 percent of the total overall public deficit. The apparent development of a vicious circle could be inconsistent with the overall public deficit target. If the Jamaica dollar continued to depreciate, Jamaica's external debt would increase in terms of its currency, exacerbating the Bank's losses and putting more pressure on the public sector deficit. She therefore wondered whether in the case of Jamaica it would not be more consistent to define a real exchange rate with an appropriate path and not let the rate be market oriented.

Central government expenditures had declined sharply during the four years to 1986, except for interest outlays, and the reduction had been particularly pronounced in capital expenditures, Mrs. Filardo noted. The decline in revenues had stemmed from a sharp drop in bauxite income and the reduced base for taxable income. Therefore, the programmed reduction

was to be achieved mainly by reducing capital expenditures, which implied a program oriented to restraining growth. It was therefore not clear how growth would be generated; even if the authorities implemented the program, the lack of capital formation and financial revenues would prevent sufficient growth.

The situation of the economy was extremely delicate, Mrs. Filardo remarked. There was no doubt that Jamaica needed to adopt a comprehensive stabilization and structural program. However, to guarantee its success four conditions were required: an appropriate external environment that was conducive to increased exports; a sustainable export-led growth to further alleviate external obligations; debt relief and sufficient concessional international financial assistance; and a feasible economic program that could be achieved despite the persistent imbalances of Jamaica and the lack of financial support. Finally, the Fund should not forget the social and political unrest experienced by Jamaica.

Ms. Bush observed that she welcomed the Prime Minister's expressed commitment to the adjustment program and his determination to make it succeed. That commitment was important in light of past problems, the difficult medium-term outlook, and the potential need for additional adjustment measures to ensure the attainment of a sustainable balance of payments position within a few years in the context of adequate and sustainable domestic growth.

The new program and the commitment to its implementation were important, first, because Jamaica's economic programs in the past had experienced several stops and starts, Ms. Bush continued. It was unlikely that benefits could be realized without the complete implementation of a wide range of policies that were mutually supportive and that would bring about sustainable growth and a more tenable financial position. Second, Jamaica's donors and creditors had internal constraints that might affect their ability to continue financial assistance at historical levels. Third, the downturn in the bauxite market had had a significant impact on the financial position. Recovery to earlier levels of bauxite and alumina earnings was questionable, and the promotion of other exports to improve the balance of payments position was important. Fourth, the use of Fund credit was high, with several programs in recent years, making Jamaica a prolonged user of Fund resources. Fifth, the relief being provided by some exogenous variables, such as oil prices and interest rates, presented an opportunity to put in place some measures that could lead to a stronger financial position.

Some elements in the new program were designed to lay the groundwork for longer-term improvements in the financial viability of the Jamaican economy, Ms. Bush noted. The programmed improvement in the performance of selected public entities and the reduction in the central government deficit were essential to the restoration of domestic and international confidence in the economy. The consolidation of the Bank of Jamaica's losses with the overall fiscal target was significant, given its large size and the need to focus on the full fiscal situation. Fiscal

adjustment was a key area where performance as targeted was critical to holding the program together, particularly as there was little cushion being provided by official reserves. Liquid reserves were expected to increase to only 3 1/2 weeks of import coverage by March 1988. Therefore, improved control over expenditures and sources of government financing was crucial to the fiscal effort. Consequently, she was concerned that few specific fiscal measures were mentioned in the staff report and that adequate data still did not appear to be totally available; better control over expenditures could be assisted by an updated data base that would allow a greater degree of specificity.

The wage bill was forecast to rise by less than 7 percent in 1987/88, Ms. Bush remarked. Containing wage settlements in the public sector was necessary to support the efforts to contain private sector wage settlements. She would welcome any additional information on other current expenditures that would be controlled to promote attainment of the overall current expenditures listed in Table 7 of the staff report; the allocation of expenditures between current requirements and capital outlays was important in view of the problems that had arisen because of the falloff in capital outlays in recent years.

The tax reform was another positive element of the economic package, Ms. Bush said. Apparently the simplified income tax system would ensure greater compliance. She would be interested in any comments on the expected impact of the tax reform on revenue performance. Also welcome was the reduction in the corporate tax rate to 33 percent. That reform, along with others initiated or planned in corporate taxation--such as simplification of the rate structure; elimination of the bias against equity financing, including possibly a lower tax on dividends; and a 100 percent initial allowance for investment--would help to restore incentives to the private sector. Moreover, the modification and simplification of the tariff structure was an important part of the tax reform and would send appropriate pricing signals throughout the economy. She hoped that implementation would continue in the near future as programmed.

She welcomed the reductions in subsidies incorporated in the program and, overall, the planned surplus position for selected public sector entities during the program period, Ms. Bush continued. The progress with regard to privatization had apparently begun to slow, but she looked forward to continued progress; the privatization of the large commercial bank and ensuing broad stockholder participation was particularly welcome.

A restrained monetary policy was in order if balance of payments targets were to be met, Ms. Bush remarked. Fiscal performance was therefore critical in ensuring that sufficient credit was available for the private sector. Equally important measures were being put in place to improve the flexibility of the monetary system by reducing the distortions in the interest rate structure. In particular, the reduction and eventual elimination of the liquid assets ratio, which in effect had provided a subsidy to the Government, was appropriate. Furthermore, the planned reduction in the cash reserve requirement should also assist in reducing



the spread between deposit and lending rates provided to the private sector. The Central Bank's payment of interest on a larger portion of those balances should provide some immediate assistance. Along with the full range of those reforms, she hoped that interest rate determination would be returned to market forces and that open market operations would be used effectively to control growth of the monetary aggregates.

She was concerned that a flexible exchange rate policy would not be put in place, Ms. Bush commented. In its place, an export rebate program was being implemented for some products. While arguments had been put forward relating to the profitability of the tourism sector and the unique position of the bauxite sector, a flexible exchange rate would be the most appropriate way to provide the correct signals to the economy and to encourage production and exports of nontraditional agricultural and manufactured products. The relaxation of exchange control regulations was commendable and, in general, she could go along with the approach to the exchange rate described by the authorities, but it was crucial that they act on the rate once either of the trigger mechanisms became operative.

On balance, she supported the request for a purchase under the compensatory financing facility with a few reservations, Ms. Bush stated. With respect to the various criteria, she agreed that there was a balance of payments need and that the authorities were cooperating with the Fund. However, it was more difficult to judge the temporariness of the shortfall, given Jamaica's historical dependence on bauxite exports. That concern arose because of doubts that bauxite production would recover, owing in part to worldwide competition from lower-cost sources. Furthermore, it was difficult to attribute the bauxite shortfall entirely to market-related factors. Jamaica might have held market shares longer had a levy not been imposed that contributed to the high cost of production. Nevertheless, she was willing to support the request because the formula related to a shortfall in all exports and the requested purchase was less than half the calculated shortfall.

In sum, the program and the commitments undertaken by the Jamaican authorities were praiseworthy and went in the right direction, Ms. Bush concluded. However, some measures did not appear to be fully integrated and sufficiently extensive to be mutually supportive. The Tripartite Mission had aimed to determine a set of integrated measures and economic policies that would be comprehensive and that would lay the basis for restoration of growth, including growth in production, employment, and competitiveness. Such a comprehensive set of measures was also important to strengthen Jamaica's ability to repay the Fund, as well as its other creditors, in a timely manner. While the structural and deregulatory efforts of the authorities were important to sustain increased economic growth, she was concerned that some remaining practices, including price controls, interest rate management that was not fully market determined, absorption of credit that limited credit to the private sector, export rebates, and lack of a fully flexible exchange rate sent mixed signals to the economy and made it difficult to realize growth objectives.

Mr. Foot remarked that the Prime Minister's comments were informative and helpful.

On a procedural aspect, he did not favor postponing Article IV discussions, and the present case amply demonstrated the arguments against such delays, Mr. Foot observed. One year previously, the Board had met to discuss the proposal to revive the stand-by arrangement approved in July 1985. On March 3, 1986 the Board had approved a revised program that, regrettably, had survived only a few weeks. Another opportunity was being presented to discuss how Jamaica's economic adjustment and recovery could best be supported by the Fund. One year previously he had commented that the most worrisome feature of the revised program had been the exchange rate chosen by the authorities. While he had sympathized with the desire to encourage a stable domestic environment, he had been concerned that the sharp rise in nontraditional exports, which, it had been generally agreed, was the key to Jamaica's long-run recovery, would not occur at the proposed exchange rate and that capital inflows would not be encouraged. Furthermore, the tight fiscal and monetary policies needed to underpin the chosen exchange rate had seemed likely to strain the bounds of what was considered feasible and would probably lead to excessive restrictions on the prospects for growth.

Much had happened in the past year, Mr. Foot noted. Jamaica had benefited greatly from the fall in oil prices, lower interest rates, and a sharp upturn in tourism. The authorities had also intensified their efforts to curb the fiscal deficit, which in 1985/86 had greatly overshot the target. Moreover, the real value of the U.S. dollar had fallen. The question was whether those changes made it more plausible at present than it had been one year previously to argue that US\$1 = J\$5.5 was an appropriate exchange rate. He continued to have doubts, mainly because the exchange rate had appreciated further in real terms in the past year and the performance of nontraditional non-CARICOM exports, had been well below forecasts, although he welcomed the Prime Minister's remarks about the organization of small-scale industries to sell abroad. Under the 1985 stand-by arrangement, those exports had been assumed to total US\$177 million in 1985/86, but by March 1986 the figure had been reduced to US\$160 million and the actual outturn had been US\$144 million. For 1986/87, the forecast in March amounted to US\$182 million, but the staff forecast was currently US\$150 million, some 18 percent below the original forecast and only 4 percent higher than the modest 1985/86 figure. Those figures supported what various missions had argued in much greater detail, namely, that the present exchange rate appeared inappropriate and remained a major concern in the current program. Perhaps the authorities would discover that the fiscal and monetary policies required to reach those figures would be too stringent to implement. In addition, the Fund might appear to be supporting again what its critics regarded as a typically antigrowth program.

He welcomed the two safeguards in the program that would ensure some exchange rate response if either the real exchange rate appreciated by the agreed amount or if the net international reserve targets were in

danger of being missed, Mr. Foot said. But he doubted whether the safeguards were adequate. In assessing the value of the exchange rate appreciation proviso, he would welcome staff comment on the implications for domestic prices, and thus for the real exchange rate, of the staff statement that price controls had recently been widened.

The authorities would have to follow tight policies elsewhere, and in that connection he asked for further comment on the domestic credit situation, Mr. Foot continued. The staff had reported that domestic credit had been expanding unduly rapidly in recent months and that immediate steps were needed to slow down its rate of growth. Although the rise in money supply was targeted at 17 percent for 1986/87, an increase of 15 percent had occurred in the first six months. The recent substantial sales of certificates of deposit by the Bank of Jamaica would help to mop up excess liquidity, but he would be interested in more recent data on the net outcome of the authorities' response to that excess liquidity.

He endorsed previous speakers' comments on the need for an appropriately tight fiscal policy, Mr. Foot remarked. He was disappointed by the absence of any attempt to show in Table 37 of the background paper the causes of the massive losses being incurred by the Bank of Jamaica. He would welcome staff comments on the losses and on how such an important factor for the success of the program would be monitored.

The program was dangerously underfunded, Mr. Foot commented. The immediate need for Jamaica to request modification of the end-March target for net international reserves was a timely reminder of that situation. He hoped that the authorities would be able to regard the program's objectives as a minimum and that they would take urgent and robust action if needed to keep the program on track. Given the World Bank's important role in the coming months, he asked the World Bank representative to describe the status of the sector adjustment loans for trade and finance and for public enterprises.

With regard to the request for a drawing under the compensatory financing facility, the staff paper (EBS/87/23) had not given sufficient attention to the impact of the exchange rate on the shortfall, Mr. Foot considered. The staff had merely stated that "manufactured exports may also have been adversely affected by the appreciation of the real effective exchange rate of the Jamaica dollar since October 1985." Nevertheless, he could support the request as well as the stand-by arrangement.

In sum, he urged the Jamaican authorities to take the opportunity to pursue successful adjustment and to make effective use of the support being given by the Fund, Mr. Foot noted. He had doubts about the adequacy of the measures to be supported by the stand-by arrangement, and he hoped that the authorities would regard the relevant targets as the absolute minimum. His authorities would not consider with favor any further waiver requests other than those of a purely technical nature.

Mr. Morales commented that he appreciated the Prime Minister's presence at the meeting; his comments on recent developments in Jamaica were highly useful in assessing both the country's economic situation and the authorities' commitment to improve it. The program presented to the Board covered all the basic measures required for Jamaica to pursue a path of sustained growth in the medium term. For that reason, he supported the proposed decisions.

Nevertheless, Jamaica continued to suffer serious economic difficulties, notably lack of growth, high unemployment, and balance of payments constraints, Mr. Morales observed. Two contributing factors had been the lack of adequate incentives for private investment and the bias of policy against the export and agricultural sectors in past years. Therefore, an exchange rate geared to maintaining adequate competitiveness in the export sector and interest rates kept at positive levels were important to ensure the success of the program. In that connection, he welcomed the authorities' efforts to eliminate distortions in the interest rate structure and their continued commitment to deregulate the economy.

In addition, measures to reduce the fiscal deficit to more manageable levels were also necessary, in light of the high levels of past years, Mr. Morales continued. The efforts included in the program to cope with both the deficit and the size of the public sector were positive. In that respect, the reform of the tax system introduced at the beginning of 1987, aimed at simplifying the system and broadening the tax base, seemed an important avenue that should be fully pursued to achieve the necessary level of growth in the future.

The required capital inflows were an indispensable element in achieving the program targets, Mr. Morales remarked. Every effort should be made to avoid delays in the timing of disbursements. A lower than programmed level of loan inflows had been one of the reasons for deviations in past programs.

Mr. Wijnholds noted that despite the favorable effect of lower oil prices and interest rates on Jamaica's balance of payments, the overall external situation remained vulnerable. There could therefore be no easement of the adjustment effort necessary to both strengthen Jamaica's position and ensure the flow of exceptional financing that would be needed in coming years.

He welcomed the agreement reached once again between Jamaica and the Fund on an economic program, but he remained somewhat concerned, given the considerable uncertainties involved, Mr. Wijnholds continued. It would be discouraging if, after much hard work, the program were to go off track soon. The program was reasonably satisfactory but required considerable action from the Jamaican authorities, particularly in the area of fiscal and monetary policy. A firm incomes policy was also necessary to check inflation and maintain competitiveness. Jamaica's decision to maintain a stable nominal exchange rate made it imperative to keep wage costs in check if competitiveness were not to be seriously eroded, with all the consequences for the external position. The recent poor performance of nonbauxite exports could be taken as a warning signal.

While he accepted the compromise worked out with Jamaica on the exchange rate, he had some difficulty with the recently introduced export rebate of 7.5 percent on manufactured products, Mr. Wijnholds observed. As it was intended to be temporary--and would be lifted with the introduction of a general consumption tax--he could go along with the proposed decision on exchange measures subject to Article VIII. He could also support the stand-by arrangement as modified in the supplement to the staff report and the request for a purchase under the compensatory financing facility, with the hope that it would prove to be possible for Jamaica to keep the program on track for the full 15 months of the arrangement. The Fund was showing flexibility in allowing adjustments in some performance criteria in the case of shortfalls in disbursements of project-related external financing and in allowing a later date to eliminate arrears. He hoped that the Fund's flexibility would be matched by the necessary determination on the Jamaican side; the Prime Minister's words provided encouragement in that respect.

Mr. Al-Assaf commented that the program being discussed was of particular importance because it was the first to be drawn up following the "new look" Tripartite Mission report. The program represented a useful step in the right direction, but it was only a first step; much remained to be done. To achieve growth with adjustment in Jamaica, two changes had to take place: the country needed to align its expenditure levels with its means, and the growth of nonbauxite exports should be encouraged.

The authorities would have to redouble their efforts to reduce fiscal imbalances and maintain a cautious monetary policy, Mr. Al-Assaf continued. He was encouraged that significant steps in that direction were incorporated in the program. The rapid accumulation of external debt over the years, however, had left the authorities with little room for maneuver. Since recent favorable external developments could be reversed, the authorities should adopt a flexible policy stance in order to avoid any slippages from program targets. In that connection, his chair attached importance to the elimination of external arrears.

For many years, Jamaica had tended to pursue an inward-looking import-substitution strategy, with an associated high level of government intervention, Mr. Al-Assaf observed. At present it was necessary to adopt policies to encourage export diversification and export-led growth, which would benefit Jamaica greatly given its economically strategic location. The authorities--as emphasized by the Prime Minister--were aware of the need for such a strategy, and he commended the measures they were taking to encourage nonbauxite exports. In that connection, a more flexible exchange rate policy had a role to play. Equally important, the authorities should persist with their efforts to liberalize the trading system to remove its anti-export bias. He was therefore encouraged by the Prime Minister's comments concerning the reduction of tariffs on capital goods and raw materials.

He wondered whether the authorities intended to streamline and systematize their procedures for granting investment requests, Mr. Al-Assaf continued. He understood that current ad hoc procedures might well be creating investor uncertainty. Investor confidence would be bolstered if policies in that area were predictable and permanent.

Further tax reform to enhance incentives was also important; however, additional progress might have to go hand in hand with efforts to scale back the size of government, Mr. Al-Assaf remarked. He therefore welcomed the expressed intention of the authorities to focus their efforts on containing expenditures.

Jamaica had borrowed heavily from abroad, including the Fund, Mr. Al-Assaf noted. Even if possible, the accumulation of further net external debt could not be in the best interests of Jamaica. The program under consideration represented an opportunity to change the situation; he urged the authorities to seize that opportunity. He could support the proposed decisions, including the request for a drawing under the compensatory financing facility, the conditions for which had been satisfied.

Mr. Sliper made the following statement:

The Prime Minister's presence illustrates the importance that the Jamaican authorities attach to the program and their determination to carry through the program measures.

I sympathize with the Government's decision at the end of 1985 not to allow the exchange rate to be fully determined by market forces. It is becoming increasingly evident that for a country to successfully float its currency, other areas of economic policymaking must be performing satisfactorily and working in a coordinated fashion. This was not the case in Jamaica in 1985; monetary and fiscal policies were far too lax, and were clearly perceived as such by the market. The benefits of devaluation were thus quickly dissipated. We now have a situation where there have been two significant changes: the external environment is much more favorable, and the Government has pegged the exchange rate to the U.S. dollar.

There is clearly a trade-off in the policy choice regarding the exchange rate. The fact that the authorities are not prepared to adopt a more flexible exchange rate regime means that more ambitious targets have to be set in other areas of the program if the medium-term viability of the balance of payments is to be secured. In particular, monetary policy, fiscal policy, and wages will bear a heavier burden in the adjustment process than would be the case otherwise. This strategy is not without some costs, most notably a somewhat slower rate of economic growth, but also a more gradual balance of payments adjustment affecting the development of and diversification into nontraditional exports.

The balance of payments projections over the medium term indicate that the external position will remain fairly weak for several years. The outlook could be characterized as "fragile," with the implication that external constraints could quickly emerge if external events are more adverse than assumed or if domestic policies are inadequate. In these circumstances I would hope that the authorities would not adhere rigidly to maintaining the current exchange rate. The undertaking to change the nominal rate in the program in the agreed circumstances is the absolute minimum. Stronger action on the exchange rate will be necessary if slippages occur in other areas.

I welcome developments in monetary policy, such as the increasing use of treasury bills for monetary control, the proposed reforms to the cash reserve requirement, and the lowering of the liquid assets ratio for captive funds. In respect of open market operations, current policy is apparently trying simultaneously to control money growth and to fix interest rate levels. In fact, I note some inconsistency in the staff report with regard to interest rates on certificates of deposit (CDs). Page 19 of the report suggests that if the monetary targets are to be agreed to "this implies returning to a system where interest rates on CDs will be basically market determined." However, on page 27 the statement is made that "interest rates on CDs and treasury bills will need to be maintained at least at current levels over the next six months." I would like to ask the staff, first, whether given the very rapid buildup of domestic credit over recent months, the money and credit targets can be met, and second, whether the targets can be met without the market setting the rates on certificates of deposit. In other words, will it be necessary to return to the pre-May 1986 system?

On fiscal policy, the projected improvement in the overall deficit position is ambitious and appropriate. Most of the adjustment for 1986/87 has occurred on the revenue side owing to a fiscal windfall resulting from lower oil prices; for the next year most of the cutback relates to reductions in capital expenditure. I would have preferred a somewhat more balanced deficit-reduction program with cutbacks in current expenditure playing a larger part than seems to have been the case.

Only a very modest improvement is expected in the deficit position of the Bank of Jamaica, stemming mainly from reductions in external interest rates. I wonder whether there are any plans to distance the central bank from government financing. More particularly, I would be interested to know whether the authorities plan to reintroduce domestic interest payments from the Central Government to the Bank of Jamaica. The authorities have made

important strides in tax reform, especially in the area of personal and corporate tax. I would be interested in knowing whether any timetable has been agreed or announced for the introduction of a consumption tax.

The authorities recognize that their wage policy will be critical to the success of the program. Every effort must be made to ensure that the wage guidelines are not breached. In passing, I would question the validity of the authorities' argument as reported in the staff report that improvements in the productivity of the export sector relative to competitors would allow higher across-the-board wage increases in Jamaica than elsewhere; perhaps the staff could comment on this view.

The relationship between Jamaica and the Fund is special. The lending levels envisaged in the proposed decisions mean that the Fund is lending more in terms of quota--over 500 percent--than to any other member. This imposes a burden on both partners to make sure that the current program is adhered to. The last 18 months have been a troubling time when there have been policy slippages in several areas. We hope that this situation will not be repeated; we would be reluctant to support requests for waivers other than for purely technical reasons. The criteria are not overly restrictive and can properly be viewed as minimum requirements; in fact, legitimate questions can be raised as to whether the program goes far enough given the economic circumstances facing Jamaica. Certainly I would have preferred a larger role than agreed in the program for the exchange rate and interest rates. Nevertheless, the program is comprehensive and goes in the right direction, and we hope it will mark a milestone in the economic recovery of Jamaica.

Mr. Grosche remarked that the Prime Minister's presence indicated his Government's commitment to further adjust Jamaica's economy to adverse internal and external circumstances, a commitment that had already been demonstrated in Jamaica by promoting the policies described in the letter of intent and by completing all the initial policy actions under the program.

The new program, which stressed the need to reduce the public sector deficit, to restrain wage increases, to lower inflation considerably, and to maintain a competitive exchange rate, would strengthen markedly the adjustment process and would accelerate the transition to a sustained export-led growth, Mr. Grosche continued. Although the program was not perfect, it was probably the best that could be agreed upon under the prevailing political circumstances. It was important at present to implement the program forcefully and to be prepared for additional action if the program targets were in danger of being missed. Indeed, after almost ten years of Fund programs, the reoccurrence of difficulties should be avoided.



The request for a new stand-by arrangement deserved the Board's support, Mr. Grosche stated. That support would have a positive impact on the readiness of private and public creditors to engage in rescheduling exercises and to provide additional external assistance on concessional terms. It would also help to foster continued World Bank involvement.

The authorities had stated that there was no significant difference between the official exchange rate and the so-called street market rate, Mr. Grosche said. He asked the staff to elaborate on that statement; he wondered whether the spread between the two rates was significant and whether the poor performance of nontraditional exports indicated the need for action in that field beyond the granting of an export rebate. He welcomed the intention to replace the rebate scheme as soon as a general consumption tax, which would generate the same effect, had been introduced. In general, external competitiveness for nontraditional goods should be maintained through appropriate exchange rate policies, and he supported the incorporation in the program of the two trigger mechanisms for exchange rate action. Close monitoring of the real effective exchange rate index and immediate corrective action were of the utmost importance.

He welcomed the intention of the authorities to sharply reduce the overall deficit, although that task was not easy, Mr. Grosche continued. Much of the improvement for 1986/87 stemmed from the fiscal windfall resulting from lower oil prices. The further reduction in the deficit planned for 1987/88 relied mainly on expenditure restraint. He was somewhat concerned about the negative effects that the sizable reduction in real per capita expenditure would have on employment and output, but there seemed no alternative. He hoped that the cuts in capital expenditure could be carried out in a way that would minimize the adverse effects on the economy's capacity to recover and could soon be reversed, as mentioned by the Prime Minister.

Finally, the request for a purchase under the compensatory financing facility largely met the necessary requirements, Mr. Grosche noted. He could therefore support that decision.

Mr. Sengupta said that the Prime Minister's statement had been comprehensive and informative. He was aware of the argument that Jamaica was a prolonged user of Fund resources. But the important point at the present juncture was that the Fund's continued involvement in Jamaica, as a catalyst, was essential in light of the large external financing gaps and the authorities' proposed undertaking of strong adjustment policies.

The Jamaican economy had suffered from the overwhelming difficulties arising from large external borrowings in the past and the widening of the current account and public sector deficits, Mr. Sengupta continued. Although the authorities had tightened domestic policies and had adopted flexible exchange rate policies in 1984/85 and 1985/86, a rapid contraction of the bauxite sector, the tapering off of aid inflows, and increased debt service payments had led to sharp import compression and consequently to a steep fall in real GDP.

The program under the requested stand-by arrangement was ambitious and contained stringent conditionality in the form of eight quantitative performance criteria and three reviews, Mr. Sengupta noted. Moreover, there were indicative targets for base money and for net accumulation of government paper by public entities. Those guidelines placed heavy demands on the authorities in monitoring as well as implementing the program.

The authorities' fiscal program for 1986/87 as set out in the budget had been formulated on the basis of a 5.5 percent real growth objective, Mr. Sengupta said. The staff pointed out that since the budget had been formed, there had been a scaling down of expenditures owing to a sharp decline in capital inflows. In addition, the revised overall public sector deficit would be reduced to 6.1 percent of GDP from nearly 13 percent in the previous year. The authorities were to be commended for their boldness of approach to a difficult task. It was not clear whether the revised fiscal position was based on a real growth rate of much less than 5.5 percent, and he asked the staff for clarification. A link existed between public sector expenditures and real income, and a sharp reduction in expenditures might lead to a considerable reduction in the real GDP growth rate. He recognized, however, that while reducing the public sector deficit sharply, the authorities would increase capital expenditures and sharply reduce current expenditures. Unless it was assumed that such increases in capital expenditures would go hand in hand with large increases in private investment and would have an instantaneous effect on output, it was not clear how the expected growth rate could be ensured. Tax revenues had apparently risen enormously and, he assumed, had not had any disincentive effect on private investment.

The sharp reduction in fiscal expenditures also implied that both foreign and domestic financing of the deficit would be curtailed, Mr. Sengupta remarked. The authorities had placed considerable emphasis on reducing domestic financing through the banking system, implying that net bank credit to the public sector would show a decline during 1986/87. The program proposed to allow a decelerated growth rate in credit to the private sector of about 13 percent, or about the annual average increase in the consumer price index. In other words, in real terms there had been practically no increase in credit to the private sector. Monetary policy under the program was therefore strict, allowing for an increase in net domestic credit of only 8 percent in 1986/87, compared with a rise of 22.2 percent in 1985/86. The increase in money supply was largely on account of the postulated increase in net international reserves.

The projected inflation rates were lower than those prevailing during the previous two years by almost one half in spite of large increases in indirect taxes, Mr. Sengupta observed. He wondered how that rate would be achieved since the rate of increase in broad money was lower than during the previous year. If a lower inflation rate were achieved mainly through demand-side policies, the possible effects on output and the growth rate of the Jamaican economy should be taken into consideration. He realized that the Jamaican authorities were undertaking severe adjustment efforts

with the help of the stand-by arrangement, but growth must not be jeopardized by those efforts, and the Jamaican authorities should be able to maintain an expansion of output and real income for its population. Finally, he supported the proposed decisions.

Mr. Alhaimus said that he was in broad agreement with the staff analysis of the program, and he supported the proposed decisions on the stand-by arrangement and use of Fund resources under the compensatory financing facility.

The staff representative from the Western Hemisphere Department recalled that most Directors had touched on the factors that underlay the staff's concerns with regard to exchange rate policy, such as the poor performance of nonbauxite exports, the need for the country to remain highly competitive, and the fact that a flexible exchange rate could act as a safety valve in the program by ensuring the consistency of program action.

In the final analysis, the staff representative commented, the program included a commitment to maintain the real effective exchange rate within a specified path over the program period. The fact that there was little difference between the street market rate and the official rate resulted from the authorities' priority in stabilizing the exchange rate through foreign exchange auctions. As a result, the private sector had been fully supplied with foreign exchange, while arrears had accumulated to official creditors; as a consequence, no real pressure existed in the street market.

With respect to the impact of tax reform on revenue, in the case of the income tax, the base had been widened to more than compensate for the reduction in rates, the staff representative explained. As a result of that widening, most tax deductible allowances, in particular interest earnings, had become taxable. The net result had been an increase in revenue from income tax. There would be a net loss in revenue resulting from the corporate tax reform, although some broadening of that tax base had been implemented. While tariff rates on imports had been lowered, the number of exemptions had been reduced so that in that area also there had been a broadening of the tax base and the initial net impact had been revenue positive. A major tax reform, which had not yet been implemented, was the introduction of the general consumption tax. That would consolidate the range of indirect taxes currently applied in Jamaica. While the staff hoped that the consumption tax would be implemented soon, no timetable existed for its introduction. In broad terms, the tax reforms implemented thus far had probably had a slightly positive net revenue effect.

As to the role of price controls on the program, it had not been the staff's intention that these would be used to achieve a predetermined inflation target, the staff representative continued. That task would

be carried out by monetary, fiscal, and incomes policies. The scope of price controls had been broadened recently, but the staff hoped to see progress in removing those price controls over time.

December outturn figures showed rates of growth for the monetary aggregates that were higher than might be consistent with the program--about 20 percent through December 1986 on an annual basis, the staff representative commented. The program targeted 17 percent for the year ended March 1987. The central bank had issued certificates of deposit in the past two months with the aim of restraining the growth of monetary aggregates, but that growth remained an area of major concern for the staff.

The main cause of the large central bank losses was the significant amount of Jamaican foreign debt serviced by the central bank, without the domestic earnings to offset that outlay, the staff representative said. About 5.8 percent of the 7.1 percent of GDP of central bank losses in 1986 represented interest payments; the remainder reflected delays in receiving interest from the Central Government and exchange losses from exchange rate guarantees extended in 1982/83. There was a need to distance the central bank from undertaking obligations that properly belonged to the Central Government, and that important aspect would be reviewed by the staff. The staff also hoped that the authorities would agree that interest payments and losses incurred on behalf of the Government would be automatically deducted from the central government fiscal accounts; if requested, the Fund could provide fiscal technical assistance in reviewing the accounting procedure in that area.

Under the program, interest rates would be market determined as they were before 1986, the staff representative observed. It might well be that interest rates had to rise to meet the program targets.

The authorities had argued that increased productivity of the export sectors might allow higher wage increases through the whole economy, the staff representative from the Western Hemisphere Department stated. That argument was not supported by the staff. The important factor was the differential in wage increases between Jamaica and other countries and in the relative productivity increases of their export sectors.

The staff representative from the World Bank reported that the Bank was considering three sectoral adjustment operations for Jamaica: in trade and finance, in public enterprises, and in agriculture. The first two were in the final stages of processing. The Bank had recently reached a tentative agreement with the authorities on the reform program that would underpin those two operations, and the staff was currently preparing the necessary documentation for the Loan Committee review. The agricultural sector operation was at a preliminary stage, and the staff was reviewing it with the authorities to ensure its timely preparation.

Mr. Sengupta said that he was still unclear regarding the calculation of the fiscal deficit. The staff report stated that the budget adopted in May 1986 had been formulated on the basis of a 5.5 percent real growth objective and also stated that the authorities had subsequently scaled back expenditures and had established a target of 6.1 percent of GDP for the overall public sector deficit in 1986/87. He hoped that there would be no undue fall in the rate of growth or in the authorities' efforts; he wondered whether the target of 6.1 percent of GDP was based on a revised GDP target.

The staff representative from the Western Hemisphere Department reported that although the 1985/86 budget had originally been drawn up on the basis of 5.5 percent real growth, that forecast had been scaled back to 2.2 percent and the budget revised accordingly.

Mr. Seaga noted that most speakers had commented on Jamaica's exchange rate policy. In 1980, Jamaica's exchange rate had been considered competitive by the Fund, as recorded in Jamaica's first stand-by arrangement with the Fund agreed in 1981. Nevertheless, Jamaica had proceeded to improve upon that position in view of the severe fallout in the bauxite sector; a series of devaluations had taken place resulting in an exchange rate 30 percent above the competitive level of 1980. However, the authorities still had the option of determining the direction in which to move to maintain competitiveness of the exchange rate during the current program period. It had been proposed to reduce the rate of inflation to a level that would enable Jamaica to maintain competitiveness with its external marketing partners; on that basis, a 7 percent rate of inflation had been targeted for 1987/88. For 1986/87, a rate of inflation of 9 percent had been targeted, but because of the disastrous floods of June 1986, which had destroyed substantial areas of agricultural production, the target had been revised to 12.5 percent; however, an outturn of about 9.4 percent was expected. For that reason, the authorities considered the 7 percent target to be feasible, as indeed it had been achieved twice since 1981.

Assuming an average rate in the marketing countries of 3 percent and a Jamaican performance of some 7 percent, the gap would be easily absorbed by the tourism and agricultural sectors, Mr. Seaga explained. Those sectors, whose competitiveness was not in jeopardy, had responded remarkably to the adjustment process. To ensure no slippage in the competitiveness of the manufacturing sector, however, the authorities had devised an import tax rebate.

The effect of past devaluations on prices of petroleum products and basic food items had caused social unrest, and the resulting adverse publicity had negatively affected the tourism sector with losses of foreign exchange earnings amounting to more than US\$50 million, or the equivalent of one year's performance, Mr. Seaga said. A further devaluation would destroy the stability of the exchange rate, a necessary ingredient for the investment sector. That sector's inability to plan would lead to currency speculation rather than to investment in the

productive sector. As a result of the stabilization of the exchange rate during the current fiscal year, Jamaica's competitiveness had been the best since 1981. Because of the need to maintain competitiveness in the investment sector, the Government would have to retain a low inflation model.

Wage increases would be limited to no more than 10 percent--not below 7 percent as stated earlier--to allow the workers a small margin over the 7 percent inflation rate, thereby obtaining the support of the trade unions, Mr. Seaga reported. In the previous year, the national level of wage increases had been 12.5 percent; therefore, a reduction to 10 percent in the current year was feasible.

The resources necessary to improve the performance of the Jamaican economy could not come from loans, Mr. Seaga stated. To reverse the declines of the past and provide real optimism for the future, incremental inflows would have to be in the form of grants, and a more liberal rescheduling would have to prevail. Jamaica was, in fact, concentrating on rescheduling because through liberalization of the debt-servicing arrangements with the Paris Club, the country would be able to release further resources to generate growth. If those additional resources were to be on the basis of grants rather than loans, the resource gap would narrow and growth could move from the modest level of 2-3 percent to the 3-4 percent level that would enable the Jamaican economy to come to grips effectively with its problems.

The debt problem was becoming more entrenched as serious crises that threatened to consume the international marketplace and financial community arose, Mr. Seaga said. Nevertheless, no clear international policy had been formulated to deal with that problem, and certain countries had taken unilateral decisions regarding the level of debt servicing that their economies could afford. If that were not to become a trend, greater attention should be given to a global strategy to deal with debt. Earlier in the decade, it had been said that increases in international trade would provide the engine of growth for generating the additional earnings that could be applied to servicing debt. With the exception of two years, international trade in the 1980s had not achieved the growth necessary to allow debt to be serviced from the proceeds.

A basic concern was the extent to which the burden of increasing international trade rested on the shoulders of one member of the international community, Mr. Seaga considered. The burden being borne largely by the United States, in terms of its massive trade deficit, could prove unbearable, and at that time, the equivalent of a Gramm-Rudman-Hollings legislative approach could arise to precipitously reduce the deficit, with possibly disastrous results for growth and international trade.

Currently, trade was not enabling debtor countries--particularly non-oil debtors--to service their debt, Mr. Seaga commented. The alternative, therefore, was to restructure the system of capital flows in the international payments system. The net outward flows being experienced

by Jamaica were part of the strategy to reduce the stock of debt on a gradual basis, but it was impossible to move in that direction without also reducing the resources needed for growth. Jamaica's resolve to reduce debt service as a means of coming to grips with its problems warranted a favorable reaction from the Fund and the World Bank, which so far had not been able to offer debt rescheduling. Instead, a new facility to provide funding to service debt, based upon policy conditionality, should be considered. At present, loans were provided solely for balance of payments assistance, but debt service was a more pressing problem. The conditionalities that would be imposed under such a facility would be directed at reducing the debt service ratios to a given level over the medium term. He considered that the Paris Club would prefer to operate in that time frame rather than through the series of annual negotiations that currently took place.

He urged the Fund to look seriously into the possibility of introducing a new facility for offering debt relief, Mr. Seaga remarked. Policy-based loans under that facility would assist members in overcoming the problem of inadequate debt rescheduling and would provide the means of restructuring transfers in the international payments system.

Mr. Massé thanked Directors for their support of the program. The Prime Minister's presence indicated the extent of the authorities' commitment to implement the program and to ensure its success.

The Chairman made the following summing up:

Taking into account the staff reports and the informative remarks of the Prime Minister of Jamaica, Directors noted that following a period of severe economic dislocation in the 1970s, the Jamaican authorities in the present decade had set out to restructure the economy, stimulate private sector activity through deregulation, and reverse the deterioration in the financial accounts. Faced with a severe structural decline in bauxite earnings, the authorities had successfully stimulated the development of tourism and of nontraditional exports outside the CARICOM area. Economic restructuring has been buttressed by broad-based reforms of domestic taxes and import tariffs. Deregulation has been pursued through reductions in price controls and in import and exchange restrictions, and a wide-ranging program of privatization has been undertaken. Furthermore, the correction of financial imbalances is illustrated by the reduction in the overall public sector deficit from nearly 18 percent of GDP in 1980/81 to some 6 percent in the current fiscal year.

Directors noted that as a result of the adjustment and restructuring efforts of recent years, as well as of the decline in international oil prices and interest rates, Jamaica's economic situation had recently improved significantly. Directors were particularly encouraged by the resumption of economic growth and lower inflation in 1986, the reduction in the deficit in the

current account of the balance of payments, and the strengthening of public sector finances. Nonetheless, in view of Jamaica's still severe external constraints, Directors stressed the need to continue the adjustment effort while intensifying policy reforms to improve resource allocation and promote export-led growth. A higher level of domestic savings clearly was needed to accelerate capital formation and thus to reduce unemployment and the burden of external debt.

Directors were in broad agreement with the thrust of the staff appraisal in the report for the 1986 Article IV consultation with Jamaica. They emphasized that in addition to a hospitable external environment, the maintenance of a realistic exchange rate was vital to the success of Jamaica's drive for export diversification and efficient import substitution. They were therefore concerned that the real appreciation of the Jamaica dollar since late 1985 might weaken the structural adjustment effort and hamper economic growth. They noted that the Government was placing substantial emphasis on exchange rate stability, and they stressed that such an objective required the pursuit of tight demand management and wage policies. A number of speakers were of the view that, on balance, Jamaica would be better served by a flexible exchange rate policy. Therefore, they attached considerable importance to the authorities' commitment to a resumption of exchange rate flexibility if needed to preserve the economy's competitiveness and to achieve the program's balance of payments objectives. Several Directors also expressed their misgivings about the export rebate scheme and emphasized that it should be temporary.

In view of Jamaica's heavy external debt burden, the declining availability of foreign resources, and the need to leave room for private investment, Directors stressed the importance of further reducing the overall public sector deficit. Jamaica has made substantial efforts in the fiscal area since 1984 by reducing noninterest expenditures, raising taxes to offset the decline in revenue from the bauxite sector, and strengthening the finances of the public sector entities. Directors considered that, given the high level of taxation in Jamaica, measures to control expenditures should be given preference over revenue-raising measures. They expressed concern about the recent growth of central bank losses and of extrabudgetary transfers and recommended greater fiscal transparency and discipline. Several speakers stressed that there was no room for slippage in the fiscal and monetary areas and that the authorities should stand ready to take additional measures to keep the program supported by the stand-by arrangement firmly on track.

To help achieve the program's balance of payments goals Directors emphasized that monetary policy would need to be very cautious. They recommended greater use of open market intervention to control credit expansion. Maintenance of positive real interest rates was viewed as particularly important for promoting savings in domestic financial assets.



Directors were encouraged by the promulgation of tighter wage guidelines applying to both the public and private sectors and by recent steps taken to strengthen the monitoring and enforcement of wage agreements. Wage restraint was essential to safeguard the country's competitiveness, and every effort should be made to avoid a breach of the guidelines.

Directors noted the important tax reforms being undertaken in Jamaica, including the reform of personal income taxes in 1986 and the reforms of corporate taxation and trade taxes in 1987. They encouraged the Government to press ahead with its program of privatization and with the implementation of measures to mitigate distortions in the domestic interest rate structure and to reduce exchange controls.

The medium-term outlook for Jamaica was still difficult, and restoration of a viable balance of payments position would require the continued implementation of structural reforms as well as the continued support of the international financial community. The successful implementation of the proposed stand-by arrangement with the Fund will be critical if this cooperative effort is to be maintained.

It is expected that the next Article IV consultation with Jamaica will be held on the standard 12-month cycle.

The Executive Board then took the following decisions:

Jamaica - Exchange Measures Subject to Article VIII

1. The Fund takes this decision relating to Jamaica's exchange measures subject to Article VIII, Sections 2 and 3, in the light of the 1986 Article IV consultation with Jamaica conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. Jamaica maintains multiple currency practices resulting from the auction system and from an export rebate scheme, as described in EBS/87/27. Jamaica also maintains restrictions on payments and transfers for current international transactions as described in EBS/87/27. These include external payments arrears which Jamaica intends to eliminate by June 30, 1987. The Fund encourages Jamaica to eliminate the multiple currency practices and remaining exchange restrictions and in the meantime grants approval for these practices until March 31, 1988 or the completion of the next Article IV consultation, whichever is earlier.

Decision No. 8536-(87/34), adopted  
March 2, 1987

Jamaica - Stand-By Arrangement

1. The Government of Jamaica has requested a stand-by arrangement for the period from March 2, 1987 through May 31, 1988 in an amount equivalent to SDR 85 million.

2. The Fund approves the stand-by arrangement set forth in EBS/87/27, Supplement 3.

3. The Fund waives the limitation in Article V, Section 3(b)(iii).

Decision No. 8537-(87/34), adopted  
March 2, 1987

Jamaica - Purchase Transaction - Compensatory Financing Facility

1. The Fund has received a request from the Government of Jamaica for a purchase of SDR 40.9 million under the Decision on Compensatory Financing of Export Fluctuations (Executive Board Decision No. 6224-(79/135), adopted August 2, 1979, as amended).

2. The Fund notes the representation of Jamaica and approves the purchase in accordance with the request.

3. The Fund waives the limitation in Article V, Section 3(b)(iii).

Decision No. 8538-(87/34), adopted  
March 2, 1987

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/87/33 (2/26/87) and EBM/87/34 (3/2/87).

2. GABON - TECHNICAL ASSISTANCE

In response to a request from the Gabonese authorities for technical assistance in the tax field, the Executive Board approves the proposal set forth in EBD/87/57 (2/23/87).

Adopted February 26, 1987

3. ASSISTANT TO EXECUTIVE DIRECTOR

The Executive Board approves the appointment of an Assistant to Executive Director as set forth in EBAP/87/36 (2/25/87).

Adopted February 27, 1987

4. APPROVAL OF MINUTES

The minutes of Executive Board Meetings 86/95 and 86/96 are approved. (EBD/87/56, 2/23/87).

Adopted February 27, 1987

5. EXECUTIVE BOARD TRAVEL

Travel by Executive Directors as set forth in EBAP/87/9, Supplement 2 (2/26/87) and EBAP/87/38 (2/26/87) is approved.

APPROVED: October 1, 1987

LEO VAN HOUTVEN  
Secretary

