

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 87/45

3:00 p.m., March 13, 1987

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

Executive Directors

Dai Q.

J. de Groote
A. Donoso
M. Finaish
G. Grosche

T. P. Lankester

Y. A. Nimatallah
G. Ortiz

G. A. Posthumus

G. Salehkhoul
A. K. Sengupta
K. Yamazaki
S. Zecchini

Alternate Executive Directors

S. M. Hassan, Temporary

M. K. Bush

E. Feldman

B. Goos
D. V. Nhien, Temporary
J. Hospedales, Temporary
M. Foot
H. Fugmann
D. McCormack
C. V. Santos
I. A. Al-Assaf
L. Filardo
S. de Forges,
G. Pineau, Temporary
J. de Beaufort Wijnholds
C.-Y. Lim

L. Van Houtven, Secretary
B. J. Owen, Assistant
K. S. Friedman, Assistant

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Also Present

IBRD: R. M. Fernandes, Europe, Middle East and North Africa Regional Office; R. S. Callis, Secretary's Department. Administration Department: N. S. Jackson. European Department: L. A. Whittome, Counsellor and Director; K. Bartholdy; P. Fontana, H. B. Junz, L. J. Lipschitz, S. Mitra, B. M. Traa. Exchange and Trade Relations Department: C. D. Finch, Counsellor and Director; M. Guitián, Deputy Director; J. T. Boorman, L. Hansen, E. J. Zervoudakis. External Relations Department: H. O. Hartmann, A. Mountford. IMF Institute: P. Kapetanovic. Legal Department: F. P. Gianviti, Director; R. H. Munzberg, J. M. Ogoola. Research Department: J. A. Frenkel, Counsellor and Director; M. C. Deppler, T. A. Wolf. Secretary's Department: J. W. Lang, Jr., Deputy Secretary, A. P. Bhagwat, G. Djeddaoui, E. Friis, B. R. Hughes. Treasurer's Department: T. Leddy, Deputy Treasurer; D. Williams, Deputy Treasurer. Western Hemisphere Department: S. T. Beza, Associate Director. Bureau of Language Services: A. Wright, Director. Office of the Managing Director: R. Noë, Internal Auditor. Personal Assistant to the Managing Director: R. M. G. Brown. Advisors to Executive Directors: L. P. Ebrill, K. Murakami, J.-C. Obame, P. Péterfalvy, D. C. Templeman, A. Vasudeván. Assistants to Executive Directors: A. R. Al-Abdullatif, J. R. N. Almeida, H. S. Binay, F. Di Mauro, W. N. Engert, S. K. Fayyad, V. J. Fernandez, R. Fox, M. Hepp, G. K. Hodges, O. Isleifsson, A. R. Ismael, S. King, K.-H. Kleine, V. K. Malhotra, T. Morita, L. M. Piantini, H. van der Burg, Yang W., I. Zaidi.

1. YUGOSLAVIA - 1986 ARTICLE IV CONSULTATION

The Executive Directors resumed from the previous meeting their consideration of the staff report for the Article IV consultation with Yugoslavia (SM/87/53, 2/20/87; Cor. 1, 3/12/87; and Sup. 1, 3/12/87). They also had before them a background paper on recent economic developments in Yugoslavia (SM/87/60, 3/2/87; and Cor. 1, 3/12/87).

Mr. Goos said that he remained concerned that changing the decision proposed by the staff on the limitation on banknote transactions would lead to a deviation from the Fund's established practices. Those practices had served the institution well so far by allowing the approval of such restrictions only if there was a reasonable assurance that the policies pursued by the authorities would allow an early improvement in the external position, and hence the early removal of such restrictions. The mere existence of balance of payments difficulties would be a dubious criterion on which to base such approvals. In the final analysis, such a criterion would benefit countries in serious balance of payments difficulties, countries that tended not to pursue appropriate adjustment policies.

However, he understood from the discussion that the decision proposed by the staff might have resulted from some misunderstanding on the part of the Yugoslav authorities, Mr. Goos added. Therefore, he could go along with an exceptional extension of the approval, for six months, or until the Board considered the next staff report, on the clear understanding that there would be no further approval beyond that date in the absence of appropriate adjustment efforts and a better balance of payments outlook.

Mr. Foot considered that there was a great deal of merit in what Mr. Goos had said. His own concern over the possible misunderstanding by the authorities of the Fund's normal practice did not mean that he wished to deviate from that practice. The extenuating circumstances of Yugoslavia had seemed to justify a slightly different approach that would nevertheless not compromise the Fund's basic principles. A satisfactory solution might be to extend the approval to the next Board meeting, together with an undertaking by Mr. Posthumus to explain the background to his authorities.

Mr. Posthumus commented that the new round of discussions to take place in six months' time made the suggestion to extend approval of the restriction until then understandable. Certainly, the matter would have to be discussed with the authorities before that time. However, even under the most ideal circumstances, and with the strongest adjustment policy in place, it was not likely that the authorities would be in a position to remove the measure completely. It would be preferable to extend the approval until the next Article IV consultation.

The Chairman remarked that the suggestion to extend the approval for a shorter period had the merit of emphasizing the need for rapid change.

Mr. Templeman stated that the Fund had been actively working for decades to eliminate restrictions. Virtually no other institution was active in the field. And the Fund operated in large part on the basis of precedent. Therefore, he asked the staff whether, since the previous meeting, it had found any additional reason for departing from precedents. It seemed clear from what Mr. Posthumus had said that the authorities, indeed, had no timetable for the removal of the restriction, as the staff itself had reported, and that they would not be in a position to commit themselves to its removal in the foreseeable future. It was regrettable if the authorities had misunderstood the situation, although he would be surprised if a serious misunderstanding had occurred, given the close relationship between the Fund and Yugoslavia over the entire period during which the restriction had been in existence.

The staff representative from the Exchange and Trade Relations Department responded that there were other cases in which approval of a restriction had lapsed, following a period during which it had been approved. To cite several examples, restrictions had been approved between the 1983 and 1984 consultations with El Salvador; between the 1984 and 1985 consultations with Italy; between 1981 and 1982 in Nicaragua; and between 1982 and 1984 in Nigeria. Indeed, the simple passage of time argued for moving from repeated approvals for a given period to nonapproval, the temporary nature of the restriction becoming more questionable as the restriction remained in place. Of course, there had been cases in which nonapproval had been recommended from the initial implementation of such restrictions.

In response to the remark by Mr. Posthumus that elimination of the restriction would not be possible within six months, the staff representative from the Exchange and Trade Relations Department explained that approval would be possible even in the absence of total elimination of the restrictions. If appropriate policies were in place and a timetable had been specified for the removal of a restriction, a judgment could be reached that the extent of liberalization was sufficient to justify approval for a further period.

Mr. Fugmann remarked that he shared the views and concerns expressed by Mr. Goos but could accept his compromise proposal, for the reasons given.

Mr. McCormack said that he too had grave reservations about deviating from past practice. The importance that the Fund attached to restrictions should be re-emphasized from time to time, to counter the tendency to apply the procedures for approving restrictions in a routine manner. The proposal by Mr. Goos would give an effective signal to the authorities in that connection, especially if it specified a date for the approval period.

Mr. Templeman said that approval for six months would be better than approval for one year, although his chair could not support a decision that approved the restrictions.

Mr. de Forges said that he supported the compromise proposal by Mr. Goos.

The Executive Directors accepted the proposal of Mr. Goos.

The Chairman made the following summing up:

Executive Directors noted that the 1986 Article IV consultation was the first under enhanced monitoring with Yugoslavia.

Directors commended the authorities on maintaining a surplus on the current account with the convertible currency area since 1983. It was noted that foreign debt obligations had been met in 1986. The higher rate of growth of output and employment in 1986 and the reversal of the earlier downward trend in fixed investment were also welcomed. They noted, however, that there had been a significant weakening of the adjustment effort in the last year as evidenced by the rise in domestic demand and inflation and the fall in the current account surplus to a level substantially below target. Directors acknowledged that the authorities had taken a number of measures, but they regretted that, on balance, economic trends had been allowed to continue to deteriorate since the midyear consultation.

Most Directors thought that monetary policy in 1986 had accommodated rising inflation. Significantly negative real rates of interest on deposits had led to disintermediation, thereby weakening monetary control; similarly negative rates on the lending side had fueled credit demand and exacerbated inflationary pressures. Directors felt that the new interest rate formula constituted an improvement over the old one, but that it was flawed by the retention of the one-year rate as the reference deposit rate of the system; while welcoming the decision to use the six-month rate in 1988, they considered a six-month reference rate still too long, and its introduction in 1988 too late. It was now vital to offer positive real rates on shorter-term deposits and to ensure positive real lending rates by raising the cost of funds to banks. Directors judged that, on present policies, monetary conditions in 1987 would not be sufficiently restrictive to achieve the targeted reduction in inflation. They stressed that strict financial and incomes policies with higher interest rates would be required to break the inflationary cycle.

The strength of demand in 1986 had put pressure on the balance of payments and a substantial nominal depreciation of the dinar had been necessary to prevent an erosion of price competitiveness. Directors noted the 5 percent real depreciation of the dinar effected in February 1987 and the authorities' intention to maintain the ensuing real external value of the dinar. Several Directors had doubts about the adequacy of the present external

value of the dinar; most agreed, however, that a judgment as to the appropriateness of the exchange rate was difficult to make in view of the present interest rate policy, which encouraged the demand for foreign exchange as a store of value and discouraged capital inflows and remittances.

In the view of most Directors, inadequate interest rate policies, the fragmentation of domestic markets, poor financial discipline in the enterprise sector, and excessive reliance upon regulation were among the major factors that had made it difficult to pursue a growth-oriented adjustment strategy. Directors welcomed the recent initiatives taken by the authorities to improve financial discipline and accounting practices in the enterprise sector and to relate pay more closely to profitability and productivity. Directors regretted the steps taken in pricing policy and foreign exchange allocation in 1986 that ran counter to the official objective of greater reliance on market forces. Price controls offered only a temporary palliative in the face of wage cost pressures and loose financial policies; indeed, the failure of price controls to contain inflation in 1986 had undermined the effectiveness of the Government's policy. The foreign exchange allocation system, which had operated under emergency rationing procedures in 1986, had tended to deter exports and exacerbate regional disparities in the availability of foreign exchange.

Directors endorsed the stated determination of the Yugoslav authorities to combine a strengthening of the balance of payments with substantially lower inflation and an acceptable rate of growth. However, most speakers concluded that the policy stance proposed by the authorities for 1987 was insufficient to secure this objective. They commented in particular on the differences between the authorities and the staff with respect to projections of the balance of payments with the convertible currency area in 1987; they warned that, on the basis of announced policies, Yugoslavia may experience difficulties in attracting adequate foreign financing. They urged, therefore, an immediate tightening of policies, especially in the form of significantly positive real interest rates, firmer measures to curb income growth, strict implementation of the ceiling on fiscal expenditures, enforcement of financial discipline on enterprises, and a decisive move away from administrative controls, especially in the allocation of foreign exchange. Directors noted that recent policy measures by the authorities indicated a recognition of the need for action in this direction. They hoped that further corrective measures would be adopted without delay so that the initial results could be assessed at the time of the midyear consultation discussions, which were expected to take place in June 1987.

Some Directors urged the Yugoslav authorities to consider moving to a closer relationship with the Fund. The effectiveness of enhanced monitoring arrangements depended in large part on the authorities paying heed in a flexible manner to the conclusions of the Board as reflected in the Chairman's summing up.

Finally, Directors noted the continued existence of a limitation, subject to approval under Article VIII, on the availability of foreign exchange for travel. They considered it important that policies be adopted to allow the removal of this restriction and that a timetable be set for its early elimination.

It is expected that the next Article IV consultation with Yugoslavia will take place on the standard 12-month cycle.

The Executive Board then took the following decision:

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

2. As described in SM/87/53 (2/20/87), the restrictions on the making of payments and transfers for current international transactions are maintained by Yugoslavia in accordance with Article XIV, except that the restriction evidenced by the limitations on the availability of foreign exchange for travel is subject to approval by the Fund under Article VIII, Section 2(a). In the circumstances of Yugoslavia, the Fund grants approval of the restriction on the availability of foreign exchange for travel until the next occasion on which the Executive Board has an opportunity to review policies in Yugoslavia, or September 14, 1987, whichever is earlier.

Decision No. 8549-(87/45), adopted
March 13, 1987

2. INTERIM COMMITTEE - PROVISIONAL AGENDA

The Executive Directors considered a draft of the provisional agenda for the Twenty-Eighth Meeting of the Interim Committee to be held on April 9, 1987 (EBD/87/71, 3/6/87).

Mr. Nimatallah stated that the proposed agenda was acceptable.

Mr. Lim said that, while he had no difficulty with the proposed agenda, the Chairman's suggestion to limit attendance at the informal session to Committee members accompanied by at most three associates and the Executive Director was a cause for concern. The restricted attendance had admittedly helped the Committee to hold more meaningful discussions, but it did not take into account the differences between single-member and multimember constituencies. He hoped that more generous seating arrangements could be used for multimember constituencies.

Mr. Salehkhov commented that he continued to believe that the restricted sessions diminished the international character of the meetings of the Interim Committee. Moreover, as Mr. Lim had stressed, the arrangements for the restricted sessions were unfair to the multimember constituencies, as some Governors were prohibited from attending such sessions. Some Governors found that their visits to Washington, D.C. to attend Interim Committee meetings were meaningless, because they were not permitted to attend the restricted sessions. The restricted attendance made the job of Executive Directors all the more difficult as Directors had to decide which members of their constituency should receive badges enabling them to be present at restricted sessions. It was conceivable that the minister who participated in the formal sessions in the Interim Committee did not have the mandate of the other members of his constituency on specific issues discussed in the restricted sessions. That situation had often caused difficulties among Governors, and Executive Directors had occasionally had to reluctantly become involved. There was no reason to continue to hold restricted sessions, and the Chairman should be asked to reconsider the decision providing for such sessions. That decision had not been intended to set a precedent; there had been no intention to keep the decision in force indefinitely.

Mr. Pineau said that the arrangement for an informal afternoon session was welcome. Such sessions helped to encourage a more thorough and a candid review of current economic problems. However, the concern that had been expressed by Mr. Salehkhov and Mr. Lim was understandable, and a convenient way to meet that concern could perhaps be found without calling into question the restricted character of the informal sessions.

As to the proposed agenda, the item on SDRs was defined too narrowly, Mr. Pineau continued. The Interim Committee should consider all possible means of broadening and strengthening the use of the SDR. In addition, the role of the Fund, as examined in the G-10 and G-24 reports, was not included in the proposed agenda. He wondered whether that exclusion was explained by the fact that the Executive Board had not yet completed all the aspects of its consideration of that matter. The exclusion was regrettable, because the latest communiqué of the Interim Committee stated that the Executive Board should examine the role of the Fund in an expeditious manner. Moreover, a comprehensive discussion of the role of the Fund could provide a useful framework in which to review the structural adjustment facility and the compensatory financing facility.

Mr. Hassan remarked that he shared the concern about the restricted sessions, which had become a regular feature of the Interim Committee meetings. There were 17 countries in his constituency, and it was difficult to choose the three ministers in that group who were permitted to attend the restricted sessions; the other ministers who had traveled to Washington, D.C., had to be excluded. Consideration should be given to permitting constituencies with more than three members to increase the number of persons allowed to attend restricted sessions.

Mr. Hospedales commented that he continued to believe that the restricted session format was inconsistent with the composition of the Executive Board, especially the presence of multimember constituencies. He supported the positions that had been taken by Mr. Lim, Mr. Salehkhoul, and Mr. Hassan.

Mr. Sengupta remarked that experience showed that a number of seats became available after the first hour or so of a restricted Interim Committee session. Permitting larger multicountry constituencies to increase the number of persons in their groups who were permitted to attend restricted sessions would not adversely affect the discussion during those sessions, which was typically confined to a relatively small number of participants. It was obviously difficult for multicountry constituencies to choose the three persons who should be permitted to accompany the minister to restricted sessions.

As he understood it, Mr. Sengupta continued, the role of the Fund was to be discussed at the September 1987 meeting of the Interim Committee. The Group of Twenty-Four was in the process of preparing a report on that subject. The report would contain a number of suggestions that could be examined by the Executive Board before they were forwarded to the Interim Committee. The communiqué of the April 1987 meeting of the Interim Committee could explain that the role of the Fund was to be discussed at the Committee's next meeting.

He wondered precisely which subjects would be taken up during the discussion on the question of an allocation of SDRs, Mr. Sengupta commented. He hoped that the discussion would not be definitive; the Committee should not attempt to define precisely the long-term global need for reserve supplementation in the current context. Considerable further discussion of SDR-related issues--including the nature and role of the SDR and the demand for SDRs--was clearly required. The proposed discussion of the question of an allocation of SDRs at the April 1987 meeting should be general in nature; the Interim Committee should not try to reach clear-cut conclusions on how the overall SDR issue should be resolved. The coming discussion in the Interim Committee should be a part of the continuing consideration of SDR issues.

Mr. Salehkhoul said that the empty seats in the later stages of restricted sessions of the Interim Committee were explained partly by the fact that some Governors felt insulted by the arrangements for restricted

attendance--including the possibility of alternating the filling of the three chairs provided for associates of multimember constituencies--and preferred not to participate in those sessions.

Mr. Grosche commented that the proposed agenda and arrangements for the coming meeting were acceptable. The provisional agenda included the most pressing issues that could be dealt with in the limited time that would be available to the Interim Committee at its next meeting. As Mr. Sengupta had noted, the question of the role of the Fund could be taken up during the Committee's September 1987 meeting.

Mr. Fugmann stated that the proposed agenda and arrangements for the coming meeting were appropriate. When the arrangements for a restricted session were introduced two years previously, his authorities had told the Chairman of the Interim Committee that in their view the new arrangements should be seen as an exception and should not set a precedent. On balance, there were some potential advantages to restricting the number of persons attending restricted sessions, but there was still some doubt whether the restricted attendance had in fact increased the Interim Committee's efficiency.

Mr. Yamazaki said that he could go along with the provisional agenda.

Mr. Donoso commented that he too could go along with the proposed agenda. However, the number of associates permitted to attend the informal session should be increased.

Mr. McCormack said that his position was the same as that of Mr. Lim and Mr. Donoso.

Ms. Bush considered that the proposed agenda and meeting arrangements were appropriate.

Mr. Ortiz commented that he could go along with the proposed agenda. Presumably at the informal session the subjects of economic indicators and the implementation of the debt strategy would be discussed separately. He shared the concern that had been expressed by previous speakers about the problems facing multicountry chairs in accommodating ministers who wished to attend the restricted sessions of the Interim Committee. In addition to an increase in the number of persons from each multicountry constituency permitted to attend such sessions, consideration should be given to making a more liberal distribution of the badges that enabled persons to attend informal sessions. As had been noted, there were often many empty seats during informal sessions.

Mr. Zecchini remarked that he could along with the proposed agenda and meeting arrangements. If a number of chairs became empty during informal sessions, there would be greater opportunity for the members of multicountry constituencies to take advantage of the present arrangement to rotate attendance at such sessions. At the same time, there was no

compelling reason to cease operating on the understanding that the restricted informal session was not a permanent feature of Interim Committee meeting arrangements.

Mr. de Groote commented that the original attendance arrangements for Interim Committee meetings should be restored. The arrangement for restricted attendance was meant to be an exception, partly because it had been difficult to make arrangements to limit attendance at informal sessions. Such arrangements were possible at present and, therefore, the old attendance rules should be reinstituted. A large number of Executive Directors from industrial and developing countries apparently wished to restore the original attendance arrangements.

The Chairman said that he would inform the Chairman of the Interim Committee of Executive Directors' comments. The Chairman of the Interim Committee would have to make the final proposals for the arrangements for the next meeting of the Interim Committee.

The Secretary commented that the expectation was that the question of the role of the Fund would be referred to in the April 1987 communiqué of the Interim Committee, and that that matter would be examined by the Fund in the months following the April meeting. The proposed discussion on the question of an allocation of SDRs was in response to paragraph 9 of the September 1986 Interim Committee communiqué. Paragraph 9 also included a request that Executive Directors should further study the long-term global need for reserve supplementation in the context of the current conditions under which the system was functioning. The Interim Committee had asked the Executive Board to report on its progress on the question of an allocation at the April 1987 meeting. Mr. Sengupta had suggested that the discussion on SDRs should be more broad ranging and should include the future role of the SDR. That issue was addressed in paragraph 8 of the September 1986 communiqué, the final sentence of which requested the Executive Board to continue its discussion of proposals to enhance the contribution of the SDR to the creation and allocation of international liquidity. However, paragraph 8 did not contain a suggestion for a specific date by which further reporting should take place. During the discussion on the Executive Board's work program in November 1986, it was agreed that, given the heavy overall work load in the months up to April 1987, the Executive Board should not cover in that period the question of the future role of the SDR. Therefore, that aspect of the SDR issues had not been included in Item 4 of the provisional agenda.

Responding to a further question on the documentation for the next meeting, the Secretary said that the Managing Director would circulate, as usual, a note to the Interim Committee on the world economic outlook. The staff would prepare that note soon after the Executive Board's coming discussion on the world economic outlook. The note would probably be available on about March 23, 1987. The Executive Board planned to discuss a paper entitled "Considerations Pertaining to a Resumption of SDR Allocations in the Fifth Basic Period" on March 27, 1987, and the Chairman's summing up of that discussion would be the documentation for

the Interim Committee's discussion of Item 4 of the provisional agenda. For that item, the Committee members would also have before them the Chairman's concluding remarks on the discussion on January 12, 1987 on the concept of the long-term global need for reserve supplementation in the current context. The documentation for the Interim Committee's coming discussion on the use of economic indicators in Fund surveillance would include the portion of the Chairman's summing up of the coming world economic outlook discussion that focused on Part IV of the world economic outlook paper. The Committee members would also have before them the Chairman's summing up of the January 14, 1987 discussion on the staff paper entitled "Enhancing the Use of Indicators as a Tool for Surveillance." The documentation for the Committee's discussion on the implementation of the debt strategy would be the Chairman's summing up of the coming discussion on the debt strategy.

Mr. Sengupta considered that it would be helpful to permit each Interim Committee member to be accompanied by one person at the dinner at which the communiqué was examined. Some Committee members would particularly welcome assistance in drafting and in becoming more fully familiar with all the relevant issues.

Mr. Salehkhov noted that some of the Committee members would be attending their first Interim Committee meeting and would therefore welcome the kind of assistance that Mr. Sengupta had described.

The Chairman said that the comments of Executive Directors would be made known to the Chairman of the Interim Committee.

The Executive Board then took the following decision:

The Executive Directors agree to transmit the provisional agenda for the Twenty-Eighth Meeting of the Interim Committee, as set out in EBD/87/71 (3/6/87), to the Chairman of the Interim Committee.

Adopted March 13, 1987

3. ANNUAL MEETINGS - DURATION AND TIMETABLE

The Executive Directors considered a staff paper on the duration and timetable of the Annual Meetings (EBD/87/55, 2/20/87).

The Secretary noted that the Executive Directors of the World Bank had discussed the issues at hand on March 12, 1987. There had been general support among them for the proposal to shorten the duration of the Annual Meetings to three days, ending on the Thursday, and to implement that proposal on the occasion of the 1987 Annual Meetings. A majority of the World Bank Executive Directors favored abolishing the cultural event that was traditionally a part of the Annual Meetings held in Washington, D.C. A number of those Executive Directors had noted that, whenever the Annual

Meetings were held abroad, the host government should have the necessary freedom to hold cultural events as it saw fit. Furthermore, in his summing up, the Chairman of the World Bank Executive Board had said that the decision on the cultural event should not be rigid; the necessary flexibility should continue to be exercised. Finally, although the matter was not specifically raised in the paper before the World Bank Executive Board, there had been strong support among Executive Directors for maintaining the long-standing practice of holding Annual Meetings abroad every third year, provided, of course, that invitations from prospective host governments were forthcoming.

Mr. de Groote said that the proposal to shorten the Annual Meetings to three days was appropriate. He strongly disagreed with the suggestion to eliminate the cultural event. An important reason for that position was that the staff of the Fund and the World Bank were invited to the cultural event but often were not invited to the two other main social occasions. The staff greatly appreciated being invited to the cultural event, which was one of the rare events in which the Managing Director, Executive Board members, Governors, and the staff participated simultaneously. Abolishing the cultural event might well cause some displeasure among the staff. However, it might be appropriate to combine the dinner and reception given by the Chairman of the Board of Governors.

Mr. Nimatallah stated that the proposal to shorten the meetings to three days was welcome. The cultural event should be eliminated. Annual Meetings should continue to be held on an annual basis, but he had an open mind on whether some meetings should be held abroad. In general, he preferred to hold the meetings in Washington, D.C.; he did not have strong views on that matter, although the great expense of meetings abroad was troubling.

Mr. Grosche said that he favored the suggestion to shorten the Annual Meetings. He fully agreed with Mr. de Groote that the cultural event should be maintained.

Mr. Fugmann commented that he was willing to shorten the Annual Meetings to three days on the understanding that the substance of the discussions would not suffer as a result. He had no strong feelings about the proposal to eliminate the cultural event, but he could not accept the proposal to hold the Annual Meetings only every other year. Moreover, the Chairman's dinner and reception should continue to be held separately. Other possible means of reducing the costs associated with the Annual Meetings should be explored. For example, over half of the participants in the Annual Meetings were visitors representing commercial banks, and the banks could be asked to pay the cost of their representatives' participation in the meetings. In addition, in the past, many of the Fund's published documents had been available free of cost to participants in the meeting. In the future, participants should be required to pay for the documents.

Mr. Ortiz stated that the proposal to shorten the Annual Meetings was acceptable. His position on the cultural event was the same as that of Mr. de Groote. He had an open mind on the arrangements for the reception and the dinner.

Mr. Lankester said that he could go along with the suggestion to reduce the period of the Annual Meetings by one day and to eliminate one of the social occasions; he preferred to continue the cultural event.

Mr. Lim considered that the proposals to make the Annual Meetings more efficient were consistent with the Fund's advice to individual member countries to introduce austerity measures where appropriate. Accordingly, he fully supported the proposals to shorten the Annual Meetings and to reduce the number of official social functions. In that connection, first priority should be given to eliminating the Chairman's reception; if further reductions were to be made, the cultural event could be eliminated. The Chairman's reception was essentially a duplication of a number of nonofficial functions held during the Annual Meetings. His authorities attached a higher priority to the official dinner for the Governors.

The Secretary, responding to a question, remarked that Annual Meetings were held abroad at the invitation of the host member country, which arranged all the cultural events for participants in the meetings. When the Annual Meetings took place in Washington, the meetings were in a technical sense hosted by the Fund and the World Bank themselves and, therefore, the institutions organized the appropriate events.

Mr. Zecchini said that he could go along with the proposal to reduce the period of the Annual Meetings. However, it would not be appropriate to eliminate the cultural event. The other two social events could perhaps be streamlined. He strongly supported the idea of continuing to hold every third Annual Meetings abroad in keeping with the Fund's international character.

Mr. McCormack stated that his authorities strongly favored the suggestion to reduce the period of the Annual Meetings to three days. In addition, the meetings should continue to be held on an annual basis, and every third meeting should be held abroad. His position on the suggestion to eliminate the cultural event was the same as Mr. de Groote's.

Mr. Posthumus commented that his position on the proposals was the same as that of Mr. Ortiz, Mr. Grosche, and Mr. de Groote.

Mr. Hospedales remarked that the proposal to shorten the Annual Meetings to three days was acceptable. He agreed with Mr. de Groote that the cultural event in Washington, D.C., should be continued. In addition, the meetings should continue to be held on an annual basis, and every third meeting should continue to be held abroad.

Mr. Salehkhoul said that the suggestion to shorten the period of the Annual Meetings to three days was appropriate. The cultural event as well as the dinner could be eliminated. It was difficult in effect to internationalize such events; classical music was not of great interest to a number of participants in the Annual Meetings. At the same time, the cultural events offered an opportunity to bring participants together, which was one of the purposes of the Annual Meetings. In his view, the Annual Meetings could be held abroad every year, thereby easing the problems of some delegates in coming to the United States.

Mr. Dai stated that he could go along with the proposal to shorten the period of the Annual Meetings by one day. He preferred to keep the cultural event.

Mr. Pineau commented that the proposal to shorten the Annual Meetings to three days was acceptable. He had had some misgivings about the scope and costs of the social and cultural events organized by the Fund and the World Bank during the Annual Meetings. If it was not possible for the institutions to moderate the luxurious nature of the many private social events held during the Annual Meetings, they could at least set an example by maintaining a degree of self-restraint in the events that they sponsored themselves. Hence, he had no difficulty in accepting the suggestion to reduce the number of events to two. He preferred to maintain the cultural event.

Mr. Donoso stated that the proposal to shorten the Annual Meetings to three days was acceptable. The cultural event should be maintained.

Mr. Yamazaki considered that the period of the Annual Meetings should be shortened to three days.

Mr. Sengupta said that his position was the same as that of Mr. de Groote.

Ms. Bush commented that the proposal to shorten the Annual Meetings was acceptable. Savings on administrative and other costs associated with the Annual Meetings would be welcome. While she would not necessarily specify that the cultural event should be discontinued, efforts to cut costs and save in whatever areas were appropriate would be appreciated.

Mr. Finaish considered that the period of the meetings should be shortened to three days and indicated that he could go along with the desire of many of his colleagues to continue the cultural event.

Mr. Hassan commented that the period of the Annual Meeting should be shortened to three days. His position on the cultural and social events was the same as that of Mr. Salehkhoul.

Mr. Nimatallah recalled that on a number of occasions he had suggested examining possible ways in which to reduce the costs associated with the Annual Meetings. In particular, he had noticed that much of the

hotel space that was rented for Annual Meetings in Washington, D.C. seemed to be wasted, as many of the rooms were unoccupied during significant portions of the Annual Meetings. Many of those rooms seemed to be used only once or twice during the whole period. The main reason that was given for reserving so much hotel space was that the staff planned to hold meetings at the hotel with delegations from member countries. However, in practice, there seemed to be no reason why such meetings could not take place in the headquarters building; after all, all the relevant data required to hold such meetings were kept at headquarters, and delegation members spent considerable time at headquarters as a part of their participation in the G-24, Development, and Interim Committee Meetings. The staff should investigate possible ways in which to save costs of meeting space and other expenditure categories associated with the Annual Meetings held in Washington, D.C. and abroad. It might be helpful to rent a smaller amount of hotel space and to develop a schedule for sharing the use of that space among the various departments.

The Chairman remarked that Executive Directors seemed to agree that the period of the Annual Meetings should be shortened to three days, ending on the Thursday. The majority of Executive Directors seemed to wish to continue to hold the cultural event in Washington, D.C. The staff, in consultation with the World Bank, would consider the suggestions that had been made for saving on expenses associated with the Annual Meetings.

The Executive Board then took the following decision:

The Executive Directors approve the proposal set out in EBD/87/55 (2/20/87) to shorten the period of the Annual Meetings to three days, from Tuesday to Thursday, beginning with the 1987 Annual Meetings.

Decision No. 8550-(87/45), adopted
March 13, 1987

APPROVED: October 16, 1987

LEO VAN HOUTVEN
Secretary