

February 1, 1990 - 90/30

Statement by Staff Representative at  
Executive Board Informal Session 90/6  
February 2, 1990

The staff has been requested to prepare a list of amendments to the Articles of Agreement that would need to be considered under the proposal presented by Mr. Dawson (Buff 90/24). It should be emphasised that this list is based on our understanding of the proposals outlined in the statement and that a more precise analysis would be subject to further clarification of the proposals. Moreover, the establishment of new mechanisms by amendment may have consequential effects on provisions of the Articles which have not been listed. The following initial response is given with this general caveat.

1. Page 4: "suspension of the country's voting rights and representation on the Board of Governors, Interim Committee and Executive Board".

To be addressed in a separate note.

2. Page 4: progressive reduction of "quota and voting power, with procedures for compulsory withdrawal initiated when quota and voting power has been reduced to zero".

Quota reduction is subject to the member's consent under Article III, Section 2(d). That provision is protected under Article XXVIII(b)(ii) (unanimity for amendment). In addition, amendments to withdrawal procedures under Article XXVI, Section 2 and provisions on votes in Article XII, Section 5 would be required.

3. Page 6: "... gold swaps at par might be undertaken as a means of generating income producing resources".

While the Fund has the power to sell gold under specified conditions (Article V, Section 12), it has no authority to enter into gold "swaps" (sale and repurchase).

4. Page 6: "... the member in arrears should forfeit its rights under the Articles of Agreement to any future distributions of gold or gold sales profits as well as its residual claims on a portion of the IMF's gold in the event of liquidation."

The envisaged mechanism would require amendments to Article V, Sections 12(e) and 12(f)(iii) and Schedule K, paragraph 2. Moreover, it should be noted that gold subscribed by the member is in the ownership of the Fund.

5. Page 6: "... the country should be required to replenish the IMF's gold holdings when its arrears are cleared in order to restore its voting privileges in the Fund".

The proposal is a subsequent step to the proposed reduction of voting power noted above. The Fund does not have the power to accept gold for the proposed "replenishment".

6. Page 6: Additional resources generated through extended burdensharing "could be combined with any resources from gold mobilisation to reduce arrears of countries which successfully implement the Fund monitored program".

In order to assess whether an amendment would be required for the intended use of the resources, further clarification of the proposal would be needed. Burden-shared amounts derived from charges and remuneration generate income for the Fund in the General Resources Account and its use would be confined to the possible uses of such resources under the rules for the General Resources Account.