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January 14, 1988

To: Members of the Executive Board
From: The Secretary
Subject: Final Minutes of Executive Board Meeting 87/100

The following corrections have been made in the final minutes of EBM/87/100 (7/8/87):

Page 1: the name of an Executive Director was inadvertently omitted

Page 20, last para., lines 3 and 4: for "circumstances within...the country."
read "circumstances."

Corrected pages are attached.

Att: (2)

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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 87/100

3:00 p.m., July 8, 1987

M. Camdessus, Chairman

Executive Directors

J. de Groote

M. Finaish

J. E. Ismael

M. Massé

Y. A. Nimatallah

J. Ovi

H. Ploix

G. Salehkhoul

S. Zecchini

Alternate Executive Directors

P. E. Archibong, Temporary
Jiang H.

M. Lundsager, Temporary

M. Hepp, Temporary

B. Goos

J. E. Zeas, Temporary

S. King, Temporary

D. A. Woodward, Temporary

D. McCormack

C. V. Santos

V. J. Fernandez, Temporary

C. Noriega, Temporary

M. Fogelholm

J. de Beaufort Wijnholds

I. Sliper, Temporary

M. A. Hammoudi, Temporary

L. E. N. Fernando

T. Morita, Temporary

N. Kyriazidis

L. Van Houtven, Secretary and Counsellor

B. J. Owen, Assistant

1. Grenada - 1987 Article IV Consultation Page 3
2. Article IV Consultation Procedures - Change in Cycle,
Including Initiation of Bi-Cycle and Simplified
Interim Procedure Page 12
3. Executive Board Travel Page 29

Corrected: 1/14/88

Also Present

IBRD: S. Voyadzis, Latin America and Caribbean Regional Office. African Department: R. J. Bhatia, Deputy Director; G. E. Gondwe, Deputy Director. Asian Department: W. M. Tilakaratna. European Department: L. J. Lipschitz, T. H. Mayer. Exchange and Trade Relations Department: W. A. Beveridge, Deputy Director; J. T. Boorman, Deputy Director; G. Bélanger, S. Kanasa-Thanan, R. L. Sheehy. External Relations Department: P. E. Gleason. Legal Department: F. P. Gianviti, Director; W. E. Holder, Deputy General Counsel; H. Elizalde, A. O. Liuksila, J. K. Oh. Secretary's Department: C. Brachet, Deputy Secretary; J. W. Lang, Jr., Deputy Secretary; A. P. Bhagwat, G. Djeddaoui. Western Hemisphere Department: M. Caiola, Deputy Director; J.-P. Anselle, A. C. A. R. Furtado, J. P. Guzman, H. Shibuya, J. E. Sundgren, S. J. Stephens, K. Thugge, G. Yadav, S. J. Ye. Personal Assistant to the Managing Director: R. M. G. Brown. Advisors to Executive Directors: A. Bertuch-Samuels, G. D. Hodgson, G. Pineau, I. Puro, D. C. Templeman. Assistants to Executive Directors: A. R. Al-Abdullatif, F. E. R. Alfiler, O. S.-M. Bethel, S. K. Fayyad, S. Guribye, K.-H. Kleine, V. K. Malhotra, J. K. Orleans-Lindsay, L. M. Piantini, S. Raoui, S. Rebecchini, G. Schurr, G. Seyler.

to the member or to the Fund. The fact that under this option the decision of the Executive Board would be a procedural one only, and that the Executive Board would not be deemed to have approved the conclusions drawn by the staff in its appraisal is somewhat comforting, although the lack of such approval may create an undesirable and unintentional negative impression for the member concerned. In this connection, I wonder whether the staff considers that there are any legal implications under this option for the member or the Executive Board resulting from "nonapproval" of the text of the staff appraisal and its conclusions. Another disadvantage of choosing this option is the required amendment envisaged by the staff to paragraph II of the existing procedures for surveillance, which in my view could only further complicate procedures.

With respect to the third option, whereby the staff report covering consultation discussions with a member would be circulated to the Executive Directors for their "information" only and not for their consideration, and which involves the adoption of no decision, once again I wonder what the possible legal implications are. It appears to me that since the Executive Board is not in any way involved in this type of interim consultation, it should accordingly be absolved of any and all legal or other responsibilities. This is also in accordance with Article IV, as well as paragraph II of the procedures for surveillance, which explicitly stipulate that "a consultation under Article IV is not completed until conclusions are reached by the Executive Board." The member too should not be held responsible for any legal implications resulting from the staff report and its conclusions, because the report has not been "considered" by the Executive Board.

In view of this and earlier remarks, I fail to see the logic of any special emphasis the staff seems to attach, on page 4 of SM/87/139, to the responsibility of members of the Executive Board to request a discussion if it is felt that substantive issues need to be brought to the attention of the Board. This responsibility applies equally to whatever other issues, besides the interim consultation, the Executive Directors may feel are within their range of responsibilities as officers of the institution.

It should also be noted that given the relatively large size of the Fund's membership, Executive Directors cannot show equal interest in all individual members by expressing formal views. Furthermore, the issues involved in individual interim consultations may not be of direct interest or relevance to the issues involved in members of some other constituencies, in turn diminishing the likelihood of many Directors requesting formal meetings on staff reports on certain other members. However, should there be a formal Board meeting, as under current procedures, some Directors may find it necessary during the course of

their deliberations to express views on certain issues that may surface, especially those with possible legal implications which may indirectly affect one or more members of their constituencies. Clearly, such opportunities are nonexistent in the case of those items not formally taken up for discussion in the Executive Board.

Although I may appear rather negative about the options presented, my remarks should in no way be interpreted as a lack of interest on my part in a reduction in the work load of the Board as well as of management and staff. I have difficulty in agreeing to any procedure having legal implications for the Executive Board--or the membership--without providing the opportunity of active involvement. At the same time, I wish to reiterate my earlier proposals regarding the reduction of the frequency of consultations, as well as of Executive Board meetings to two rather than three days a week in normal times, it being understood that the Chairman can call for as many formal and informal meetings of the Board every week, including weekends and official holidays, as he deems necessary for the smooth conduct of the Fund's day-to-day operation.

As I have previously maintained, there should be nothing sacrosanct about the annual periodicity of consultations, especially in view of the flexibility the Board has shown in recent years regarding the duration of such periodicity, as well as the Managing Director's prerogative in invoking supplemental surveillance procedures should the circumstances so warrant. In that sense, I can fully support the proposal to move all members currently under the 18-month cycle to the two-year cycle. Moreover, inclusion of more of the less controversial policy and small country items in the agenda of single meetings of the Executive Board would go a long way toward reducing the time and work load of the Executive Board.

Finally, as for consultations with the Islamic Republic of Iran, the Fund has justifiably refrained from pressing the country on the issue in light of prevailing circumstances. On their part, the authorities have on occasion volunteered to invite staff missions to discuss the latest developments to the extent possible. The most recent of such missions resulted in a Board discussion of the newly introduced Islamic banking system throughout the country. Further such missions are presently being contemplated by the authorities. I should, however, wish to caution the Executive Board against putting undue emphasis on this issue which, given prevailing regional circumstances, may create wrong impressions. Accordingly, my authorities do not see any justification for reversing the current policy by way of examining possible courses of action in this regard as suggested by the staff on page 2 of Supplement 2 to SM/87/117.