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November 14, 1988

To: Members of the Executive Board
From: The Secretary
Subject: Final Minutes of Executive Board Meeting 87/104

The following correction has been made in the final minutes of EBM/87/104 (7/17/87):

Page 32 , line 3: for "Decision No. 8647-(87/104), adopted"
read "Decision No. 8647-(87/104) S/TR, adopted"

A corrected page is attached.

Att: (1)

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will fall due in the near future. The Fund urges Sierra Leone to make full and prompt settlement of the overdue financial obligations to the Fund.

3. The Fund regrets that Sierra Leone has not adopted a program that could result in necessary adjustment.

4. The Fund shall review further Decision No. 8566-(87/61) within a period of three months, taking into account any further developments. Unless by the time of that review Sierra Leone is current in its financial obligations to the Fund in the General Resources Account, the Fund will consider the appropriateness of further steps, including the possibility of declaring Sierra Leone ineligible pursuant to Article XXVI, Section 2(a) to use the general resources of the Fund.

Decision No. 8646-(87/104), adopted
July 17, 1987

Overdue Financial Obligations - Report and Complaint Under
Rule S-1, and Notice of Failure to Settle Trust Fund Obligations

1. On July 2, 1987, the Managing Director submitted a report and complaint to the Executive Board (EBS/87/145), under Rule S-1 of the Fund's Rules and Regulations, setting out the basis on which it appeared to him at that time that Sierra Leone was not fulfilling its obligation under the Articles of Agreement to pay net charges in the SDR Department. In addition, the Managing Director issued a notice of the facts on the basis of which it appeared to him that as of July 2, 1987, Sierra Leone was not fulfilling its obligations under Decision No. 5069-(76/72) with regard to the Trust Fund to repay disbursements and to pay interest under its Trust Fund loans, and pursuant to Decision No. 8165-(85/189) to pay special charges that are overdue to the Trust Fund. These facts and the complaint under Rule S-1 and notice with respect to the Trust Fund were communicated to the authorities of Sierra Leone on July 8, 1987.

2. The Fund regrets the nonobservance by Sierra Leone of its obligations, urges Sierra Leone to resume its observance forthwith, and decides: (a) pursuant to Article XXIII, Section 2(b) of the Articles of Agreement, to suspend the right of Sierra Leone to use SDRs it acquires after the suspension, other than for settlement of financial obligations to the Fund, until such time as Sierra Leone has become current in its obligation to which that provision applies, and (b) if Sierra Leone were otherwise eligible to make use of the general resources of the Fund, to take account of the existence of any overdue obligation to the Trust Fund in considering any request by Sierra Leone for the use of the general resources.

3. The Fund shall review this decision within a period of three months from the date of the decision.

Decision No. 8647-(87/104) S/TR, adopted
July 17, 1987

3. MULTIPLE CURRENCY PRACTICES APPLICABLE SOLELY TO CAPITAL TRANSACTIONS

The Executive Directors considered a staff memorandum on the interpretation, in the context of decisions on the use of Fund resources, of the phrase "multiple currency practices" in respect of capital transactions (SM/87/143, 6/25/87; Sup. 1, 6/29/87; Sup. 2, 7/13/87; and Sup. 3, 7/15/87).

The Deputy General Counsel explained that the Fund had received inquiries from members as to the scope of the reference to multiple currency practices in the text of decisions relating to the use of Fund resources. The staff had considered that as the phrase "multiple currency practice" was expressed in general terms, and in light of the Executive Board deliberations in 1985 on the question of the exercise of the Fund's jurisdiction under Article VIII, Section 3 (EBM/85/23, 2/13/85), the Fund should establish a general rule of interpretation to the effect that the phrase "multiple currency practice," when used in decisions relating to use of the Fund's resources, would not include multiple currency practices that applied solely to capital transactions.

The proposed decision would not be prescriptive but would be interpretive, the Deputy General Counsel continued. Thus, the Board might still decide to include, as a performance criterion in a stand-by arrangement, those multiple currency practices applying solely to capital transactions. The paper did not propose to affect the balance of views reached by the Executive Board in 1985 on the issue of jurisdiction under Article VIII, Section 3. Similarly, there was no attempt to inject a view on the scope of the Fund's authority pursuant to Article IV; the Fund's authority over exchange rate policies, including those applying to capital transactions, would not be affected by the proposed decision.

While the staff was unaware of any country that would be affected at the present time by the proposed decision, apparently certain members were contemplating measures relevant to the decision, the Deputy General Counsel noted.

Mr. Templeman made the following statement:

I recognize that the subject of Fund jurisdiction over capital transactions has a long and complex history. I am also aware that the issue before us today is, on the surface, a narrow one involving interpretation of the standard multiple currency practice clause in stand-by and extended arrangements. But important matters of principle and precedent are involved.