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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 90/54

10:00 a.m., April 6, 1990

R. D. Erb, Acting Chairman

Executive Directors

E. T. El Kogali

J. E. Ismael

Mwakani Samba

Alternate Executive Directors

L. E. N. Fernando
C. Enoch
G. C. Noonan
Zhang Z.
G. S. Warner
J. Prader
L. B. Monyake
G. Y. Legg, Temporary
P. O. Montorfano, Temporary
G. Garcia, Temporary
N. Kyriazidis
A. M. Othman
I. H. Thorláksson
M. A. Hammoudi, Temporary
B. Goos

G. Bindley-Taylor, Temporary
J.-F. Cirelli

M. Al-Jasser
G. P. J. Hogeweg
S. Yoshikuni

L. Van Houtven, Secretary and Counsellor
M. Primorac, Assistant

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Also Present

IBRD: J. Adams, Africa Regional Office. African Department: M. Touré, Counsellor and Director; G. E. Gondwe, Deputy Director; M. J. Ellyne, J. M. Jimenez, P. M. Young. Exchange and Trade Relations Department: T. Leddy, Deputy Director; A. Basu, H. J. G. Trines. Fiscal Affairs Department: K. M. Miranda. Legal Department: A. O. Liuksila. Advisors to Executive Directors: J. O. Aderibigbe, M. A. Ahmed, M. Eran, A. Gronn, S. P. Shrestha. Assistants to Executive Directors: H. E. Codrington, B. R. Fuleihan, J. Heywood, J. K. Orleans-Lindsay, H.-J. Scheid, G. Serre.

1. NIGERIA - REVIEW UNDER STAND-BY ARRANGEMENT, AND EXCHANGE SYSTEM

The Executive Directors considered the staff report for the second review under the 18-month stand-by arrangement for Nigeria approved on February 3, 1989 (EBS/90/45, 3/14/90).

Mr. Monyake made the following statement:

My Nigerian authorities would like me to convey their appreciation to the staff for its comprehensive and balanced report, which reflects the sense of discussions held in Lagos and Washington between December 1989 and February 1990. Since my authorities concur with the thrust of the staff analysis and appraisal, this statement will only highlight a few issues for emphasis.

Nigeria has demonstrated its strong commitment to policy implementation under the current program, which ends in April 1990. As illustrated in Table 1 of the report, all the quantitative performance criteria established for March, August, October, and December 1989 were observed, with the exception of the requirement on the elimination of external payment arrears and the introduction of a multiple currency practice in December.

Accumulation of payment arrears was due to delays in reconciling outstanding debts, concluding bilateral agreements with members of Paris Club of creditors, and initiating negotiations with other non-Paris Club of official creditors. However, in order to facilitate the immediate settlement of these arrears, when the debt data are finally reconciled and all bilateral agreements signed, adequate resources have been accumulated in escrow accounts established for this purpose with the Bank of England. The authorities have emphasized that the cause of delays is not entirely theirs and that every effort is being made on Nigeria's side to facilitate early reconciliation of these claims and conclusion of outstanding bilateral agreements.

The multiple currency practice arises from the operations of Bureaux de Change, which came into existence during the last quarter of 1989. As the staff has well explained and as I indicated in my statement to the Board during the last review under this arrangement on September 11, 1989 (EBM/89/122), these institutions have been established to reduce the impact of the parallel market and expedite the unification of both official and parallel market rates of exchange. I am happy to report that there are positive indications that these objectives are being realized as the margin between the official auction and parallel market rates narrowed markedly from 53 percent during the first half of 1989 to 17 percent in February 1990.

The successful implementation of structural adjustment measures in 1989, assisted by favorable developments in the international oil market, has led to the achievement of most of the program objectives. Principally, real GDP growth was estimated at 4.7 percent in 1989, compared with 3.8 percent in 1988 and the program target of 3.0 percent. Gross external reserves rose substantially--exceeding the \$200 million program target, and in line with the contingency provision in the program, more than \$600 million was accumulated in a stabilization account established in respect of the unanticipated increase in oil export earnings. Considerable reductions have also been achieved in the fiscal and current account deficits expressed as a percentage of GDP.

However, inflationary pressures intensified. At 40.9 percent, the inflation rate in 1989 was substantially higher than both the program target for the year and the rate attained in 1988. The general upward movement in prices, which accelerated during the first half of the year, was attributable largely to the liquidity overhang in the economy, the precipitous depreciation of the naira--which increased production costs, and supply shortages of essential consumer items.

To address the problem, monetary and fiscal measures were further tightened during the second half of the year, primarily to mop up excess liquidity in the economy and curb excessive credit and monetary expansion. Additional monetary measures taken included: (i) raising reserve ratios for commercial and merchant banks, (ii) prohibiting the use of foreign currency deposits and guarantees as collateral for naira loans, and (iii) mandatory transfer of public sector deposits from banks to the Central Bank. The positive impact of these various measures, assisted by improved agricultural output and restrained income policies, resulted in a considerable moderation of domestic price increases during the second half of the year, but the rate remained unacceptably high.

In order to ease pressure in the foreign exchange market, official funding of the auction market was increased. This in addition to the reduction in domestic liquidity led to an appreciation of the naira in the parallel market and the narrowing of the margin between the official and parallel market rates of exchange.

In 1990, the stance of macroeconomic policies has continued to be supportive of structural adjustment and stabilization objectives within the policy framework of the current stand-by arrangement. In order to achieve an inflation target of 20 percent for 1990 fiscal and monetary policies have remained generally restrictive. Notwithstanding the increasing demand on federal

restrictive. Notwithstanding the increasing demand on federal government resources and the sharp reduction in its share of the Federation Account, the fiscal deficit on a commitment basis is targeted to fall to 6.1 percent of GDP from the 6.8 percent achieved in 1989, with financing by the banking system targeted to decline to 0.7 percent of GDP from 1.5 percent in 1989. If revenue exceeds the program estimates a contingency clause in the program provides that part of the excess will be used to further reduce government borrowing from the banking system. Besides, expenditure authorizations will be issued to government departments strictly on the basis of anticipated quarterly revenue receipts. A major part of the efforts to contain expenditure growth includes the ongoing reforms of public sector enterprises. Significant progress has been achieved with respect to the privatization and commercialization policy.

The growth in broad money and aggregate credit is limited to 15 percent and 20 percent, respectively. The reduction in the rate of bank credit expansion to government has allowed the lifting of the growth target of private sector credit from 10 percent to 18 percent to accommodate anticipated expansion in the private sector activity. Interest rate policy continues to be flexible and the determination of deposit and lending rates is left entirely to market forces. The treasury bills auction system was adopted in November 1989 and the issue rate has since risen from 11 percent to 18 percent. Comparable increases have occurred in the deposit and lending rates most of which have become positive in real terms. The authorities recognize that direct quantitative ceiling on credit growth is inconsistent with the policy of interest rate deregulation and are therefore, in consultation with the staff, working toward the adoption of indirect tools of credit control. This will be accompanied by the ongoing initiative, with the World Bank's assistance, to institute comprehensive structural reforms in the banking system. Supervision and monitoring of banks will consequently be stepped up to achieve improved performance in the sector.

External sector performance continues to be heavily dependent on developments in the oil sector. For example, the rise in export receipts from \$7.4 billion in 1988 to \$10.1 billion in 1989, which helped to narrow the current account deficits, was accounted for entirely by increased oil export receipts. The volume of non-oil exports rose in 1989 but earnings from this source, which amounted to \$894 million, were lower than the program target of \$1.1 billion. The situation reflected mainly the sharp price declines of Nigeria's major non-oil exports. A major concern was the large shortfall in net capital inflows. Only about one half of the anticipated \$1 billion balance of payments support for 1989 was received during the year. As the

staff has rightly observed, the basic thrust of the 1989 program would not have been met without the higher oil earnings.

The vulnerability of the external sector in the medium term continues to be a major source of concern to my Nigerian authorities, in particular the uncertainty of balance of payments support flows to fill the projected external financing gaps. The problem is further compounded by Nigeria's heavy debt burden. Most of the available resources are used in servicing debt and except adequate and timely relief is received, the growth targets might not be realized. Directors will note that the staff report's central scenario for 1990 shows that even if the oil sector performance remains strong, foreign exchange requirements to meet increased investments for sustainable growth and to service the country's debt would result in an overall balance of payments financing gap of \$5.3 billion (before exceptional financing). The gap would decline to \$2.7 billion after taking into account the relief from ongoing rescheduling agreements with the London and Paris Clubs and the pledges by donor countries to Nigeria in November 1989. The financing gap would widen to \$3.2 billion if a higher growth rate is assumed and would remain persistently high throughout the 1990s, particularly in 1995 when payments on debts rescheduled in 1989 would start falling due. There is, therefore, clearly a need for Nigeria to receive further concessional assistance from official creditors and to benefit from debt and debt-service reductions with commercial banks to keep its adjustment efforts on course. As things are now, Nigeria is facing an unbearable debt burden, which could absorb as much as 60.8 percent of its export earnings in 1990, an amount that represents 146.7 percent of federal government retained revenue.

The Nigerian authorities have given their assurances to remain strongly committed to the adjustment and economic restructuring efforts. They would like to express their appreciation for support already received from some creditor countries, the Fund and the World Bank, while appealing for early disbursement of new and outstanding pledges.

Extending his remarks, Mr. Monyake indicated that while the high rate of interest that had emerged from interest rate deregulation had stimulated increased financial savings, the existing lending rates were prohibitive and had discouraged new investments and raised production costs generally. That had formed an important cost element in the current high rate of inflation. The removal of the quantitative credit ceilings could stimulate increased competition in the financial system and eventually result in the lowering of lending rates.

Contrary to the impression created in the staff report, Mr. Monyake said, the Bureaux de Change in Nigeria were not limited to only currency transactions. They were also allowed to encash travelers checks. They had no access to official funds in the auction market and their source of funds was limited to private holdings of foreign exchange.

He had just learned from his Nigerian authorities that considerable progress had been made in their negotiations with members of non-Paris Club creditors on debt rescheduling and settlement of outstanding arrears, Mr. Monyake stated. In fact, agreements had been signed with Hungary, Singapore, and India, while discussions with the Soviet Union were at an advanced stage.

The medium-term outlook of the Nigerian economy remained precarious and unless the authorities received external assistance on concessional terms, the prospect of an immediate growth in per capita income was bleak, Mr. Monyake commented. It had to be recognized that Nigeria was a low-income country and should be treated as such. Not only should Nigeria be accorded Toronto terms but it was also eligible for the enhanced structural adjustment facility.

Mr. Mwakani made the following statement:

The Nigerian authorities are to be commended for their continued good performance under the current stand-by arrangement. They have shown a strong commitment to their stabilization and reform program, first, by not yielding to the resistance from interest groups, and second, by swiftly adapting their policies to rapidly changing circumstances. Thanks in part to the authorities' own efforts and the favorable external environment, the economy is now in a better shape than it was in 1988.

Real GDP growth outpaced the rate recorded in 1988, the overall budgetary deficit of the Federal Government, on a commitment basis, was reduced by more than 3 percentage points of GDP, and the external current account deficit narrowed significantly, falling from 6.5 percent of GDP in 1988 to 3.6 percent of GDP in 1989. This latter outcome is even more impressive when compared with the 9.5 percent of GDP envisaged under the program. Moreover, gross official reserves increased substantially, representing about three months' worth of imports, up from the low level of 0.7 months of imports recorded in 1988. Even on the inflation front, where performance in the first half of 1989 was disappointing, recent information indicates that inflationary pressures have abated: the monthly average of 9.2 percent recorded during the first half of the year has sharply decelerated to just under 1 percent in the second half of 1989.

Since the current stand-by arrangement is near expiration, I will confine the rest of my statement to a few remarks on the content and the format of the Fund's continued support to the Nigerian authorities' ongoing adjustment efforts.

First, in view of the substantial progress achieved under the stabilization and reform program, a follow-up Fund-supported program should be essentially growth oriented with measures that would enable the Nigerian economy to realize its full potential. This is all the more necessary if Nigeria is to start recouping some of the losses incurred in the 1980s in terms of per capita income. This past decade has witnessed a dramatic fall in the standards of living of the Nigerian people, with per capita income shrinking from \$1,093 in 1981 to only \$263 in 1989. It is, therefore, not surprising that the current program encountered some opposition at the beginning of its implementation. In this context, the authorities' efforts to shield the vulnerable segments of the population are commendable, and we welcome the measures taken to that effect. However, in view of the magnitude of the needs and the budgetary resource constraints, these measures can only be transitory and will necessarily have a limited impact. A more durable solution lies in a strong growth of the economy on a sustainable basis that could benefit the population at large. We would therefore like to see the staff work with a more growth-oriented scenario than the central scenario described in the staff report. We are well aware of the financing requirements of such a scenario and would urge both bilateral creditors and commercial banks to provide more concessional debt relief and explore innovative debt and debt-service reduction schemes for Nigeria. This brings me to my second point.

A new program for Nigeria should incorporate debt and debt-service reduction operations that could lead to a significant reduction in Nigeria's debt burden. The debt overhang in Nigeria is such that it appears to have become one of the major obstacles to economic growth. Indeed, I note that in 1989, even after rescheduling, the Nigerian authorities had to devote 63 percent of federal budgetary revenues to service their external debt. For 1990, the debt service before rescheduling is expected to claim about 147 percent of federal budgetary revenues and about 61 percent of exports of goods and services. We share the Nigerian authorities' deep concern about this issue and sympathize with their request for a rescheduling from official creditors on "Toronto terms." The extremely heavy debt burden and the relatively low per capita income are, in our view, a reasonable basis for such a request.

Third, the Fund's assistance should be framed in a medium-term context in the form of an arrangement under the extended Fund

facility. Apart from being an appropriate vehicle for debt and debt-service reduction operations on a meaningful scale, an extended Fund facility arrangement would have the advantage of providing the much-needed medium-term framework for the implementation of the authorities' fiscal and monetary policies. In the report, the staff has referred to, and regretted, the fact that the ad hoc policy changes were adopted at the expense of longer-term structural changes. An economic and financial program under the extended Fund facility would certainly give the Nigerian authorities the framework to implement their policies.

Finally, the program should have a strong anti-inflationary content. While the developments in the second half of 1989 are encouraging, the rate of inflation still remains high. As the staff indicated in the paper, the acceleration of inflation was responsible for the erosion of domestic support for the program. If such support were to be strengthened and broadened, the rate of inflation would have to decelerate further. In this regard, we welcome the efforts to reduce the inflationary impact of monetary financing of the budget as envisaged under the 1990 fiscal program and the authorities' readiness to allocate additional revenues to deficit reduction.

These are some of the elements that we think should be included in the follow-up program contemplated in the last paragraph of the Nigerian authorities' letter of March 5, 1990 to you. We support the proposed decisions.

Mr. Enoch made the following statement:

The staff argues that the authorities "deserve substantial credit" for their management of the economy in 1989, in the face of rapidly changing circumstances. This judgment seems appropriate given the significant progress made over the last year toward restoring domestic macroeconomic equilibrium, after the misguided attempt to reflate the economy in 1988.

Most notably, the authorities have stuck firmly to the tight monetary framework of the program. As a result, inflation has begun to fall, while interest rates have risen to levels that are positive in real terms. In addition, the authorities have regained a measure of control over the fiscal position, despite mounting pressure for increased social expenditures and the impact of substantial external debt-service payments, which, in 1989, absorbed nearly two thirds of the Federal Government's revenue. Furthermore, this tightening of macroeconomic policy has been accompanied by a welcome rise in domestic output. While the oil sector benefited significantly from improved export prices, there

was also an encouraging growth in the non-oil sector, in part attributable to the structural reforms that the authorities have implemented in recent years.

However, if the authorities have made a good start in their efforts to reverse Nigeria's decade-long economic decline, it is clear that, for the present, the economy remains weak and fragile. As the staff notes, Nigeria has joined the ranks of the very poorest countries in the world. Economic prospects are overshadowed by the legacy of years of financial mismanagement--a crushing external debt burden, a dilapidated economic infrastructure, and a continuing excessive dependence on oil. Moreover, economic management in Nigeria has been further complicated by the country's rapid population growth rate. In these circumstances, it is clear that the authorities have very little room for maneuver and no room for complacency.

At the time of the first review of the program, the most pressing issue confronting the authorities was the need to reduce the wide differential between the official and parallel market exchange rates. It is therefore reassuring to hear that this differential has indeed continued to narrow, reflecting the tightness of monetary policy and the introduction of the Bureaux de Change system.

Nevertheless, the continuing overvaluation of the official rate and the burst of inflation in 1989 have led to an unwelcome appreciation of the real exchange rate over the last year, a development that Nigeria can ill afford, given the need to diversify the country's productive base. Partly as a result, non-oil export performance fell considerably short of expectations in the first year of the program. This underlines the importance of an early unification of the two exchange markets. It also suggests that the current restrictions on agricultural exports should be reconsidered.

Nigeria's overall balance of payments position was greatly helped in 1989 by the strength of world oil prices. Indeed, petroleum export receipts turned out to be over \$3 billion higher than the program originally envisaged. I would be grateful for some clarification from the staff of how these additional receipts were used. Under the original program, the bulk of any additional receipts were to be used to build up foreign exchange reserves. However, although perhaps \$2 billion were raised from the sale of equity by the Nigerian National Petroleum Corporation (NNPC), and as I have said, oil revenues were substantially higher than projected, reserves accumulation in 1989 was only \$1 billion greater than originally projected, of which roughly half was put in escrow pending a reconciliation of the debt stock figures. Mr. Monyake

suggests some of the shortfall comes from lower than expected capital inflows. But it is important that the Board have a clear overall picture of how the revenue windfall, which may have amounted to nearly 15 percent of GDP, has been used. I would welcome staff clarification.

To help sterilize the monetary impact of the surge in oil revenues, the authorities prudently placed N 4.7 billion in a stabilization account held in the Central Bank. I was surprised to learn that the staff now seems to have redefined this stabilization account as a contingency reserve for external debt payments. My understanding was that the stabilization account was quite separate from the two escrow accounts set up last year to meet payments to the Paris Club. Indeed, this interpretation appears to be confirmed by the authorities' own economic memorandum. Again, some clarification from the staff would be welcome.

Turning now to the budget for 1990, it is clear that the authorities have found it very difficult to maintain the momentum of fiscal adjustment established last year. Part of the problem lies in the reduced share of revenues accruing to the Federal Government, which has not been matched by an equivalent transfer of spending responsibilities. This is a sensitive issue. However, there would seem to be a strong case for a rationalization of the financial relationship between federal and state governments.

In addition, I would appreciate a more detailed comment from the staff on the overall fiscal position of the state governments. For 1990, the lower levels of government appear to be receiving not only a greater share of the Federation Account but also a higher level of bank credit. Indeed, additional information on the financial position of the public enterprise sector would further contribute to a clearer understanding of the consolidated public sector's financial balance. I would also value an update on how the authorities' ambitious privatization program is progressing. Will this provide any revenue for the budget in 1990?

Despite the measures taken by the authorities to rein in government spending and notwithstanding the buoyancy of petroleum receipts, the federal government deficit is unlikely to be much lower in 1990 than it was last year. Moreover, while the staff points to a reduced recourse to bank financing of the deficit, it appears that this had been made possible only by running down part of the stabilization account built up in 1989. This presumably would have similar monetary implications to conventional bank financing. Indeed, perhaps the most striking point to emerge from Table 4 is the projected falloff in nonbank financing. Could the staff explain why this is expected?

If faster progress is to be made on fiscal consolidation, it is clear that an increase in non-oil revenue may hold the key. Nevertheless, there is also considerable scope for reducing the subsidy on gasoline--a subsidy that amounts to roughly 5 percent of GDP and which has kept gasoline prices below 10 cents per liter despite the recent 50 percent increase in price. I would be interested to know whether the staff has any feel for the amount of cheap Nigerian petrol that finds its way across the country's borders.

The staff is right to underline the enormous debt problem confronting the Nigerian economy. Some \$5 billion of this debt is in the hands of the commercial banks, and I note that the authorities intend to open negotiations with the banks on a possible debt reduction package during the course of this year. Perhaps the staff could comment on how the first round of discussions went and what the prospects are for an early agreement. I would also be interested to hear how much debt has already been retired under the authorities' continuing debt-conversion program.

In the meantime, the authorities must press ahead with their adjustment program, keeping a firm lid on inflation and strengthening recent efforts to liberalize the economy.

More generally, Nigeria would benefit substantially from the medium-term orientation and concessionality of an enhanced structural adjustment facility program. In this context I should stress that my authorities firmly believe that Nigeria meets all the criteria for enhanced structural adjustment facility eligibility. With a strong enhanced structural adjustment facility program in place, there is every prospect that Nigeria's return to democracy will be accompanied by a gradual brightening of the country's economic outlook--a development that can only be of benefit to the region as a whole.

I can support the proposed decisions, including the waivers.

Mr. Warner made the following statement:

We welcome Nigeria's continued adjustment under the stand-by arrangement. As we are in general agreement with the staff's analysis and recommendations, I will only make a few brief points.

We share the concerns of the staff and other Directors about the acceleration of inflation during 1989. This is not conducive to the increased savings and investment needed to develop the non-oil sectors of the Nigerian economy, and as the staff report points out, heightened inflationary pressures have complicated an

already difficult budgetary situation and undermined public support for the program. Thus, we welcome the additional measures taken during the course of the year to reduce domestic credit expansion and monetary growth. *The Government's efforts to contain the fiscal deficit and control wages have also been helpful.* It is encouraging to note that by the end of the year, these efforts were bearing fruit and inflation had declined significantly from earlier levels. However, inflation is still quite high, and the authorities will need to pursue appropriately restrictive monetary and fiscal policies in order to bring inflation down to a sustainable level.

The 1990 fiscal program appears headed in the right direction. We welcome the authorities' intention to review developments on a monthly basis and allocate expenditures on a quarterly basis, in line with the revenue projections for the following quarter, as was done last year. This system seems to have been very useful in maintaining fiscal discipline in the short term. We agree with the staff, however, about the need to develop a medium-term framework for implementing fiscal policy. In this connection, we note that considerably more needs to be done to reduce domestic price subsidies, beyond the recent increase in gasoline prices for commercial users, both for immediate budgetary reasons and for the longer-term success of the structural adjustment program. In addition, we would encourage the authorities to examine ways to increase non-oil revenues.

With regard to monetary and credit policies, we welcome the fact that, with lower inflation, most interest rates are now positive in real terms. The negative real interest rates that apply to savings deposits seem to be at least partly due to the existence of credit ceilings, which limit banks' desire to compete for more deposits. This, in turn, points to the need for banking reform so that the authorities will be in a position to move to a system of indirect monetary control.

Nigeria's external situation is quite difficult, especially in view of the high level of debt outstanding, and the staff points out that "substantial debt relief" will be needed. We believe that Nigeria is a potential candidate for debt and debt-service reduction under the debt strategy. We would therefore encourage Nigeria to continue its talks with commercial banks and encourage the Fund and the Bank to consider the availability of resources in their future programs. We would also urge the Fund to have early and full consultations with the Paris Club about the role of official creditors in filling future financing gaps. On a related matter, we hope that the process of reconciling debt data will go smoothly and that bilateral agreements with official creditors will be concluded promptly. As progress is being made in

this direction, we can support the proposed waiver of the performance criterion on the elimination of arrears on debt and debt service.

Finally, with regard to the operations of the Bureaux de Change, we do not condone multiple currency practices. However, we are willing to grant temporary approval in this case, since these operations appear to be a useful step in unifying the exchange rate.

Mr. Cirelli made the following statement:

Like previous speakers, I would like to commend the authorities for the progress already achieved and for having responded promptly to changing circumstances in order to keep the program on track.

The implementation of macroeconomic and structural adjustment measures, supported by more favorable than expected developments in the international oil market, has led to the achievement of most of the program's objectives. Real GDP growth has been above the program target and the fiscal and current account deficit has been significantly reduced. Gross external reserves rose substantially and the spread between the official and the parallel exchange rates narrowed. However, insufficient progress has been registered in the field of inflation despite recent favorable developments, and this remains a cause of concern.

Since I am in broad agreement with the thrust of the staff report, I will focus my comments on a few specific points.

As regards developments in 1989, the main finding of the program is the importance played by the increase in oil receipts. The performance of Nigeria's economy still relies heavily on the oil sector. In the medium-term outlook of the economy, the persistence of wide financing gaps and the uncertainty of oil markets clearly demonstrate the necessity to keep up the momentum of the adjustment process and underline the urgency to undertake without delay the medium-term set of policy reforms backed by the World Bank aimed at diversifying durably the production base of the economy. Another source of concern is the decline of investment productivity begun several years ago. This trend should be reversed promptly.

The fiscal program for 1990 will reinforce stabilization policies and reduce domestic imbalances. We agree with the staff that it is time to embark on a comprehensive set of structural

measures aimed at improving the whole budgetary process, since further programs in fiscal consolidation are undoubtedly needed in Nigeria.

The third point is related to the balance of payments developments. Its financing has been substantially modified vis-à-vis the initial assumptions owing to the increase of oil receipts, the accumulation of arrears, and lower than expected flows of quick disbursing external assistance. In such an unstable environment, it is necessary to ensure more transparency on financial flows. In this respect, the sale of equity in oil fields by the NNPC indicated in the footnote of the balance of payments table (Table 3) should have played a role in providing external support to the balance of payments. Could the staff further elaborate on this and indicate the amount that was at stake and what was its use?

In the short term, Nigeria's prospects will critically depend upon the world oil markets and on how efficiently the expected surge in oil receipts is utilized toward the reinforcement of balance of payments viability, including the settlement of remaining external arrears. We urge the authorities to sign without delay the bilateral agreement still pending. My authorities are concerned about the arrears vis-à-vis the Paris Club at a time when international reserves have been sharply increased, overshooting the program target. Let me reiterate that we attach great importance to equal treatment among different creditors in the repayment of debt obligations. Since the financing gap for 1990 is estimated to be \$2.7 billion, we would appreciate some comments from the staff on the way to fill that gap. What are the authorities' intentions regarding a further Paris Club rescheduling?

Finally, Nigeria's debt has put a severe strain on medium-term prospects. In this respect, we welcome the discussion held in March with commercial banks aiming at considering debt-reduction operations. Some comments from the staff on the prospects of these discussions should be very helpful.

We support the proposed decisions.

Mr. Al-Jasser made the following statement:

The experience of the Nigerian economy in the 1970s and early 1980s represents a classic case of "deindustrialization" or the "Dutch disease." The increase in the price of its principal export commodity, oil, led to a substantial expansion of an inefficient public sector, and resulted in an overvaluation of the

exchange rate. Consequently, while the nontrading sector absorbed a considerable proportion of resources, the productive non-oil tradable sector rapidly contracted, rendering Nigeria heavily dependent on imports.

With the subsequent collapse of the oil market, one would generally expect a reversal of the Dutch disease symptoms. However, such a reversal is dependent on the existence of flexibility within the economy, and on the absence of distortionary macro-economic policies and administered controls, which unfortunately prevailed in Nigeria during most of the previous decade.

It is in this context that we have welcomed the authorities' impressive structural adjustment effort and their unwavering commitment to economic reform. It is reassuring to note that the authorities substantially tightened the adjustment program, despite the increasingly difficult domestic situation. Indeed, the drastic tightening of monetary policy has succeeded in reducing inflationary pressures. Furthermore, the authorities' consolidation of public finances beyond the target set by the program, while providing additional funding for social purposes, in particular to poverty alleviation programs, is heartening. Nonetheless, I encourage the authorities to re-examine the recent distribution process of the Federation Account, particularly since the Federal Government has assumed almost all of the foreign debt responsibilities. Clearly, a reassessment of distribution shares is more appropriate than the current ad hoc process of setting aside some resources from the Federal Account that are eventually absorbed by the Federal Government.

Regarding external policies, although the operations of the Bureaux de Change have resulted in a multiple currency practice, I can go along with a temporary approval of this practice, since it has led to a widening of the official foreign exchange market, and has reduced the margin between the official and parallel rates. Nonetheless, I urge the authorities to unify the two markets, as that would increase the transparency of government taxes and subsidies.

The removal of distortions and administrative controls, coupled with the adoption of anti-inflationary financial policies, should go a long way toward rejuvenating the non-oil tradable sectors. This is particularly true for agriculture, in which Nigeria has a significant potential. Nevertheless, such measures alone will not improve Nigeria's medium-term viability, which will remain extremely difficult to achieve in the foreseeable future. Therefore, it is obvious that substantial debt relief would need to be provided for Nigeria if it is to have any hope for

reasonable per capita growth. Hence, if growth prospects are extremely bleak, the authorities' unwavering commitment to adjustment may begin to falter.

Per capita GDP in Nigeria has drastically declined from \$1,093 in 1981 to about \$263 today, transforming it into the unfortunate situation of an IDA-qualifying country. Consequently, I agree with Mr. Monyake that Nigeria should have qualified for the Toronto initiative. In this context, I would like to stress that the fact that Nigeria's main export commodity is oil should in no way justify discriminatory treatment against it.

Finally, I was struck by the proliferation of specialized accounts, be it the Stabilization Account, the Contingency Account, or the special accounts to meet debt liabilities. These accounts tend to obscure considerably the flow of resources. Thus, greater transparency would clearly help the authorities, the Fund, and Nigeria's creditors.

In conclusion, I can support the proposed decisions.

Mr. Goos made the following statement:

I join the staff and other speakers in commending the authorities for the overall satisfactory implementation of their adjustment program. In view of the continued difficult domestic circumstances, it is especially welcome that the authorities adjusted their policies to the changing needs in the course of last year and that a number of the program targets, in particular for the public sector and the current account deficits, have been met with considerable margins.

However, this favorable picture loses much of its glamour in the light of the staff's finding that the basic thrust of the program would not have been met in the absence of the unexpectedly high oil export earnings. Against this background and in view of the urgent need for macroeconomic stabilization, it is all the more disappointing that domestic savings have fallen short of program projections and above all that the inflation rate for the year as a whole reached a level unprecedented at least since 1983.

Given this appearance and without wishing to minimize last year's tightening of the financial policy stance, I wonder whether the adjustment strategy envisaged for this year is strong enough to build upon the progress made so far. This concern is borne out in particular by what appears to be a rather modest inflation target, by the existence of a still considerable spread between the official and parallel rates in the exchange markets, and above

all by the projection of a renewed widening of the external financial imbalances. I certainly do recognize that the pressure on the balance of payments is largely due to the heavy financial burden resulting from external debt, and I also welcome the intention to take additional steps toward the unification of the two exchange markets. In this latter regard, it certainly would be interesting to learn from the staff or from Mr. Monyake what kind of steps the authorities specifically have in mind. But in general the precarious outlook for the balance of payments both in the short and medium terms would suggest that the Nigerian authorities need to press ahead with their adjustment efforts on all policy fronts with the utmost degree of determination. I would urge them in particular to aim at a much more ambitious inflation target.

As to specific policy areas, I have little to add to the well-considered advice contained in the staff appraisal. Without detracting from the importance of other recommendations, I especially would endorse what is said on fiscal policy and on the need to expedite the normalization of the relations with Nigeria's external creditors. In this context, I welcome the recent progress made in this area as reported by Mr. Monyake. At the same time, I am looking forward to the answers by the staff to the questions asked by Mr. Enoch. Moreover, I should emphasize the continuous need to secure sufficiently positive lending and deposit rates as a prerequisite for domestic and external stabilization. While most of those rates appear to be positive now on the basis of the expected rate of inflation, I feel that interest rate policy should be used more aggressively as a means of strengthening domestic savings as well as of unifying the exchange markets and stabilizing the resulting single exchange rate.

Those objectives should be assigned priority, and must not be compromised by short-term considerations such as possible adverse effects on investment activity. Experience suggests that a stable financial environment is more important to private sector activity than the level of interest rates; and this is also borne out in particular by the papers that have been prepared for the Development Committee and which are also on today's agenda for discussion. I therefore hope that Mr. Monyake's statement on his authorities' concern about high interest rates does not indicate that they intend to reduce those rates in an administrative manner.

Finally, judging from Table 2, it appears that insufficient credit control last year was probably a major factor contributing to the acceleration in inflation. According to that table, domestic credit expanded at almost double the rate that had been envisaged under the program. However, I have difficulties reconciling

this information from Table 2 with the finding as shown in Table 1 that all monetary performance criteria had been met in 1989. Perhaps the staff could clarify this seeming inconsistency.

With these observations, I can support the proposed decisions.

Mr. Noonan made the following statement:

The staff report provides a positive assessment of the performance of the Nigerian economy during the latest phase of the Government's stabilization and structural reform program. Virtually all the performance criteria set under the stand-by arrangement, which supports that program, were met. Moreover, there was significant progress (beyond previous expectations) toward reviving the real economy and improving public sector finances. However, it is clear that, despite these achievements, a number of concerns raised by Directors during the discussion on the first review last September are still pertinent. Among these are persistent uncertainty about the medium-term viability of the external account, strong inflationary tendencies, and certain aspects of public sector operations.

From the time of the request for the stand-by arrangement early in 1989, Directors recognized that Nigeria's medium-term prospects were, at best, questionable and that initial staff assumptions regarding Paris Club rescheduling were ambitious. At the time of the first review last September, the balance of payments projections still showed relatively large gaps persisting through 1992, although the size of those gaps fell significantly thereafter. The current review, however, shows that projection to have been optimistic. Notwithstanding a strengthening of petroleum prices, Nigeria's prospective financing gaps are now seen to be substantially larger than previously assumed.

I would query the very disappointing outlook for non-oil exports that underlies this latest view. These exports are seen as falling in 1990 and not surpassing the 1989 target until 1993. The projected growth of imports also seems extraordinarily rapid both by reference to export growth and the limited income growth under the adjustment program. If, nevertheless, the latest view is more robust than its predecessor, it represents an unfortunate step backward. It increases the likelihood of adjustment fatigue and of deferment of the further adjustment measures needed to strengthen economic potential. On the other hand, the larger financing gaps may be indicative of how deep was the malaise that afflicted the economy and which the present program has begun to address.

The pre-emption of the benefits expected in 1989 from higher oil prices--by higher operating costs, increased maintenance, and some additional investment in the oil sector--was especially disappointing. The staff report refers to a recent review of oil sector installations, which indicated the need for considerable investments in the short term if the pumping capacity in the fields was to be sustained without aggravating the recovery of proven reserves. The continuing need for such outlays will severely affect the net earnings from the oil sector that will be available for the economy in the coming years.

The current situation consequently underscores the need for more rapid diversification of the economy in order to significantly increase the domestic content of total output and to reduce reliance on imports. In particular, the performance of non-oil exports must be improved and the domestic content of production for the home market increased. Impediments in the way of domestic private sector entrepreneurs need to be quickly identified and removed. Some imports remain indispensable, especially of capital goods, but even in this case, one must wonder whether greater attention to the maintenance of the capital stock would not reduce the need for capital imports, at least for replacement purposes.

On inflation, I would like to ask the staff whether the inflation target of 20 percent for 1990 is within 1990 or the average increase in 1990 over 1989. If the former, it clearly remains too high. Given the apparent strength of inflationary pressures in Nigeria, it was reassuring to learn of a 0.9 percent reduction in prices in the second half of 1989.

High rates of inflation are not conducive to a flourishing domestic private sector; yet this is the very sector on which Nigeria will have to increasingly depend. The authorities' letter of March 5 states the Government's intention to give highest priority to further reducing inflationary pressures. To this end, tough monetary measures will continue to be required in 1990, including the maintenance of the target relating to credit for the Government. I would add that ensuring competition is one of the most robust means of containing inflationary pressures.

The fact that the authorities have persisted with wage restraint despite widespread opposition augurs well for a successful reduction in inflationary pressures. However, this effort needs to be supported by a strong competition policy if it is to be sustained for more than a short period. Otherwise, workers will feel exploited as prices rise and wages do not. Restraint of both wages and prices will tend to be mutually reinforcing.

During the last Board discussion, the need for revenue growth was pointed out, but the current staff paper refers to a relative decline in federally retained revenue in 1990. Moreover, that decline is over half a percentage point of GDP greater than the decline in nonexternal debt-related expenditure (Table 4). It also looks likely that with greater resources at their disposal, state and local governments will be able to spend more this year. The targeted reduction in the fiscal deficit is to be welcomed. However, in light of the relative decline in foreign interest payments and exchange rate losses, there was an opportunity to make a more significant reduction in the fiscal deficit and it is regrettable that this was not done.

Nigeria has, in effect, met all the performance criteria set under the present stand-by arrangement and I therefore support the proposed decisions. I also wish the authorities well in their negotiations with the commercial banks and their official creditors.

Mr. Ismael made the following statement:

I am pleased to note that all the performance criteria for March, August, and October, and all but the criterion related to the external debt arrears for December 1989 have been observed. In view of the intention of the authorities to establish a separate account in order to meet the payments after a proper reconciliation of the of debt data between the creditors' and the authorities' own data, I can agree with the authorities' request for a waiver of nonobservance of this performance criterion.

Despite the progress achieved so far, significant problems remain. The most significant problem is increased inflationary pressures. The measures taken by the authorities, such as reducing the expansion of domestic credit, the growth of broad money, and the overall budget deficit, are steps in the right direction. This demand management policy should be supported by restrained wage policy, at least for some time to come, in order to get the full benefit of the structural reform measures.

The external sector continues to be weak. Export earnings have increased, but higher interest payments, repayment of arrears, and higher imports are expected to result in a current account deficit of more than 5 percent of GDP. In spite of a substantial improvement in the rescheduling of debt in 1989, further rescheduling of non-Paris Club debt, and potential balance of payments support envisaged in 1990, debt servicing will, nevertheless, put tremendous pressure on available foreign reserves, and financial gaps for the period 1990 and onward will remain very

high. This situation indicates the need for serious debt reduction efforts by the authorities on the one hand, and non-oil export promoting measures on the other. In the past, exchange rate adjustments had become one of the effective measures to promote non-oil exports. I believe that the time has come for the authorities to seriously consider the unification of the existing exchange rates. A unified exchange rate at a realistic level would definitely produce more positive results by eliminating the distortions in the external sector.

I am happy to note that the 1990 fiscal program is in line with the financial stabilization policies. The measure for a substantial decline in net bank financing of the overall budget deficit is an encouraging step. I agree with the staff that there is a special need to improve the collection of non-oil revenues as a medium-term objective. I welcome the authorities' plan to review the policy implementation on a continuous basis and to be prepared to take appropriate additional measures as required.

Finally, I agree with the staff that Nigeria will not only require additional assistance from foreign donors and multilateral organizations, but a substantial debt relief as well. I would like to urge the international official and financial community to look into the matter positively in order to provide the required financial support so that the Nigerian economy would be able to consolidate the positive gains achieved so far and forge ahead toward a more substantial growth path in the future.

With these observations, I can support the proposed decisions.

Mr. Thorláksson made the following statement:

Last year, this chair expressed doubts about whether measures contained in the program were sufficient to bring about medium-term viability. The Nigerian authorities have been conducting commendable monetary and fiscal policies and have complied with the quantitative performance criteria of the program; however, one has to acknowledge that the unanticipated improvement in oil export earnings seems to have kept the program on track. Regardless, the substantial weaknesses in the program still remain.

I am in broad agreement with the staff appraisal, and will only stress a few points.

Efforts made to reduce the budget deficit, particularly the reduced recourse to bank financing, are welcome. However, the medium-term prospects for the Nigerian economy make it clear that

fundamental changes in the fiscal system cannot be neglected or further postponed. In this context, the debt rescheduling and the consolidation of all foreign debt into the Federal Government's account have made the budget extremely vulnerable to external fluctuations. Foreign and domestic interest payments are projected to be almost 75 percent of the retained federal revenue in 1990, and, moreover, close to 80 percent of the collected revenue comprises petroleum receipts.

On the expenditure side, we welcome the reduction of subsidies of petroleum products, which will allow a reallocation of resources to social expenditure, thus alleviating some of the hardships suffered by the most vulnerable segments of the population.

The external prospects for the Nigerian economy give rise to great concern. The extraordinarily high share of export revenues coming from petroleum--about 90 percent--leaves the Nigerian economy and governmental finance significantly exposed to fluctuations in oil prices. Although actual petroleum revenues might surpass the staff projections, the opposite also could happen. This underscores the need for a buildup of international reserves and an economic policy that fosters confidence in, and development of, non-oil exports from Nigeria. I therefore urge the authorities to unify the exchange rate system as soon as possible and subsequently--with the support of adequate fiscal and monetary policies--to lay the groundwork for a stable exchange rate as an anchor for inflation.

The financing situation--as shown in the staff report--is still precarious and, given the staff's assumptions, external viability is not likely in the medium term. According to the staff paper, substantial financing gaps exist. Indeed, they have even increased since the last review. As the staff points out, coverage of the large financing gaps requires substantial debt relief.

News of the ongoing discussions with the banks may mean that Nigeria is positioning itself to draw on Fund resources to support debt-reduction operations. I assume that this will be an issue only if, or when, a subsequent Fund arrangement is considered. Like Mr. Enoch, Mr. Monyake, and other Directors, I think that Nigeria is eligible for the enhanced structural adjustment facility, and such a program would be beneficial for the country. I would like to hear from Mr. Monyake or the staff whether an enhanced structural adjustment program is being considered.

With these remarks, I can go along with the proposed decisions.

Mr. Hogeweg made the following statement:

Let me first of all, as previous speakers did, commend the authorities on their additional efforts undertaken to keep the program on track when inflationary pressures in the first half of 1989 proved larger than expected. This does indeed, as the staff says, provide the authorities with some track record of domestic policy implementation that is supportive of increased economic growth.

Nevertheless, Nigeria's situation remains extremely serious. The vulnerability of Nigeria's efforts is illustrated by the staff statement that without the improvement in the oil sector, the outcome of the 1989 program would have been seriously jeopardized by shortfalls in the receipts of promised balance of payments support. It is also most worrisome that the import content of oil exports seems to be rising structurally, thereby diminishing net oil revenues, while Nigeria has been unable to achieve high growth of the non-oil sector. The very high debt burden significantly reduces resource availability toward a more rapid expansion of the economy. It also severely affects Nigeria's medium-term balance of payments prospects where large gaps are projected.

The main objective of this review, I understand, is to ascertain that the budgetary framework and financial policies for 1990 continue to be supportive of the objectives of the current arrangement. In this connection, I note that the staff finds it important to begin implementing fiscal policy within a medium-term framework, which could improve the allocation of resources, and that some short-term adjustments have been at the expense of longer-term structural change. That message is, in my view, essential in the negotiations on the follow-up program, as is the urgent need for a stronger anti-inflationary stance.

I have no problem with the requested waiver as to the multiple currency practice. However, I do not think that the staff makes a strong case for granting a waiver with respect to the performance criterion on the elimination of external arrears. I would request more information from the staff on the nature and temporariness of these arrears and why discussion with most non-Paris Club bilateral creditors had not been held. As to the Paris Club, I agree with Mr. Cirelli on the importance of equal treatment of creditors. Also, we feel that all issues and payments stemming from earlier reschedulings should be fully cleared before any future rescheduling can be contemplated. I would also like to know what the operational significance of the waiver on arrears is, since I understand that Nigeria is not planning any drawings under the program. However, we should realize that after this waiver Nigeria is entitled to draw all tranches that have become

available up till now. In contrast, I presume that if the waiver would not be granted, no purchases would be possible at all.

I believe that Nigeria's prospects, in particular the need for continued reschedulings, will necessitate a continued Fund involvement in the coming years. I do not think that there should be a difference in judging this prospect depending on Nigeria's intention whether or not to actually make purchases. Nigeria should be subject to the same scrutiny on its program strength, financing assurances, and the like. In this connection, it is clear that Nigeria's medium-term balance of payments is totally dependent on negotiations on reschedulings and/or debt relief. The Fund should ascertain what can be expected from the various creditor groups before a new program is presented to the Board. On the nature of a follow-up program, I would like to know what the prospects are for Nigeria to have access to the enhanced structural adjustment facility, which is clearly more suited to its needs than our general resources.

Mr. Othman made the following statement:

I would like to join other Directors in commending the Nigerian authorities for having demonstrated a strong sense of commitment to their program of stabilization and structural reform. They have done so despite rapidly changing circumstances, a fragile domestic social situation, and shortfalls in the receipt of promised balance of payments support, which greatly complicated the task of economic management. The authorities' commitment to the reform program has been reflected in their compliance with most of the quantitative performance criteria set in the program and in a number of favorable developments.

These impressive accomplishments in the domestic sphere, however, continue to be marred by less than adequate progress in reducing inflation. The authorities have responded to this challenge by taking a number of measures, and there are indications of a return to a more moderate rate of price increases. However, we are concerned that inflation remains uncomfortably high. Further substantive progress in restoring price stability appears to be deserving of the highest priority.

Overall, the staff report provides a balanced and candid appraisal of the enormity of the task and the difficult choices that face the authorities, and I am in agreement with the gist of the report. Given the determination with which the authorities have stayed the course, and the confidence this lends to their actions in future, I can support the proposed decisions and would only like to make a couple of points.

The staff report quite rightly provides considerable detail and focuses on the medium-term evolution of the balance of payments. However, we would have liked to have seen other related economic variables, such as the target growth rate, the investment ratio, and the inflation rate, reported as well, perhaps in a memorandum item. We would, in particular, be interested in knowing how inflation is expected to move in the medium term in response to the envisaged strengthening of the program.

On the projections themselves, it is presumed that the assumptions relating to oil demand and prices and interest rates are consistent with those set out in the draft World Economic Outlook. We note with some concern, however, that the overall growth rate being projected appears to be too low, allowing, it seems, for no increase in per capita incomes. While it is acknowledged that a higher growth rate would raise the financing gap because of its greater import intensity, we wonder whether the growth rate that is assumed is realistic and politically sustainable given the very substantial fall in per capita incomes that has already taken place. In the absence of any increase in real per capita incomes and visible improvements in living standards, our fear is that resistance to the continuation of the reform effort will harden and the fragile political consensus behind the present reform effort will weaken.

Second, and closely related to the above, we would like the staff to appraise the Board on the confidence they attach to the prospect of filling the financing gaps. Are the resources being sought likely to be available and compatible with Nigeria's ability to pay? This is obviously a crucial issue and one that calls for close monitoring. However, should the delays and shortfalls in promised balance of payments support that occurred last year happen again, or debt relief be inadequate, and the world oil market not be so accommodative, what would be the consequences? Would the authorities be called upon to make further adjustments in an already tense and potentially volatile domestic environment for reasons clearly beyond their control?

Finally, we wonder whether the Stabilization Fund has been earmarked only for Paris Club creditors. Staff comment would be welcome.

Mr. Yoshikuni made the following statement:

Like other Directors, I welcome the vigorous efforts by the Nigerian authorities in adjusting the economy since 1986. Nonetheless, the performance of the Nigerian economy under the current stand-by arrangement shows much remains to be done in the future.

While all the performance criteria were met, except for the elimination of arrears and the introduction of a multiple currency practice for December, the authorities have not succeeded in bringing down the inflation rate owing mainly to stronger than expected money growth. Furthermore, despite the reduction in the current account deficit owing to the increased prices of oil exports, the external position of Nigeria continues to be very vulnerable, with the substantial financing gap expected to remain in the medium term. In these circumstances, it is rather disappointing that the authorities have not entered into a new arrangement with the Fund to underpin the adjustment momentum after the expiration of the current program. Since I am in broad agreement with the staff paper, I would like to make just a few observations for emphasis.

One of the most worrisome aspects of the Nigerian economy is the high rate of inflation. In 1989, the inflation rate was 41 percent, far exceeding the program target of 26 percent. I welcome the fact that the inflation rate in the second half of the year sharply decelerated to 0.9 percent a month. Even so, however, like Mr. Goos, I find the target of 20 percent for 1990 to be too modest. I would appreciate it if the staff could give us the expected average monthly inflation rate consistent with the 20 percent target for the year. At any rate, to contain inflation would require a continuation of the stringent financial policies.

On monetary policy, I welcome the market-oriented approach of the Central Bank in reducing the growth of credit. However, efficient conduct of monetary policy would also require further restructuring of the banking system to address the problem of inefficient financial intermediation, which is evidenced by the large margin between the lending rate and the savings rate. In fact, despite the recent rise in interest rates, most of the interest rates on savings are still negative in real terms. Like Mr. Enoch, I am concerned about the monetary effect of using the Stabilization Fund to finance the fiscal deficit. More generally, I would appreciate the staff's comments on the questions regarding the transparency of the Stabilization Fund.

On fiscal policy, while I commend the progress on the expenditure side, I would continue to emphasize the need for further revenue enhancement, including reform of the weak tax administration. I also attach importance to the reduction of subsidies on various products, in particular, petroleum products. Despite the latest increase in gasoline prices, I still think the current price of ₦ 0.6 per liter is very low compared to the world market price. Perhaps the staff could give us a comparison of gasoline prices in Nigeria and the United States in terms of dollar price per gallon.

Turning to the external front, it is disappointing that the Nigerian authorities have failed to reconcile the difference in debt figures with the Paris Club creditors which led to the non-observance of the performance criteria on the elimination of external arrears. In view of the temporary nature of the problem, I am prepared to support a waiver for this performance criterion. However, I urge the authorities to make every effort to expedite the negotiations on this issue.

On exchange rate policy, I welcome the recent narrowing of the margin between the official auction and the parallel market rates. However, further efforts are needed to eliminate the margin and unify the exchange rate, thereby eliminating the multiple currency practice.

At any rate, it is worrisome that little progress has been made in achieving medium-term external viability in its balance of payments position. The authorities are seeking concessional rescheduling from official creditors and debt and debt-service reductions from commercial banks. However, in the absence of a strong adjustment program beyond 1990, it would be extremely difficult to restore the confidence of external creditors. I would therefore urge the authorities to expedite the negotiation on a new adjustment program. Also, I would reiterate the importance of repatriating flight capital and encouraging foreign investment. In this connection, I would urge the authorities to lift the exchange restriction pertaining to debt equity swaps on the occasion of the last review, and I would ask the staff if there was any improvement on this front.

With these remarks, I can support the proposed decisions.

Mr. Prader remarked that, to the extent that the benefits of the oil price increases of the 1970s had evaporated, and in the end had left Nigeria poorer than before, just as gold and silver profits damaged the Spanish economy during the Age of Conquest, it would seem more appropriate to speak of a Spanish disease affecting Nigeria, instead of the Dutch disease to which Mr. Al-Jasser had referred.

With per capita income having fallen in the 1980s by some three quarters to \$260, and with an enormous financing gap in 1990, Nigeria's situation had taken on dramatic proportions, Mr. Prader noted. The projected debt service figures were equally appalling. Given the seriousness of the case, which could hardly be exaggerated, he considered that the staff had evaluated the performance of the Nigerian authorities fairly and objectively with consideration of the means at their disposal. It was indisputable that Nigeria had a long way to go, as suggested in the staff appraisal, Mr. Prader agreed. The authorities had met virtually all performance

criteria, and had managed to keep the program on track with the help of additional adjustment measures. But even a further significant strengthening of adjustment would not suffice to cover the financing gap and to restore medium-term external viability. Therefore, in the absence of another huge windfall profit from an oil price hike, the next few years would not only require additional assistance from foreign donors and the multilateral organizations, but substantial debt relief as well. For the next several years, the task of the authorities had to be to steadily press forward with their structural measures, and to earn by steady maintenance of the adjustment process the interest and support of the international financial community.

The possibility of Nigeria qualifying for an enhanced structural adjustment program had been raised by Mr. Enoch, Mr. Prader recalled, and he agreed with the former's arguments for initiating discussions on such a program for Nigeria. He supported the proposed decisions, including the waivers.

Mr. García observed that the Nigerian economy had been adjusting in the right direction since the Government had begun the current stand-by program. All the targets had been met until October. For the current review, with the exception of two targets, the program remained on track, even though inflationary pressures had been more intense than expected. The authorities had made tremendous efforts against serious economic and social difficulties, and they continued to deserve the support of the Fund.

He agreed with most of the staff analysis, Mr. García indicated, and his comments could therefore be brief. He agreed that a more active monetary policy had to be implemented to alleviate inflationary pressures that still remained high. That policy should be directed by the market mechanism, instead of direct credit control policies. The market mechanism could improve the incentives for domestic saving, given that some deposit interest rates were still negative in real terms.

He also wanted to emphasize the problem of the financial gap, Mr. García continued. There was no way that Nigeria could serve its debt if economic and social stability were not preserved. The country needed significant debt and debt-service reduction from commercial banks and an important support from official creditors on concessional terms. Otherwise, the program would be unsustainable. However, if Nigeria wanted to grow, the resources saved from the external debt relief had to be complemented with strong incentives for domestic private and foreign investment. In that regard, he concurred with Mr. Enoch's concern about the stance of the privatization program. In particular, he would like to hear from the staff about the intention of the authorities to open the oil industry to foreign investment.

He supported the proposed decisions, Mr. García concluded.

Mr. Hammoudi made the following statement:

At the outset, we would like to commend the authorities for the adjustment measures that they have implemented. In this respect, we are pleased to note from the staff report that positive results have been achieved as a consequence of the authorities' recent adjustment efforts. Indeed, all performance criteria were met excluding two, which were beyond the authorities' control. As the outcome, fiscal deficit was reduced over the programmed target, credit expansion was moderate in conformity with the envisaged objective, and sufficient resources have also been foreseen to respond to the existing arrears. Furthermore, on the structural front, the authorities have been able to introduce and restructure appropriate reforms in the banking system.

Having said that, and since we are in broad agreement with the staff's appraisal and the content of authorities' letter of intent, our brief comments will focus on only a few areas.

To attain the necessary economic expansion in the medium term and to sustain it, two major objectives need to be envisaged: improving resource allocation and reducing the vulnerability of the external sector.

First, to improve resource allocation, the authorities should naturally pursue appropriate fiscal and monetary policies so as to substantially reduce inflationary pressures and strengthen the overall financial situation. In the fiscal area, we share the staff's view that further improvement in formulating and implementing the budget is necessary to strengthen the evaluation of appropriations and control of expenditures. Meanwhile, it would be advisable to reinforce the tax system in order to generate more non-oil revenues in order to lessen the economy's dependence on the oil sector. In the monetary area, it is of utmost importance that the measures already undertaken be consolidated and improved, especially in controlling credit expansion, as well as improving the financial situation of the banking system. In this regard, it is encouraging to note that the authorities, with the cooperation of the World Bank, are embarking on a program of bank restructuring and improvement in bank supervision.

Second, to reduce the vulnerability of the external sector, proper structural reforms are indispensable in order to reinforce and diversify the economy from the oil sector. As far as the debt issue is concerned, it is indeed crucial to speed up negotiations with creditors including commercial banks so as to clear up and settle the arrears with an agreeable and reasonable rescheduling program. In this respect, we are pleased to hear from Mr. Monyake that agreements were reached with non-Paris Club members. As

other Directors, we believe that Nigeria is eligible for a debt reduction scheme given its economic situation. Furthermore, we fully support the staff's opinion that substantial debt relief needs to be granted to Nigeria in order to achieve medium-term prospects.

In conclusion, the feasibility of the central scenario is doubtful, given the current social and economic situation, and we share Mr. Mawakani's concern in this context. Indeed, we would like to see the primary population's needs taken into account in the program.

Finally, we support the proposed decisions and the staff recommendation for a waiver regarding performance criteria.

Mr. Zhang joined previous speakers in supporting the proposed decision. He was in broad agreement with the staff's appraisal and recommendations. He had also found Mr. Monyake's statement helpful and informative.

It was encouraging to note that the Nigerian authorities had successfully implemented the structural adjustment measures in 1989 and that most of the program objectives had been achieved, Mr. Zhang said. However, inflationary pressure was certainly a matter of concern and the restoration of a price level norm was the core of the stabilization program. More restrictive monetary and fiscal policies were not only appropriate but also crucial to the success of the program. The authorities had demonstrated their strong commitment in implementing the adjustment policies and measures. Financial assistance from international financial institutions was also of great importance, and the authorities deserved such assistance.

Mr. Fernando remarked that the information in the staff paper, the comments of other Directors, and the expectations of the authorities clearly pointed to the need for reduction of the debt stock and service. That was, of course, an important element in the overall approach to regain medium-term viability in Nigeria's balance of payments and to improve the adjustment financing blend to help sustain adjustment. Operations on the debt front would involve sustained and monitored adjustment programs over a prolonged period. They would also require financing support so as to, among other things, support the level of external assets.

On the question of financing, Mr. Fernando noted that Nigeria had not drawn any money under the current stand-by arrangement. In fact, Nigeria had even abstained from drawing under the previous stand-by arrangement. He recalled that during the Board discussion at which the current stand-by arrangement had been approved, there had been the expectation that Nigeria would not draw. That raised the question of whether Nigeria was perhaps constrained by the cost of stand-by credit, which was currently about 10 percent. He raised that matter because even under a longer-term

arrangement, the costs of credit might be relevant. In those circumstances, it might be more appropriate to consider the question of enhanced structural adjustment facility eligibility. Could the guidelines of that facility permit the accommodation of debt and debt-service reduction within a three-year program of structural adjustment?

He could support the proposed decisions, including the approval of the waivers, Mr. Fernando concluded.

The staff representative from the African Department noted that Directors had recognized the many difficulties faced by the authorities in putting the program into place. When the program had originally been presented to the Board, the staff had recognized that it contained many risks, and indeed, it had been extremely difficult for the authorities to establish the necessary consensus to adopt the policies. The major strengthening of the program occurred soon after very difficult social riots in Lagos. The authorities had reacted with great courage in pursuing the program.

The authorities were concerned by the speed at which the adjustment program was developing, and any further strengthening, they felt, had to be associated with increased foreign assistance, either through balance of payments support or debt relief, the staff representative continued. In addition to financial assistance, the psychological support of many governments had been very important to the authorities.

Directors had asked a number of questions on resource availability in 1989, and had commented on the need for transparency, the staff representative observed. The staff had tried to indicate the major areas of change in the table on the balance of payments (Table 3).

The greatest change had been in the oil sector, the staff representative noted. Nigeria had been very fortunate to obtain more than \$1.2 billion in additional oil exports. In addition, very early in 1989, it had been discovered that the resources originally allocated for maintenance and investment in the oil sector were clearly inadequate. The Government had made a detailed review of the financing needs in the oil sector and had found that not only did additional foreign exchange resources need to be allocated, but substantial additional investments were required if the oil sector was to remain buoyant in the medium term. Accordingly, the Government took the difficult decision to sell part of the oil sector to foreign enterprises, which provided about \$2 billion, which had been allocated for reinvestment in the oil sector over the coming three years. Those resources had been segregated in accounts abroad, and occasional drawings had been made for investment purposes. The authorities had taken that approach in order to avoid sending a signal to the outside world that disinvestment in the oil industry was a solution to the debt crisis. Accordingly, the staff had footnoted that transaction in the balance of payments table, but had not included it in the accounts themselves.

The resources generated through the balance of payments from the increased oil earnings had gone into three areas, the staff representative said: first, a higher level of imports, primarily for the oil sector; second, an offset of \$500 million in shortfalls in foreign assistance that had been promised; and third, a larger increase in international reserves than originally programmed. Those changes were clearly documented in the balance of payments table.

The difficulties in resource utilization were also reflected on the domestic side in the Federation Account, the staff representative continued. During 1989, the Government had decided to allocate a greater portion of the Federation Account revenues to local governments. At the same time, there had been a transfer of expenditure responsibilities, but the two changes did not offset each other completely. There had been a net loss of resources to the Federal Government. Largely because changes to the Federation Account distribution required the consensus of each state governor and it was difficult to obtain approval for more frequent changes.

The authorities had taken the second best solution of freezing in the Federation Account a certain proportion of resources and not distributing those resources as required by the Constitution, the staff representative went on. Those resources were then used to help fund the stabilization account and to reduce government borrowing in the banking system. Those procedures were expected to continue. The object of establishing such a contingency account in the Federation Account was that net expansion of domestic credit would be reduced, resulting in lower inflationary pressures. The staff had not been able to determine the exact size that contingency account would be for 1990. But the authorities would likely agree on the need to reduce inflation, particularly given the impact of inflation on private sector investment decisions. It was for those reasons that they had taken difficult monetary measures in 1989 and were prepared to move strongly through 1990.

It was true that there had been a net reduction in the average inflation rate in the first half of 1989, the staff representative said, but there had been an upturn in November and December related to shortages of kerosene, which had had a trickle-down effect in the economy. In 1990, there had also been shortages of gasoline due to the shut-down of two refineries for repairs. Those elements had already had an impact on inflation rates. However, the staff expected some overperformance in the inflation target as it currently stood.

Non-oil exports in 1989 in value terms had fallen short of the program targets, the staff representative agreed. However, that was largely due to shortfalls in the international prices for Nigeria's major non-oil exports--palm oil and cocoa. The volume of production of those products continued to increase more or less as predicted by the program. Given the softness of those products as foreseen in the World Economic Outlook for the coming few years, the staff was not expecting much improvement in the non-oil export

sector in the short term. Another factor was that most of Nigeria's neighboring countries were also encountering increasing financial difficulties, including foreign exchange shortages, and therefore did not represent as large an export market for Nigeria as they used to.

On Nigeria's payments arrear, an overwhelming amount of Nigeria's debt had resulted from private sector transactions, which were subsequently taken over by the Federal Government, the staff representative indicated. That debt therefore represented thousands of transactions, and reconciliation of individual letters of credit that had not been respected in 1982 and 1983 was very difficult; for example, in many cases the industries that had undertaken the transactions no longer existed. In addition, the Government had called for creditors to help in the provision of needed statistics and that help had been delayed. At the close of 1989, some large creditors had not yet submitted the list of claims that they held under bilateral agreements. The staff considered that the payments arrears were temporary because reconciliation should be achieved in the very near future and sufficient resources had been set aside to make payment on those liabilities once the amounts were cleared.

Another aspect of the problem was the postcutoff date debt, the staff representative continued. The staff had received conflicting information from the creditors themselves as well as from the Nigerian authorities. The statistics used by the staff in the macroeconomic framework were the latest statistics that the staff had been able to obtain from creditor sources. According to the Nigerian authorities, there were no payments arrears on postcutoff date debt at the end of 1989, and there were no outstanding claims from any creditors. Some creditors were not providing the necessary requests for payment to the Nigerian authorities on a timely basis for the authorities to operate the payments. Those creditors that had established mechanisms to provide that information to the authorities had been shown to have the best payment record.

Mr. Enoch had referred to the overvaluation of the exchange rate in 1989, the staff representative recalled. That judgment depended on the period of time that one took as a sample. The staff considered that there had been a depreciation of about 8 percent from the time that the equilibrium exchange rate had been established until the present. Having said that, it was also true that within 1989, the rate had appreciated by more than 5 percent, reducing the margin of undervaluation of the rate. The authorities had moved more rapidly in 1990. The difference between the official rate and the parallel rate was now about 15 percent. Clearly, the operations of the Bureaux de Change had been one cause of the reduction, as had the very strong monetary measures taken by the authorities to take the naira out of circulation. The staff was confident that with improvements in the official foreign exchange auction and with the maintenance of a strong financial policy, there would be a further narrowing of the rates in the near future.

However, the staff did not foresee elimination of the parallel rate in Nigeria, the staff representative said. Rather, the goal was to limit the difference between the rates to a level that did not create disincentives and distortions. It was hoped that the current policies would provide incentives for some of the money being held abroad to be returned, which would not be likely if a paper record were to be established. In addition, private sector individuals would not want written records of many transactions with neighboring countries. As the goal was to encourage the reflow of capital flight and to increase nontraditional exports to neighboring countries, it was necessary to tolerate some difference between the two exchange rates.

Neither the operation nor the objective of the stabilization account had changed, the staff representative stressed. However, the name of the account might be misleading. When the current program was originally put into place, there had been large divergences between the figures on debt service as provided by creditors to the Paris Club and those provided by the Nigerian authorities to the staff. The program with the Fund needed to provide adequately for debt service, particularly after the rescheduling agreements. Accordingly, an account had been established, which should perhaps have been called an escrow account, the size of which was estimated to match the additional necessary resources. The account inflow had been pegged to the price of oil. In the event, the account had provided the resources that would be needed for payment and had also provided for some excess resources that were being sterilized. Given the objective of the account, the staff did not consider it inconsistent to have the account drawn down in 1990 to pay for foreign payments that should have taken place in 1989. While it was clear that that had an impact on the other variables of the financial survey, those transactions were very transparent. Not only was there a domestic stabilization account, but it had a direct counterpart in foreign exchange, which was one of the reasons for the excess performance on the foreign exchange side. As soon as payments were made, the stabilization account would be drawn down as would the level of external reserves. In other words, reserves had been overstated because the payments had not been made in time, and that was being corrected for in 1990. The staff was being careful to ensure that stabilization account transactions occurred only for that purpose.

Table 2 contained a footnote that the figures for the revised program were net of the stabilization account, while the figures for the 1990 projections were inclusive of that account, the staff representative indicated. The staff had had a choice of whether to emphasize the difference between projected and actual developments in 1989 and make the figures within that year comparable, or to make the figures between 1989 and 1990 comparable. Since the paper was forward looking, the staff had chosen to make the figures in the two years comparable. Table 5 contained the figures inclusive of the stabilization account, and which illustrated that the targets had been observed.

The rationalization of financial relations between the various levels of government would be a difficult task because the state governments had a substantial amount of liberty under the constitution and because there were very limited reports available for state government operations, the staff representative commented. Currently, those accounts were four to five years in arrears. Based on the amount of borrowing that the state governments did in the domestic market and abroad, the staff had seen an improvement in the operations of the state governments over the past two or three years. As Mr. Enoch had pointed out, there would be a larger utilization of bank credit by the state governments through 1990, but that increased use of credit represented the allocation of some of the resources provided from the Federation Account at the close of 1989, which in fact would be recorded in 1990.

Substantial progress had been made in privatization, the staff representative said. The large number of private enterprises that had been put on the market had led to a vigorous activity on the stock market, and there had been an oversubscription in issues. The Government expected to continue its efforts in 1990 and had already developed a calendar of operations for private enterprise transactions. While some additional resources would accrue to the Government for the purpose of privatization, some resources would be allocated to provide assistance to those enterprises that were not in a financial position to be privatized or that needed restructuring, as well as to increase the allocations that were being provided for social welfare.

On the level of the oil subsidy, the Nigerian authorities agreed that the price of oil was unduly low and that additional actions needed to be taken on that front, the staff representative indicated. However, each time that the price of oil had been changed, substantial social unrest had resulted. The most recent increase had been possible because the Government had met with the labor unions and assured them that all the money that would be collected by reducing the subsidy would subsequently be provided for social welfare purposes. That had been a very difficult negotiation, in which the labor unions and other social organizations had set a clear limit on the increase they were willing to accept. Oil prices were currently about 30 cents per gallon, which was clearly an inadequate level.

Discussions with the commercial banks had begun in March 1990, and they had so far not been productive, the staff representative said. Commercial bankers had been caught by surprise at a request for a meeting to discuss debt service and debt reductions. Most bankers who had been paid on time had not been prepared to discuss the balance of payments and other data provided by the authorities. In addition, many bankers had felt that the offers being made by the Nigerian Government were inadequate. The staff was working with both the London Club banks and the Nigerian authorities to find a meeting ground. It was discussing with the London Club the balance of payments projections and the elements of the macroeconomic framework, and at the same time was providing assistance to the authorities in preparing the

necessary paperwork for the negotiations. A subsequent meeting of the London Club was foreseen in the very near future.

The debt equity swaps had continued on a regular basis, the staff representative reported. A periodic auction was carried out by the authorities. Debt equity swaps had so far been limited to promissory note holders, and were running at about \$200-300 million a year. There had been a large turnout at those auctions and clearly many of the promissory note holders found them an adequate avenue for transactions. A concern, however, was the domestic impact that expanding the debt equity swaps would have on the money supply. As Directors had observed, the performance on the inflation front had not been satisfactory. In the previous program, the staff had limited the amount of debt equity swaps that could take place during the year to 1 percent of the money supply.

The authorities had requested a subsequent program, the nature of which was still being discussed, the staff representative said. Since the review of the enhanced structural adjustment facility would not take place until shortly after the May 7 Interim Committee meeting, the staff was not in a position to indicate what type of program it would in fact be negotiating. The authorities had found the discipline of a program to be very helpful, as had the creditors in the context of discussions on rescheduling.

The suggestion by Mr. Warner that the staff have early consultations with the Paris Club was noted, the staff representative from the African Department said. Discussions had been held over the past few months on the possible procedures. The consensus on Toronto terms for Nigeria had not yet been established, and that was an area where the authorities hoped that rapid progress would occur.

The staff representative from the Exchange and Trade Relations Department remarked that some of the questions raised with reference to the possible use of enhanced structural adjustment facility resources would have to be addressed in the context of the review of the enhanced structural adjustment facility. He hesitated to forecast any outcome at the current stage.

Mr. Hogeweg noted that the enhanced structural adjustment facility review was no longer on the agenda for April, and wondered whether the review would be held in time for the Article IV discussion with Nigeria. Second, he asked whether the statement by the staff representative from the African Department that a parallel exchange market would be continued in the foreseeable future, because leaving paper records might impede desirable capital flows was compatible with the text of the decision on the exchange system, which encouraged Nigeria to eliminate the multiple currency practice as soon as possible.

The staff representative from the African Department said that if the margin between the two exchange rates was small enough--within 2 or 3 percent--that it reflected differences in transaction costs, the restriction

would virtually be nonexistent. The restriction referred to in the decision was the one existing in the Bureaux de Change where transactions were largely in notes and therefore the margin between their rate and the official rate could be wider than if other instruments were transacted. The staff certainly hoped that the two rates would merge, but in most developing countries in Africa it had been a very difficult task to do away completely with the parallel market.

The staff representative from the Exchange and Trade Relations Department recalled that Mr. Hogeweg had asked about the operational significance of granting a waiver on Nigeria's arrears. The authorities had previously accumulated drawing rights because of satisfactory performance and therefore had the full right to make those drawings as long as the arrangement was current. If the waiver was not granted, the authorities would not be able to make the current drawing, which was conditional on the waiver being granted. Given the comments of the staff representative from the African Department about the temporary character of the arrears, it seemed appropriate to grant the waiver. The program was on track in that the funds were available to clear the arrears, and what was at issue was the unsettled character of the balances. What made the case for a waiver even stronger was that the discrepancies in data provision that remained were not entirely under Nigeria's control. What was under the country's control was the provision of resources to settle the arrears once the data picture was clear.

Mr. Hogeweg said that it was important to specify the conditions for being able to draw on previously accumulated rights if something happened in the course of the program. It was not clear to him why not granting the waiver for end-December--which meant that something was not entirely as it should be--was different from missing other performance criteria in the sense of allowing previously accumulated amounts to be drawn.

The staff representative from the Legal Department said that from a legal perspective, Nigeria would be able to purchase the balance available under the arrangement if the current decision was approved. However, if the decision was not approved, Nigeria would not be able to make any purchase whatsoever.

Mr. Enoch asked whether, if a country went into arrears to the Fund, its past rights under an arrangement were automatically canceled or whether separate procedures were required to prevent those rights from being exercised.

The staff representative from the Legal Department said that as soon as arrears to the Fund emerged, the member would be unable to make further purchases under the arrangement. As for arrears to other creditors, consistent with the arrears strategy, it was up to the staff to define and quantify what would constitute arrears for the purpose of the particular program. Such a definition would always include arrears that evidenced

exchange restrictions on current payments and transfers, and could include arrears on capital payments. The definition would appear in the memorandum and only arrears that met that definition, as incorporated in the performance criteria, would affect the member's purchase rights under the arrangement. There again, the interruption of purchases would include all purchases including those against previously accumulated rights.

Mr. Monyake thanked Directors for their comments and indicated that he would convey their remarks to his authorities.

The staff representative from the Legal Department noted that the decision on the exchange system would have to be amended to indicate that the next Article IV consultation was to take place no later than December 31, 1990.

The Executive Board then took the following decisions:

Review Under Stand-By Arrangement

1. Nigeria has consulted with the Fund in accordance with paragraph 4(e) of the stand-by arrangement for Nigeria (EBS/89/2, Sup. 1, 2/8/89) and paragraph 23 of the letter from the Minister of State for Budget and Planning and Special Assistant to the President, and the Governor of the Central Bank dated July 24, 1989, attached to the stand-by arrangement, in order to review the progress attained in implementing the program and the macro-economic and financial framework for the 1990 budget.

2. The letter from the Minister of Finance and Economic Development, the Minister for Budget and Planning, and the Governor of the Central Bank dated March 5, 1990 shall be attached to the stand-by arrangement for Nigeria, and the letter of December 7, 1988 shall be read as modified and supplemented by the letter dated March 5, 1990.

3. The Fund finds that notwithstanding the nonobservance of the performance criterion on the elimination of the debt arrears on debt service and trade credits by February 28, 1990, as set out in paragraph 4(c) of the arrangement, and the nonobservance of the performance criterion on the introduction or modification of multiple currency practices as set out in paragraph 4(g)(ii) of the arrangement, Nigeria may proceed to make purchases under the arrangement.

Decision No. 9404-(90/54), adopted
April 6, 1990

Exchange System

The multiple currency practice arising from the operations of the Bureaux de Change is also subject to Fund approval under Article VIII, Section 3. The Fund encourages Nigeria to eliminate this multiple currency practice as soon as possible. In the meantime, the Fund grants approval of this multiple currency practice until the next arrangement with the Fund or the next Article IV consultation, to take place no later than December 31, 1990, whichever is earlier.

Decision No. 9405-(90/54), adopted
April 6, 1990

2. HONDURAS - OVERDUE FINANCIAL OBLIGATIONS - REVIEW FOLLOWING
DECLARATION OF INELIGIBILITY - POSTPONEMENT

The Executive Directors agreed to further postpone consideration of the review of Honduras' overdue financial obligations, following the declaration of Honduras' ineligibility to use the general resources of the Fund effective November 30, 1989, to Monday, April 16, in view of ongoing discussions between the staff and the authorities.

The Executive Board took the following decision:

Paragraph 5 of Executive Board Decision
No. 9243-(89/114) G/TR, adopted August 30, 1989, as
amended, shall be further amended by substituting "no later
than April 16, 1990" for "by April 11, 1990."

Decision No. 9406-(90/54), adopted
April 6, 1990

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/90/53 (4/4/90) and EBM/90/54 (4/6/90).

3. EXECUTIVE BOARD COMMITTEES - NOMINATION

The Executive Board approves the nomination by the Managing Director for the vacant positions on the Committee on Executive Board Administrative Matters and the Committee on Interpretations, as set forth in EBD/90/105 (4/4/90).

Adopted April 5, 1990

4. EXECUTIVE BOARD TRAVEL

Travel by Executive Directors as set forth in EBAP/90/83 (4/4/90) is approved.

APPROVED: February 5, 1991

LEO VAN HOUTVEN
Secretary

