

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 90/157

10:00 a.m., November 5, 1990

M. Camdessus, Chairman

Executive Directors

E. A. Evans

M. Finaish

A. Kafka

J.-P. Landau

L. B. Monyake

D. Peretz

G. A. Posthumus

C. V. Santos

A. Torres

A. Végh

Alternate Executive Directors

Z. Iqbal, Temporary

L. E. N. Fernando

D. Powell, Temporary

Zhang Z.

S. B. Creane, Temporary

J. Prader

N. Kyriazidis

I. H. Thorláksson

B. Goos

T. Sirivedhin

J.-F. Cirelli

O. Kabbaj

P. Wright

Y.-M. T. Koissy

R. Marino

A. G. Zoccali

S. Yoshikuni

L. Van Houtven, Secretary and Counsellor

K. S. Friedman, Assistant

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Also Present

Administration Department: A. D. Goltz. African Department: M. Touré; G. E. Gondwe, Deputy Director. Asian Department: B. J. Smith. European Department: M. Guitián, Deputy Director. Exchange and Trade Relations Department: T. Leddy, Deputy Director; E. Brau. External Relations Department: B. Nowzad, R. W. Russell. Fiscal Affairs Department: A. A. Tait. IMF Institute: O. B. Makalou. Legal Department: R. H. Munzberg, Deputy General Counsel; W. E. Holder, Deputy General Counsel. Middle Eastern Department: M. D. Knight, M. Zavadzil. Research Department: J. A. Frenkel, Economic Counsellor and Director; M. Goldstein, Deputy Director; J. M. Boughton, M. P. Dooley, P. Isard, N. M. Kaibni, P. R. Masson, D. H. Mathieson, B. E. Rourke, P. Wickham. Secretary's Department: C. Brachet, Deputy Secretary; J. W. Lang, Jr., Deputy Secretary; G. Djeddaoui, R. S. Franklin, A. Tahari. Treasurer's Department: D. Williams, Deputy Treasurer. Western Hemisphere Department: S. T. Beza, Counsellor and Director; J. Ferrán, Deputy Director. Bureau of Statistics: J. B. McLenaghan, Director. Special Advisor to the Deputy Managing Director: W. A. Beveridge. Personal Assistant to the Managing Director: B. P. A. Andrews. Advisors to Executive Directors: J. O. Aderibigbe, M. B. Chatah, A. R. Ismael, M. J. Mojarrad, B. A. Sarr, H.-J. Scheid. Assistants to Executive Directors: T. S. Allouba, C. Bjorklund, B. Bossone, Chen M., E. C. Demaestri, A. Fanna, S. K. Fayyad, B. R. Fuleihan, M. A. Ghavam, O. A. Himani, K. Ichikawa, K. Kpetigo, M. Mrakovcic, M. Nakagawa, S. Rouai, D. Saha, D. Sparkes, C. M. Towe, J. C. Westerweel.

1. WORK PROGRAM

The Executive Directors considered the work program for the period up to the end of April 1991.

The Managing Director made the following statement:

Taking into account the guidance provided by Governors and by the Interim and the Development Committees in their recent meetings, we should now give consideration to our work program for the period ahead. In this statement, I shall cover in detail the work program for the period up to end-April 1991, when the Interim Committee and the Development Committee are scheduled to have their next meetings, and also provide indications of major tasks to be undertaken or followed up in the period thereafter.

1. Response to recent developments in the Middle East

Our immediate priority is to give effect to the call made by the Governors and the Interim Committee for an expeditious response by the Fund to the economic difficulties caused for many Fund members by the Middle East crisis, through use and, as appropriate, adaptations of the Fund's existing instruments, including access to resources under stand-by and extended arrangements, SAF/ESAF, and the CCFF. A paper on "The Response of the Fund in the Wake of Recent Developments in the Middle East" (EBS/90/179) has been circulated for Executive Board discussion on November 2. The staff will also issue for this discussion an update of the Fund's liquidity position, including an assessment of possible additional demand for Fund resources.

The Interim Committee also invited the Executive Board to take account of the requirements of current circumstances in tailoring members' access to Fund resources, including ways to address the problems of certain members in servicing such new debt. The Committee hoped that all members in a position to do so will collaborate in the efforts to assist members that are severely affected by developments in the Middle East. In my bilateral conversations at the time of the Annual Meetings, I was much encouraged by the positive reactions of a number of Governors to the idea of a temporary subsidy account. Shortly thereafter, I addressed letters on the subject to a number of Governors, particularly from countries that would record sizable benefits from the rise in oil prices, as well as from countries--industrial and others--in a strong balance of payments position. We now need to decide expeditiously on what should be done and how. Therefore, I will shortly circulate a note to obtain your informal reaction on the question of a temporary subsidy account for low and lower middle-income countries affected by the Middle East crisis. The

Fund's staff is continuing discussions with the most seriously affected countries on the appropriate adjustment response and on potential financing needs.

2. World economic outlook

Recent developments in the Middle East have obviously added to the uncertainty and increased the vulnerability of the world economy. We will follow events closely, and alternative oil price scenarios will be developed by the staff and updated as warranted by changing circumstances. Significant developments in this area will be brought to the attention of the Executive Board.

The Spring 1991 world economic outlook, which will as usual review recent trends and assess short-term prospects in the world economy, will devote particular attention to appraising the consequences of developments in oil markets. Close attention will also be devoted to evaluating the vulnerability of financial and other sectors to equity market developments and to weakening economic conditions in a number of industrial countries. The analysis of medium-term trends will include an examination of prospects in world saving and investment, the interrelationship between saving requirements and the evolution of productivity, the international implications of budgetary developments in the United States, and developments in Eastern Europe and the Soviet Union. Executive Board discussion of the world economic outlook papers will be scheduled for April 10 and 12, 1991.

We shall continue our periodic informal sessions on exchange market developments, and the next session could be held on October 24, with further sessions on December 17, February 15, and in early April in conjunction with the world economic outlook discussion.

The vital importance to the world economy of a timely and successful conclusion of the Uruguay Round has been strongly emphasized by Governors in the plenary sessions of the Annual Meetings and by the Interim and Development Committees. The Board will be kept informed of progress made in the negotiations, and a paper on the outcome of the Uruguay Round will be issued promptly after the completion of the negotiations. Depending on the course of negotiations, papers on possible implications for the Fund of a General Agreement on Trade in Services, and on Fund/GATT collaboration, may need to be circulated for Board consideration at relatively short notice.

3. Developments in the debt situation and strategy

A paper on further developments in the debt situation and strategy will be circulated for Board consideration in March 1991. This paper would include a review of the responses to recent proposals for additional debt relief by official bilateral creditors for lower middle-income and low-income countries. Developments in multilateral official debt restructuring during 1990 will be reviewed in a background paper. At the same time, as requested by the Executive Board, the issue of the redeployment of augmentation resources released early to member countries could be considered. In addition, the staff is preparing a technical paper on "Methodologies for Evaluating Burden Sharing Among Creditors," for submission to the Executive Board.

In the implementation of the Work Program, the staff and the Executive Board will certainly wish to reflect and take into account the September 1990 report of the Ministers of the Group of Twenty-Four, particularly with regard to the role of the Fund in the context of the debt strategy, as well as in the development of our strategy on overdue financial obligations to the Fund. Staff and management will also pay close attention to G-24 views on matters of Fund-Bank collaboration.

4. Eastern and Central European economies and the U.S.S.R. study

With the entry of Czechoslovakia and Bulgaria into the Fund, work on the economies of Eastern and Central Europe will continue to absorb a considerable amount of resources of the area, functional, and technical assistance departments. Requests by Eastern European members for Fund policy advice and use of Fund resources as well as for technical assistance in the central and general banking, public finance, and statistical areas are expected to remain high.

A paper on "Currency Convertibility and the Transformation of Centrally Planned Economies" could be slated for discussion by the Executive Board in mid-December 1990. A number of ongoing studies on stabilization and transformation of Eastern European economies will focus on: privatization; sequencing of stabilization and structural reforms; reform of tax systems; interest rate policies and inter-firm credit markets; and trade liberalization.

With regard to the study on the Soviet Union, you will recall the progress report of the heads of the four international organizations involved, the text of which was communicated to you on September 21, 1990. In line with the tenor of that report, I can confirm that the mission work and consultation discussions by the four organizations will be completed by the end of this month.

Thereafter the findings will need to be analyzed, pulled together, and discussed with the authorities of the U.S.S.R. in November, looking toward completion of the report before the end of the year, as planned.

5. Fund policy advice and conditionality

The paper on "Review of CFA Franc Arrangements" (SM/90/136) is scheduled for discussion in seminar form on October 24, 1990. The paper on "Analytical Issues Relating to Fund Advice on Exchange Rate Policy" (SM/90/198) could be scheduled for a Board seminar on November 21, 1990, together with the paper on "Review of Exchange Rate Policy Assessments in Recent Article IV Consultations" (SM/90/200).

A paper dealing with environmental issues as they relate to Fund policy advice and surveillance could be scheduled for Board discussion in early 1991.

Work on the paper for the next periodic review of conditionality has been delayed, owing to other urgent demands on the staff. It would now appear possible that the paper on this review could be prepared for Board consideration in May 1991. The review would cover programs supported by upper credit tranche stand-by and extended arrangements approved during 1985-87 and could focus in particular on the experience with mobilization of savings, including inflows of private resources from abroad, and the relationships between exchange rate policies and export and inflation performance. In conjunction with this review, issues relating to prolonged use of Fund resources, contingency mechanisms in Fund programs outside the CCFE, and first credit tranche conditionality would also be addressed.

As was decided by the Board last July, a further review of the operations of the SAF, ESAF, and ESAF Trust will need to be carried out by July 1991. This review would cover recent experience under SAF/ESAF-supported programs, the policy framework paper process, and operational and financial aspects, including use of SAF/ESAF resources, monitoring, and access. Papers on contributions to the ESAF Trust will be brought to the Board as and when details of each agreement are completed.

During the Board's latest discussion on Bank-Fund collaboration, it was noted that the managements of the Fund and the Bank would consult on the circumstances under which a medium-term policy document for middle-income countries might be useful, and report to their respective Boards. This document would be similar to the policy framework paper, and would be prepared by the authorities in consultation with the Fund and Bank staffs. We

have now come to the view that it would be useful to proceed pragmatically with the preparation of such a document in the case of one or two middle-income countries that are expressing an interest in such a document as a policy guide.

6. Systemic issues, including the role of the SDR

In its September 1990 communiqué, the Interim Committee welcomed the continuing examination by the Executive Board of major issues in the evolving international monetary system, including the implications of policies of major countries, the progress toward European Monetary Union and the prospects for further moves toward convertibility in Eastern Europe, as well as work on exchange rate systems and on the determinants of systemic consequences of capital flows. The Committee also emphasized the central responsibility of the Fund for evaluating continuously the functioning of the international monetary system and identifying improvements that could be implemented.

A paper on "Issues in the Operation of Monetary Unions and Common Currency Areas" is being prepared and could be scheduled for Board discussion in March 1991. The paper would concentrate on several issues under intensive discussion in the context of an emerging EMU that have wider systemic interest, such as the need for explicit fiscal policy rules in a monetary union, the relative advantages of fixed exchange rates versus common currency, and how best to deal with initial divergences in economic performance.

A paper on developments and prospects in international capital markets, with accompanying background papers, is planned for circulation for Board discussion in February 1991. The paper would focus on the determinants and prospects for spontaneous private flows to developing countries as well as on reforms of financial market regulations and "safety nets" in high-income countries, including deposit insurance. In addition, the Working Party on the Measurement of International Capital Flows is continuing its work, and its report is expected to be issued by end-1991.

Following the suggestions of Governors Hashimoto and Maystadt at the recent Annual Meetings, the staff will undertake a study, for Board consideration in the Spring of 1991, that would explore the main features of a more stable international monetary system, with emphasis on the currencies of the "triad" of the United States, Japan, and the EC.

The Executive Board has recently decided to maintain the existing list of the currencies in the SDR valuation basket, with appropriate adaptation in the weight of each of these currencies

and in the short-term interest rate for the French franc and Japanese yen used in determining the SDR interest rate. A paper on the transition to this new basket effective January 1, 1991 will be issued at the end of December 1990. A paper on the role of the SDR in the diversification of exchange reserves would be issued early next year. A further paper dealing with a survey of views on the SDR in reserve management, especially in the major industrial countries, is proposed for issuance in the summer of 1991. An operational paper dealing with "Pattern of Use and Holdings of SDRs" is planned to be issued by the early part of 1991. Other operational papers on SDRs, including those on new Other Holders, will be issued as needed.

7. Ninth General Review of Quotas and Third Amendment of the Articles

At its September 1990 meeting, the Interim Committee stressed the importance of bringing into effect the quota increases under the Ninth General Review at the earliest possible date, and called upon all members to consent to the quota increase and accept the associated Third Amendment as soon as possible. It remains my fervent hope that the requirements will be achieved by the April 1991 Interim Committee meeting, and I have been encouraged to that effect by positive indications from Governors during the Annual Meetings.

We will follow closely the progress toward the acceptance of the Amendment and the consent to the quota increase by members. Operational reports on the status of increases of quotas and acceptance of the Third Amendment will be circulated periodically. Members have already received technical notes on procedures for adoption of the proposed Amendment, and for consent and payment for increases in quotas. Some related issues will also require examination, in particular those pertaining to the review and revision of several By-Laws and Rules and Regulations in connection with the Third Amendment. A paper on "The Fund's Level of SDR Holdings in Light of the Ninth Review of Quotas" will be issued in the early part of 1991.

8. Area departments' work program

The tentative timing of the work program relating to Article IV consultations and reviews under existing enhanced structural adjustment, stand-by or extended arrangements is summarized in Attachments III and IV. Area departments anticipate that, in the 6 months through April 1991, more than 85 staff reports for consultations under Article IV (including 8 interim consultations under the bicyclic procedure) will be issued. The

expected number of Board discussions of consultation reports for this period is higher than that presented for comparable periods in recent work programs.

During our latest discussions on the biennial review of surveillance on July 9 and 11 and on September 17, 1990, the principle of annual consultation discussions with all Fund members was confirmed and Directors underscored the importance of giving the staff flexibility in using different approaches to determine the most effective method of implementing bilateral surveillance. I suggest that the staff now gain experience and implement the operational guidelines that we have drawn from the Surveillance Review. Directors will recall that during the Board Review no agreement was reached on the procedures for concluding interim consultation reports under the bicyclic procedure, and we may need to return to this issue in the near future.

Also during the period to end-April 1991, around 25 reviews under existing arrangements are expected to be brought to the Board's agenda. In addition, area departments' projections indicate that about 30 new requests for use of Fund resources may also be brought to the Board in that period. Of these, more than half would be for stand-by or extended arrangements; the remainder would be mainly for arrangements under the SAF and ESAF.

9. Overdue obligations to the Fund

In endorsing the rights approach last June, the Executive Board determined that its utilization should be limited to those of the 11 members in protracted arrears to the Fund at end-1989 that adopted a rights accumulation program by the time of the Spring 1991 meeting of the Interim Committee. The established procedures appear to be working effectively. In particular, rights accumulation programs are under discussion with three members out of the nine countries presently in protracted arrears, while two other members are actively collaborating with the Fund.

The next six-monthly report on overdue financial obligations to the Fund will be circulated for Board consideration in March 1991, and, in this connection, we will also need to review progress under the cooperative arrears strategy, including the rights approach, before the Spring 1991 Interim Committee meeting. In addition, the usual papers for Board reviews of individual arrears countries will be issued as needed. A paper on the financial consequences of compulsory withdrawal will be issued before the end of 1990.

10. Operational and other matters

A mid-year review of the Fund's income position is to be held before mid-December 1990, and a paper will be issued for Board discussion in early December. The next annual review of the Fund's income position will be issued in April 1991, in time for the Board's discussion of the Administrative Budget. An update to this review, including the question of the determination of the rate of charge for FY 1992, will be provided in late May 1991 for consideration by the Executive Board shortly thereafter. Special charges on overdue obligations will again be reviewed in the context of this discussion.

A paper reviewing the burden sharing decision--which is in effect until the end of FY 1991--will be circulated for Board discussion before the end of April 1991, to avoid issues of retro-activity in the adjustment of the rate of charge and remuneration. The same paper will also review the operations under the extended burden sharing decision. Additional papers on the operations of the burden sharing decision would be needed in the event that "regular" adjustments for deferred income and for SCA-1 would cause the 85 percent floor of the remuneration coefficient to be reached. I would welcome your views on timing the Board discussion of the paper on "Operational Modalities of Voluntary Contributions and of the Temporary Retention of Contributions Under Burden Sharing" (EBS/90/140), which was issued on August 2, 1990.

A further update on the Fund's liquidity position is planned for issuance in early January 1991. This will be accompanied by a paper reviewing the guidelines for borrowing by the Fund as required under the existing decision on the guidelines upon completion by the Board of Governors of the Ninth General Review of Quotas. The next paper on the semiannual review of the Fund's liquidity position and financing needs will be issued for Board consideration before the April 1991 Interim Committee Meeting. A paper reviewing access limits and enlarged access and their financing will need to be issued before the requirement for the effectiveness of increases in quotas under the Ninth General Review has been fulfilled.

The quarterly operational budgets and designation plans will as usual be brought forward in accordance with established procedures. The operational budget for the period starting March 1991 will include a review on the question of the floor below which transfers of currencies may not reduce the Fund's holdings of any particular currency.

The guidelines on the allocation of currencies under the operational budgets will need to be reviewed before the increases

in quotas under the Ninth General Review come into effect or before the end of 1991, whichever comes earlier. In this connection, a paper on the role of reserves in measuring members' relative external financial strength in the context of developments of international liquidity will be scheduled for Board discussion.

Work on the applications for membership by Switzerland and Mongolia is proceeding in accordance with established procedures.

11. Development Committee agenda

The Development Committee agenda for its April 1991 meeting is again very heavy. For the next meeting, the Development Committee agreed to discuss joint Bank/Fund papers on: (i) the role of foreign direct investment in development; (ii) the impact of industrial countries' trade, agricultural, and industrial policies on developing countries; and (iii) a detailed progress report on the implementation of the debt strategy and its impact on the development prospects of all severely indebted countries. Drafts of these papers would be circulated for discussion by the Committee of the Whole in late March. The Bank staff has also been requested to prepare, in consultation with the Fund staff, an issues paper on the financial implications of development policies aimed at poverty reduction.

12. Administrative matters

A further paper on the establishment of an administrative tribunal, including a revised draft statute and a draft resolution for presentation to the Board of Governors, will be circulated for Board discussion in December 1990.

Documentation on the FY 1992 budgetary outlook over the medium term will become available in mid-January 1991, with discussion of the 1992 outlook to take place in early February. Consideration of the Administrative and Capital Budgets for FY 1992 could take place on April 17, 1991.

In addition, among the other administrative items requiring Board attention in the next few months are a paper on FY 1991 Supplementary Budget Appropriations to be issued in November 1990; a paper on the Midyear Review of FY 1991 Administrative and Capital Expenses to be circulated in December 1990; and the 1991 Staff Compensation Review to be considered by the Board in March 1991.

Before concluding, I would like to share with Executive Directors the following thoughts. The present Work Program, perhaps more than usual, focuses on the short term as, once again, recent events have required the Fund to respond promptly in

assisting member countries. However, we should at all times maintain a medium-term perspective and continue to reflect on the tasks and priorities of the institution in the years ahead. Recent additions to Fund membership and new applications for membership have accentuated the global character of the institution. Fund Governors and the Executive Board have reconfirmed the Fund's central responsibility in the functioning of the international monetary system and in the exercise of effective surveillance. The number of member countries using Fund resources today is larger than ever before, and that number will in all likelihood continue to grow, as many countries continue to face difficult external positions and prospects. In order to give confidence to members, the increase in Fund resources under the Ninth General Review of Quotas awaits urgent implementation.

While our central mandate has clearly been reconfirmed, we should continue to reflect on the evolving role of the Fund. How do we gear our activities of policy advice, research, and programs design, implementation and evaluation, as well as technical assistance, to best serve our members? How do we reconcile ever-increasing demands on the institution with the priority we all attach to maintaining an efficient size and structure of the organization?

These are the sort of questions on which we shall have an opportunity to reflect in our informal retreat/seminar of November 15-16.

The Chairman added that the retreat for Executive Directors could deal first with the global economic environment and demands on the Fund in the 1990s, including surveillance, use of Fund resources, systemic developments, and the preparedness of the Fund to solve systemic problems. The Directors could then devote some time to discussing the role of the Executive Board in the 1990s. For instance, how could management best serve the Board, and how could the Board best serve the institution? Directors should also examine issues related to the Fund's financial operations: their complexity; the difficulty in reconciling the interests of creditors and debtors; and the need to rationalize those operations while maintaining appropriate safeguards. In addition, Directors might wish to consider the Fund's working relations with national capitals, and particularly how management and staff could facilitate their demanding tasks in that field. He hoped that the retreat would provide an opportunity for reflection and an open and spontaneous exchange of views.

Mr. Kafka made the following statement:

I am in general agreement with the Managing Director's work program. Apart from the bunching of several important matters

since November 28, the program looks relatively easy for the period to end-December, but I wonder whether this does not mean that we are going to have a very hard time during the period next year preceding the meeting of the Interim Committee. I hope that everything that could be done to even out the load of Board meetings will be undertaken.

On the substance of the program, I shall make a few comments regarding those areas where I have doubts or concerns. I hope that the projections in the next world economic outlook, including those concerning the indebted countries, will, if anything, err on the side of caution. It is not helpful for an institution such as ours to show excessive optimism, as we have shown in our projections until very recently. During our latest discussion on the world economic outlook, several suggestions were made on how to deal with possible contradictions between our assumptions regarding the implementation of programs and our experience.

As to the debt problem, I do not think that we should limit ourselves to discussing further debt relief only for low-income and low middle-income countries. The problem of debt relief by bilateral official lenders to middle-income countries is mentioned more and more by commercial banks that are asked to agree to debt relief, and that problem should merit our consideration.

On policy advice, there are three points which merit reflection. First, the Bank, in its second report on adjustment lending has come to some interesting and skeptical conclusions on the effect of interest rates on savings (see page 94 of that report). I hope that these will be taken into account by our staff in writing about policy advice--whether accepting or refuting the Bank's conclusions.

Second, I am not sure whether we need to burden ourselves with a study on first credit tranche conditionality. Have there been problems in that area?

Third, the use of policy framework papers for middle-income countries is obviously a very delicate matter. Instead of preparing papers in one or two cases where countries are expressing an interest in such papers, we should still first prepare papers for a general Board discussion, as we originally intended. Also, is the interest expressed on this topic spontaneous?

Regarding systemic problems, I regret the absence of a study on means for making Fund advice effective for countries not needing to borrow from the Fund. This matter goes to the heart of the

Fund's role. Possibly the paper on the use of SDRs in the diversification of exchange reserves could address this problem, among others.

I do not think that it is correct to say, regarding overdue obligations, that "our established procedures are working effectively." In the first case to which these procedures have been applied, that of Guyana, the financial support necessary to make the Guyanese program a success, obviously continues to be inadequate. I think that we should consider whether we cannot do more to evoke support.

Although I was hardly convinced by the Staff Association Committee's survey of staff opinion, I do think that it is time that we establish the Administrative Tribunal about which we have been talking for so long.

Finally, I look forward very much to the retreat and to the discussions there of the evolving role of the Fund. However, I wonder whether more will be accomplished at a location outside of Washington than at a more convenient location inside the city.

Mr. Finaish made the following statement:

I am in broad agreement with the Managing Director's statement on the work program. Therefore, I shall limit myself to a few brief remarks and suggestions on only some elements of the program.

First, as I had indicated during our discussion on November 2 on the Fund's response in the wake of recent developments in the Middle East, those developments have not found the Fund to be wholly unprepared to respond fairly promptly to the needs of a substantial portion of the membership. It is certainly our hope that the adaptations and modifications discussed on November 2 will prove effective not only in dealing with the impact of the present situation, but also in enhancing the Fund's overall capacity to respond promptly to members' needs in the wake of unforeseen adverse developments in general. I must say in this connection, however, that I continue to harbor some doubt as to whether changes in the contingency element of the CCFF that were agreed at the time of the recent review of the facility go far enough in reducing the technical complexity that has inhibited a wider use of that element to date. And, quite frankly, it is far from certain that changes in the symmetry provisions will by themselves do the trick. I certainly hope that concerns in this regard will prove to be unfounded. But, I think nonetheless that the take-up rate of, and the experience with, the contingency element should

be closely watched in the period immediately ahead with a view to, if necessary, moving up the date of the next review of the CCFF-- say, to the period covered by the next work program.

Second, regarding overdue obligations to the Fund, it is to be noted that we are now about equidistant from the time when the modalities of the rights approach were put in place and the deadline we set for entering into rights accumulation arrangements. It is therefore a matter of some concern that so far no such arrangements have been agreed and that discussions on rights programs are currently underway with only three members. Of course, we take comfort in the progress referred to by the Managing Director. But, although we had no illusions when the rights approach was introduced that this approach will benefit all members in protracted arrears, we certainly had hoped to achieve greater progress in that regard than what would seem to be feasible at this stage, given the present deadline of the 1991 spring meeting of the Interim Committee. This, of course, points to the need for the authorities concerned, as well as the donor community, to move with urgency toward establishing the necessary conditions for the clearance of arrears outright or through the rights approach. For its part, the Fund should continue to do what it can to intensify its dialogue with the authorities and donors. This said, though, I think that, in addition, the Fund should not have a closed mind vis-a-vis the possibility of extending the present deadline for entering into rights arrangements.

Third, we look forward to the next periodic review of conditionality, and, in this connection, I am glad that the scope of the review has been expanded to include issues related to first credit tranche conditionality--something that I had requested at previous discussions of the work program and conditionality. In this connection, and in reaction to what Mr. Kafka had to say on this matter, let me say that I certainly do not have problems with what is on the books regarding first credit tranche conditionality. But it is in the application of the policy that I think there is scope for some consideration and guidance by the board. It is regrettable that staff resource constraints have intervened to delay the review of conditionality. But, in any event, the review of conditionality is an ongoing process that builds on various aspects of the Fund's work. In this connection, we look to our forthcoming discussions on exchange rate policies to make an important contribution to the conditionality review.

Regarding the paper on environmental issues and the Board discussion of it in early 1991, let me say that it is difficult to disagree with the proposition that the interaction and feedbacks between economic policies, on the one hand, and environmental concerns, on the other, are too important and relevant to be

ignored. This said, however, it is for consideration, from an efficiency standpoint, whether it is desirable for the Fund to expand the scope of its work, and if so to what extent, to encompass an area where the World Bank clearly has a comparative advantage.

Fourth, as noted by the Managing Director, work on the economies of Eastern and Central Europe will continue to absorb a considerable amount of resources of the area, functional, and technical assistance departments. Indeed, insofar as technical assistance services are concerned, that has been so much so that, as noted in EBAP/90/80 (Administrative and Capital Budget for FY 1991), the demand for those services has exceeded the Fund's ability to respond. This has led, again according to EBAP/90/80, to targeting assistance to those countries undertaking structural and institutional reforms to improve macroeconomic policy performance. It, therefore, does appear that the institution's ability to respond to the membership's technical assistance needs which have been growing rapidly, both in the number of requests and range of requirements, is being severely tested. The forthcoming annual report on technical assistance will, I am sure, provide us with highly useful information on this important area of the Fund's activities. I also note that this is among the matters which the Board will consider at the forthcoming retreat. In light of our informal exchange of views at the retreat, it may well prove necessary for the Board to undertake a thorough prospective assessment at an early date of this key function of the Fund's.

Fifth, with more than 85 staff reports for consultations under Article IV (including only 8 interim consultation reports) to be issued in the six months through April 1991, not to mention scheduled policy discussions and those that will be scheduled, I do not think we should keep our hope up regarding the possibility of freeing up one of the regular Board meeting days. However, to the extent such a freeing up of a meeting day is feasible, I think it would be better to free up Mondays, rather than Wednesdays or Fridays. Again, this may be a moot issue. But, in principle anyway, the choice of Mondays would recommend itself on several grounds, including some related to the implications of the choice of the free day for consultations with authorities, preparation by the staff for Board meetings, and contacts between Board members and the staff prior to Board meetings.

On a more important note, I hope it will be possible for us to soon reach agreement on the procedures for concluding interim consultation reports under the bicyclic consultation procedure, with a view to, if feasible, realizing some economies without compromising the quality of the surveillance process.

Finally, I cannot agree more with the Managing Director on the thrust of his concluding remarks. I think it is fair to say that one cannot come to expect less of an institution that continuously exalts the virtues of maintaining a medium-term perspective in policy formulation than to do the same in discharging its own responsibilities. As the Managing Director has it, I think it essential that we all continue to reflect on the evolving role of the Fund. To that end, informal seminars/retreats may be quite helpful for stock taking and reflection, which indeed have to be viewed as an important ongoing responsibility of this Board. At the same time, it may be useful to encourage the staff to be creative and less inhibited, and to point to areas of Fund activities and policies that could stand some adaptation or change to render the institution more in tune with the evolving needs of the times.

Mr. Iqbal made the following statement:

The proposed work program is comprehensive and, as usual, will call for continued efficient use of our scarce human resources. Mr. Chairman, you already know this chair's views on the Fund's response to the recent developments in the Middle East. Therefore, I will only focus on only some of the other issues posed by your statement.

I am happy to note that the next world economic outlook exercise will pay greater attention to the global savings-investment interaction and implications of the fiscal developments in the major industrial countries for this interrelationship. Clearly, in the wake of developments in Eastern Europe, including the U.S.S.R., and given the continued needs of the developing countries, the global demand for savings is likely to increase in the future. It would be highly useful if the staff were to elaborate on the option of transferring some of the global savings to developing countries. This would also help in progressing toward balancing the external current accounts of major industrial countries. It is also to be expected that, for the spring world economic outlook exercise, the staff will follow its usual cautious approach in choosing alternative oil price scenarios and in assessing their effects on the world economy. It is hoped that, by the time this exercise is undertaken, the global oil situation will have stabilized.

Closely related to the short- and medium-term outlook, and of significant systemic effect, is the matter of developments in global capital markets and financial sectors of major industrial countries. These developments should be explored in conjunction with the next world economic outlook exercises. For this purpose, it may be advisable for the world economic outlook papers to go

beyond analyzing the determinants and prospects for spontaneous private flows to developing countries. An area that may require a closer look is the evolution of financial and equity markets and their implications for the orderly flow of resources.

Regarding the Eastern European economies, apart from the paper on currency convertibility and the transformation of centrally planned economies, the Fund needs to draw upon available experience and analyses to determine the desirable pace and sequencing of adjustment. Such studies can be of particular benefit to other members that have large public sectors and exercise direct controls over resource allocation. I also look forward to the proposed study of the international monetary system. It would be interesting to review criteria and procedures needed to ensure greater stability in a tripolar system.

I look forward to the planned staff papers on the outcome of the Uruguay Round. This is a very crucial matter, and the Fund must stand ready to provide any support that may be necessary to ensure a timely and successful conclusion of these negotiations.

The Fund would also need to focus more deeply on the impact of industrial countries' trade, agricultural, and industrial policies on developing countries. So far, staff constraints have kept us from undertaking an in-depth analysis of these issues. Perhaps we should be thinking about restructuring staff skills so that important issues, such as this, can be addressed adequately. As this chair has stressed in the past, there is a need for a clearer understanding of the role of trade policy in the context of conditionality and performance criteria requirements. Perhaps we have acquired sufficient experience to develop guidelines on sequencing trade liberalization as part of the structural adjustment.

I look forward to discussing the paper on the CFA franc arrangement today, and to taking up the other two papers on Fund advice on exchange rate policy in the context of adjustment programs and under Article IV consultation procedures. It is hoped that these discussions will lead to concrete guidelines for the staff to follow. It is unfortunate that the paper on the review of conditionality has been delayed. I would have preferred to discuss it before the next Interim Committee meeting. I am happy that the paper will address the important issue of the relationship between exchange rate policies and export and inflation performance. Due focus on structural issues would also be particularly relevant.

I endorse the plan to proceed pragmatically with the preparation of policy framework type documents for middle-income

countries. It is to be hoped that informal Bank/Fund collaboration can be further strengthened to cover a larger share of the membership.

As you know, my authorities do not consider the study of environmental issues as being in the mandate of the Fund or as an area of its primary responsibility. This is not to say that environmental issues are not important. The Fund is a monetary institution and its scarce resources should not be utilized in areas where it does not have a comparative advantage. Clearly, other multilateral agencies are better qualified to undertake such studies.

I continue to believe that the Fund would benefit from the establishment of an independent evaluation unit. At the very least, a paper reviewing the pros and cons of such an independent evaluation unit should be prepared without delay.

Concerning the free Board day, I would prefer Fridays over Wednesdays.

I take note of the planned paper on the establishment of an administrative tribunal. In this context, I was intrigued by the results of the survey undertaken recently by the Staff Association. A highly motivated staff is our most valuable asset. I urge Management to explore ways of addressing the staff's concerns.

Before concluding, I wish to fully endorse the Managing Director's desire to marshal our activities in policy advice, research, program design, implementation, evaluation, and, in particular, technical assistance, to best serve our members. I am afraid we might already be running into a staff constraint. While there is room for a limited relaxation of this constraint, we should attempt to address this problem mainly by seeking to restructure the Fund's skill mix.

Mr. Peretz made the following statement:

Let me go through the items in your very useful statement, commenting also on one or two matters not covered where we think work or Board discussion is needed.

We are, of course, in the middle of discussing the response to events in the Middle East, and I have nothing particular to add now on item 1--or indeed on item 2--the world economic outlook.

On item 3, debt, I would just say I am very interested to see that the staff is preparing a paper on the evaluation of burden sharing among creditors. This is clearly an issue of the greatest importance in the context of the debt strategy and could have implications for the Fund's guidelines on financing assurances. I wonder whether we can be given some indication of when it will be available for discussion.

Under item 4, I also very much welcome the background work underway on centrally planned economies. The issues listed in the Managing Director's statement all look extremely relevant. The issue of currency convertibility seems particularly central to the Fund's work, and I look forward to the discussion planned for mid-December. We do not need to decide now, but I guess it may be sensible to consider a Board discussion of the Soviet economy sometime in the course of the next year.

Under item 5, the delay in the preparation of the next review of conditionality is understandable, and the later date proposed causes me no difficulty. As well as looking at case studies, it would be helpful if the paper could address particular issues, such as prolonged use of Fund resources, in some detail. Recent discussions suggest there may also be some fundamental conceptual issues to consider concerning the role and nature of conditionality in the face of global economic shocks.

The introduction of policy framework papers for middle-income countries has a number of attractions, not least in providing a focus for collaboration with the World Bank. However, I accept that we will only be able to judge the value of such papers in the light of experience. For this reason, I am pleased to see that it is intended to produce the papers on one or two such countries on an experimental basis, I welcome this pragmatic approach, which will help us reach a view on whether the regular preparation of such documents for a wider group of countries would serve a useful purpose.

There are two further issues that fall broadly under the conditionality heading on which I would like to see some further work. The first of these was raised by this chair during the last work program discussion. That is the possible establishment of an independent evaluation unit along the lines of the World Bank's. We still think that this merits serious consideration. Its work could provide a proper basis for evaluating the design of Fund programs.

The second point is a new one. Experience in some recent programs leads me to ask whether, in program design, we should not be paying more attention to the important issue of the

administrative basis for effective adjustment. In particular, would it not be useful in some cases to make the implementation of a better public expenditure control system a condition for Fund assistance. Even a simple change, like requiring checks to be signed by the Finance Ministry rather than spending departments, would help in some cases. But there are many familiar sources of slippage under Fund programs which may often be traceable directly to inadequate control systems, and I would very much like to see a paper which addresses these fundamental issues and examines the feasibility of extending conditionality, in appropriate cases, to remedy these kind of shortcomings.

Turning to item 6, systemic issues, I welcome the proposed paper on monetary unions and common currency areas. The areas for examination outlined by the Managing Director are all appropriate ones. In particular, I hope that the paper will fully address the question of the degree of economic convergence which is necessary before a monetary union is feasible, and the relative merits of an evolutionary approach to a common currency against a step jump to a single currency.

I also welcome the proposed study of the main features of a more stable and wider international monetary system, the so-called tri-polar system. This work will be of considerable interest.

I have no particular comments on items 7,8,9, and 10. On item 13, administrative matters, I have two points. First, I note that there is no reference to the potential paper on the establishment of a joint committee of Executive Directors of the Fund and Bank to consider administrative matters and policies. I hope this is an oversight only. I remain strongly of the view that serious consideration should be given to this idea. Second, I note that the review of the Fund's medical benefits plan is not scheduled for discussion. I am aware that a number of fundamental questions have been raised concerning the plan recently and that these are being examined. Can the staff please give some indication of when the Board is likely to be asked to consider the issues involved? I might note in passing that, given the parallel changes being proposed to the World Bank's medical benefits plan, this is precisely the kind of issue which, in my view, could and should be considered by the proposed joint committee of the two institutions, and where indeed there could be some economies in moving toward a joint plan rather than two separate ones.

Finally, I should like to raise two procedural issues. The first of these concerns the lead speaker system, which I think has proved effective in focussing discussion and allowing more effective use to be made of Board time. I very much hope that we can

continue with this system and improve its working. There may be some things we can do to improve its working.

The second point, raised by at least two previous speakers, concerns the days on which the Board meets. I fully endorsed the suggestion made earlier that the Board should normally meet five days every two weeks. This goes together with a welcome streamlining of our discussions. I have to say, however, that I can see little logic in the choice of Wednesday as the day on which the Board should not meet in alternate weeks. The concentration of meetings on Mondays and Fridays makes for a very uneven work pattern, increases the amount of weekend working that Directors and their staffs have to do and, I suspect, may result in some cases in papers receiving less attention than they should. I had been under the impression following our original discussion that the general view was that the free day should be either Monday or Friday, not Wednesday. I agree here with Mr. Finaish. My own view is that it will be best to take Monday as the free day. I do not, in fact, have a very strong preference as between Monday or Friday but feel strongly that either is much to be preferred to Wednesday.

I very much agree with many of the comments in the last few paragraphs of the Managing Director's statement, in particular the need to keep an eye on the medium-term perspective, to avoid overpreoccupation with short-term issues, and to keep the Fund a relatively small and efficient institution. I look forward to discussing these issues further at our retreat on November 15-16.

Mr. Cirelli made the following statement:

As regards its content, this work program does not raise any difficulty, and I can broadly endorse its main topics.

Before commenting on some specific points, I would like to make three brief remarks. Like Mr. Kafka and others, I would express some concern about there being an excessively large and unbalanced spreading of the work load distribution in the coming months. This work program appears to be heavy. Regarding country matters, the number of discussions envisaged is higher than that presented in recent work programs. At the same time, an important set of policy matter discussions are also scheduled for the coming months. Therefore, I can only hope that the Secretary will be able to avoid too much bunching of discussions at the time of the approach of the next *Interim Committee* meeting.

On one hand, the reduction of the circulation period for staff reports which has been considered, and the number of

scheduled discussions, will put considerable strain on the Board's work load. On the other hand, the new Board discussion procedure experienced since last summer seems to work quite well in reducing Board discussions while enhancing their effectiveness. It is sometimes difficult to balance rapidity and effectiveness, but I would stress the importance for the Board of being in a position to offer to its members the attention they deserve when examining country cases. In this regard, I agree that we may need to return to the operational guidelines we have drawn for the surveillance review.

I will now briefly turn to the main items proposed for discussion. I concur with the Managing Director that our immediate priority is to respond adequately and quickly to the recent developments in the Middle East without altering our principles of intervention. This situation also requires special attention when preparing the next world economic outlook as well as when exercising Fund surveillance.

I concur with the main developments envisaged for the next world economic outlook. In particular, my authorities will be very interested in the evaluation of the vulnerability of the financial sector to equity market developments.

I have nothing in particular to add regarding work proposals on debt issues. My authorities particularly welcome the Fund's paper on the methodologies for evaluating burden sharing among creditors, as it could provide a useful guide for discussion in this area.

As for Eastern and Central European economies, I welcome the paper on currency convertibility scheduled for discussion next month. I am pleased to note the scope of the ongoing studies on stabilization and transformation of these countries and would welcome a discussion, if possible, in a broader context than programs or reviews, perhaps in the framework of a seminar, on the transition of these economies and on the Fund's advice to them.

On systemic issues, including the role of the SDR, my authorities attach great importance to the work of the Fund on the international monetary system and to ways of improving the present international monetary system, including a better understanding of capital flows. We will also welcome an assessment on the relations between equity market developments and exchange rate reactions. Broadly speaking, we should continue the work we undertook when we discussed the conditions for a successful exchange rate system along the lines of the summing up of that discussion.

The Fund's interest in monetary union issues is certainly valuable. These are very difficult issues indeed. Although the Fund is not directly involved in the European process, it can contribute to providing enlightenment on the issues at stake.

I also would like to underscore the importance my authorities attach to the work in the SDR area. In particular, the paper on the role of the SDR in the diversification of exchange reserves is welcome, as well as the papers aimed at better understanding the current determinants of use of SDRs with a view to enhancing the SDR's role.

On the Ninth General Review of Quotas, we still think that the French Parliament will be able to approve the two Resolutions proposed by the Governors before the end of this year. The process is well underway, and the proposal has been transmitted to the State Council (Conseil d'Etat), which is the first step of the legislative procedure.

Before concluding, I will say a few words on operational and other matters. Regarding a discussion on the operational modalities of voluntary contributions and of the temporary retention of contributions under burden sharing, and given our work load, it is our view that it could be more efficient to discuss this matter when reviewing burden-sharing issues before the end of April 1991.

I welcome a review of the guidelines for borrowing by the Fund, as the Board should be aware of all financing possibilities. On that occasion, we could review more deeply the background paper on the enlarged access policy which was attached to the last liquidity review paper, as it shed light on how the enlarged access policy has been implemented. Regarding guidelines on the allocation of currencies under the operational budget, I welcome the paper on the role of reserves in measuring members' relative external financial strength, as I was among those who were interested in further analysis of this topic.

I hope that we could complete the current review of health benefits in the same spirit of compromise that the Board has shown for the Staff Retirement Plan issues.

My authorities are ready to approve the establishment of an administrative tribunal, and we look forward to a discussion in December.

We attach great importance to the discussion on the budgetary outlook for FY 1992. Although we must not depart from our good

budgetary principles, we are ready to consider any suggestions from management which would address the issue of the increased work load of the staff.

Ms. Powell made the following statement:

My authorities broadly support the proposed work program. As usual, it is an ambitious and challenging one. Our main concern is the heavy work load that is implied both for the staff and for the Executive Board. This becomes particularly evident if account is taken of the exceptionally large number of country discussions of one kind or another that will be coming to the Board over the next six months. As we stressed in the discussion of surveillance this past summer, we would hope that some of the pressure on staff can be eased through greater flexibility for the exercise of judgment in determining the important issues to be addressed in any particular country. We would encourage the staff to experiment with different approaches as seems appropriate. The Board, too, has been experimenting with ways of making discussions both more pointed and shorter. Nevertheless, the surveillance of member countries remains at the heart of the Fund's operations, and there is no way the exercise of this function can be skipped without seriously damaging the Fund's role.

In addition to the ongoing surveillance of members, there are three aspects of the work program that we regard as particularly important. The first is the need for the Fund to respond to the Middle East crisis. Work is already well in train in determining how this should be done, including the adaptations of existing instruments. This should allow the Fund to respond, as appropriate, to members' needs on a case-by-case basis.

The second aspect is the world economic outlook. We regard this exercise as a vitally important part of the Fund's exercise of surveillance. It provides an opportunity to assess the international ramifications of recent economic developments and of policies in the member countries, particularly the major industrial ones, in a broad context. It also provides the world scenario needed for individual country programs. Clearly, there is considerable uncertainty in the outlook, and developments will need to be followed closely. This includes the outcome of the Uruguay Round, which will have major implications for world trade, as well as developments in the Middle East. At this point, it is impossible to assess whether the future course of events will dictate some change in emphasis, but for now, the topics suggested for particular examination seem to us to be pertinent.

The third aspect of the work program that we view as especially important are the studies relating to Eastern Europe. The transformation underway in these countries presents major challenges for the Fund. The better the understanding of the process, the more valuable will be any Fund assistance and advice. It also seems likely to us that this work could have important lessons for other member countries.

I would also like to comment very briefly on several other parts of the work program. The debt situation in many member countries continues to be a source of concern, and, therefore, a review of developments and of the debt strategy certainly needs to be part of the work program. We also regard the periodic review of conditionality as important, providing a needed assessment and perspective on Fund programs. Again, the suggested emphasis is appropriate. While we can understand the reasons for some delay in this review, we would hope that it will be possible to bring the paper to the Board in May.

Environmental issues are of increasing concern to member countries. A paper dealing with these issues as they relate to Fund policy advice should be useful. In our view, the Fund's concern in this area should relate mainly to the interrelationship between environmental issues and macro policy. We also feel that this is an area where the Fund should collaborate closely with the World Bank and draw on the Bank's expertise.

Systemic issues continue to form a very important part of the Board's agenda. An assessment of the appropriate direction of work in this area and of the evolving role of the Fund should be assisted by the planned informal retreat in November.

On the specific issue of the timing of the discussion of the paper on the modalities of voluntary contributions, it seems to us that this should be determined on the basis of other demands on the Board's time. Probably, it should be relatively soon, as the work load may well increase in the period leading up to the next Interim Committee meeting.

Mr. Evans made the following statement:

The Managing Director's comprehensive statement provides an excellent basis for our work program over the months immediately ahead. I have no major difficulties with what is proposed and will confine my comments to a few issues on which I think that the emphasis might be changed at the margin.

In the period under consideration, a sizable number of major policy issues will have to be addressed, some for the first time by the Fund. An unusually large number of routine country matters is also due for consideration. Some of the country matters could be and, I believe, should be rescheduled to the following period. If we are to do justice to our basic responsibilities, we should reschedule less important issues. I would be interested in anything the Secretary may have to say on the reasons for the bunching of country matters--and the hiatus during the current quarter--and whether this is a problem that is likely to recur.

The Fund has responded well to the recent developments in the Middle East, and, while there is a lot of follow-up to be done on individual countries, the fact that our facilities and procedures incorporate a good deal of flexibility has stood us in good stead. All of that is commendable, as far as it goes--which appears to be as far as dealing with recent developments. The real test, however, of the Fund's ability to fulfil its basic mandate would come if developments in the Middle East were to turn sour. It is doubtful that the Fund could respond to that eventuality with the same ease with which it has reacted to recent developments. However, the speed of the Fund's response to a worsening of the Middle East situation could be of critical importance to the prospects for the world economy; and that would seem to me to justify the staff's doing some work on a "be prepared" basis. There would be no need for that work to be brought to the Board before circumstances warranted, but it would be comforting to know that it was in train.

For much the same reasons, in the current climate we should give high priority to the world economic outlook and to related studies. I welcome, also, the program the Managing Director has in hand in relation to the Uruguay Round, but I wonder whether this is not also an area where some further work needs to be in hand on a contingency basis. In that regard, I strongly endorse the Managing Director's comment that "a timely and successful conclusion of the Uruguay Round...will be of...vital importance to the world economy." Yet, clearly, that assessment is not shared by all governments, some of which in Europe appear prepared to see the Round fail. The Fund should be assessing, now, the implications of failure; the Managing Director's statement, of course, suggests that it has already done so, and that is welcome. The Fund's reaction to the outcome of the Round--particularly if the Round fails--could be of more than usual importance for financial markets.

We welcome the studies underway in relation to developments in Eastern Europe. These could be of great interest, particularly if the Board were able to consider them while they are still of some relevance.

I would like to support Mr. Finaish's remarks regarding the slow progress in dealing with overdue obligations and, in particular, in advancing the use of the rights approach. It is important, not least for ensuring the passage of the Third Amendment of the Articles, that all elements of the arrears strategy be pursued vigorously.

Mr. Santos made the following statement:

I have no major difficulties with the Managing Director's statement on the proposed work program.

With regard to the world economic outlook exercise, I generally agree that events in the Middle East will continue to have a bearing on the world economy and, therefore, will need to be reviewed regularly--not only during the world economic outlook exercises, but also on ad hoc basis as developments warrant. The Board has already started the process of adaptation of the existing instruments of the Fund in order to meet the Interim Committee's call from quick action to mitigate the impact of the Middle East crisis on the economies of Fund members. I hope that we will be able to conclude our discussions on this issue in the coming weeks.

I welcome the periodic information on the progress of the Uruguay Round negotiations, especially as the deadline for the completion of these negotiations draws near. I also welcome the intention to issue quickly a paper on its implications for FUND/GATT collaboration.

With regard to developments on the debt situation and debt strategy, important initiatives were taken in 1990 to address the situation of some lower- and middle-income countries whose debt is mostly to official creditors. In addition to the issues already envisaged to be examined under this heading as outlined in the Managing Director's statement, I will be interested in the continuous staff evaluation of the bottlenecks and rigidities that delay the completion of financing packages with commercial banks and appropriate ways to address this issue. I hope that the staff will continue to bring promptly to the attention of the Board any new developments that might have a bearing on the debt strategy.

With regard to conditionality and the design of Fund policy advice, I have no difficulties with the new proposal to examine this issue in about May 1991. While I find extremely useful the focus in this review on the experience gained using information from stand-by and extended arrangements approved during the period 1985-87, I believe that the more recent context of rapid fundamental economic reforms undertaken by a number of countries and the increasing social pressures will need to be given due consideration in the forthcoming review of conditionality. I look forward to some imaginative approaches on the Fund's conditionality that will continue to improve the design of Fund programs in the 1990s, such as sequencing and the introduction of safety nets, to name just a few.

I have no difficulty with the proposed reviews of the SAF, ESAF, and the ESAF Trust to be carried out by July 1991. However, while the adoption of policy framework papers for the middle-income countries as a medium-term policy document and as a framework for coordinating external assistance is useful, it could add substantially to the staff work load at this stage. I agree with the view that this process should be limited to those few country cases for which the benefit of such an exercise is evident and where the countries concerned have expressed the willingness to embark on it.

On the major issues in the evolving international monetary system, while I can go along with the various topics envisaged, I note the heavy concentration of related papers around the early part of 1991. Perhaps the Board might wish to be selective and give priority to those issues that should be reported to the Interim Committee. The less urgent matters could be considered by the Board after the spring meetings.

On the Ninth General Review of Quotas and the Third Amendment, following the contacts made during the Annual Meetings with Governors in my constituency, I am optimistic that we might be able to meet the Managing Director's expectations on the timetable for completing this process.

On country-related activities, in view of the increasing number of country matters that will be brought to the Board during this period, we are prepared to support a rearranging of the work program from time to time in order to accommodate some of the most urgent requests.

On administrative matters, I found the issues raised in the recent survey of staff opinion circulated to the Board to contain some disturbing information, especially with regard to the limited career prospects, declining morale, and deteriorating work

conditions. Perhaps there will be a need to address forcefully the root causes of these negative perceptions and follow up on a number of questions raised in the survey of staff opinion. I note the fact that the revised draft statute and a draft Resolution for the Board of Governors in connection with the establishment of an administrative tribunal will be circulated shortly.

I found the concluding and opening remarks of the Managing Director's statement stimulating. As an initial reaction to the central question of the Fund's role in the medium term, I am of the view that the major challenge for the Fund will be how to tailor its policy advice and program design in order to strengthen the process of reform during this period of increasing political and social demands from large segments of the population, especially in Africa and Eastern Europe. This is one of the issues on which we will need to exchange views during our informal retreat seminar this month.

Mr. Végh made the following statement:

We welcome the discussion on the Fund's work program covering the next six months. We understand the importance of the issues to be considered and we would like to offer brief comments on some of them.

First, concerning our work related to the response of this institution to recent developments in the Middle East, I believe that we made important advances regarding this matter during our Board discussion on November 2. This progress must continue.

Second, concerning our work on the world economic outlook, we agree that this Board should be kept informed about the progress on the Uruguay Round, the outcome, and its implications for member countries as well as for the Fund. In that connection, we look forward to papers on the Fund/GATT relationship.

Third, our work regarding developments in the debt situation and strategy undoubtedly remains an important issue, particularly for the countries represented by this chair. Although it is proposed that this Board consider a paper on this subject by March 1991, perhaps it would be beneficial to have two discussions on this subject before the Spring Interim Committee meeting, given the direct bearing of the world economic outlook and the trade round for the negotiating scenarios of indebted countries, including the higher middle-income ones.

Fourth, concerning our work on Eastern and Central European economies, we support the ongoing studies that focus on the

structural changes in those countries. The usefulness of such study goes beyond the implementation of structural reforms in those countries. We believe that the conclusion of those studies could provide lessons in the implementation of similar reforms in other developing countries.

Fifth, we look forward to discussing the paper regarding our next periodic review of conditionality. In this regard, the staff paper should consider, if possible, not only the programs approved from 1985 to 1987 but also those programs approved more recently, such as those from 1988 to the first half of 1989.

Sixth, concerning the Board's examination of major issues in the international monetary system, we would like to receive a report analyzing the implications of policies of major countries on development and on policy design and implementation in developing countries. In particular, the report should examine the impact of industrial countries' trade, agricultural, and industrial policies on developing countries, as requested by the Development Committee. We look forward to discussing such a study as soon as possible. At the same time, we also look forward to the papers on the SDR, particularly those on its role in the diversification of exchange reserves and in reserve management. We support the renewed attention to the asset characteristics of the SDR as well as to more imaginative uses, even within the Fund, given present financing requirements.

We agree with the Managing Director's proposals regarding the Ninth General Review of Quotas and the Third Amendment of the Articles, overdue obligations to the Fund, and administrative matters.

Concerning operational matters, we would like to consider the paper reviewing the burden-sharing decision before April 1991 in order to discuss comprehensively this important subject before our next Spring meetings.

As can be deduced from the attached timetables on country consultations and reviews, I would specifically ask Directors, on behalf of my authorities, for the inclusion, as feasible, in November of the review corresponding to the existing stand-by arrangement with Argentina in view of its relevance to the financing of the current adjustment program.

Mr. Goos said that he agreed with those who had commended the Managing Director on the comprehensiveness of the work program. Indeed, the comprehensiveness had reached a degree that was worrying in terms of the consequences for the Board's work load. He endorsed the observation at the end

of the Managing Director's statement that, under the Board's ever growing day-to-day business, the Board risked losing a clear sense of medium-term perspective of the tasks and priorities of the Fund. Like others, he hoped that the forthcoming retreat would yield some answers to some of those issues.

He certainly agreed with those who had stressed the importance of the studies on Eastern and Central European economies and their relevance to the Fund's work, Mr. Goos commented. However, he wondered whether all the studies enumerated in paragraph 4 were intended for Board consideration; some of them could be circulated only for information.

On paragraph 5, Fund policy advice and conditionality, the staff should, in the context of the conditionality review, examine the relationship between exchange rate policies and savings performance; that issue was at the center of the Board's work, Mr. Goos considered. He strongly endorsed the intention to proceed pragmatically with the preparation of policy framework papers for middle-income countries in the hope that pragmatism meant that the Managing Director would proceed with great caution. He was not convinced about the appropriateness of such policy framework papers, which tended to foster undue gradualism by giving too much emphasis to medium-term considerations. Moreover, they were giving rise to the risk of drawing the Fund into unwarranted compromises between the objectives of vigorous balance of payments adjustment and development considerations.

The Chairman remarked that a good medium-term program was front-loaded in terms of basic macroeconomic policy options.

Mr. Goos said that he agreed with the Chairman, but there had been a number of policy framework papers for lower-income countries in which that frontloading had been missing--the goals to be reached by the end of the three-year period were ambitious, but most of the adjustment was left to the later stage of that period. That problem was traceable partly to the fact that the staff had to strike an agreement with the World Bank staff on a balance between development and balance of payments adjustment considerations, and sometimes the agreement was at the expense of balance of payments adjustment.

The Chairman commented that Mr. Goos's point was closely related to Mr. Peretz's emphasis on the administrative aspects of adjustment, and particularly the need for a member to have an administration that was able to monitor the effects of front-loaded measures. That problem was increasingly evident in the implementation of Fund-supported programs.

Mr. Goos commented that he agreed with the Chairman. In a number of cases he had remarked that he had had the impression that the administrative capacity and statistical data base were so weak that he had wondered how the authorities could be expected to perform satisfactorily. Another reason for caution in using policy framework papers for middle-income countries was his

impression that those papers added greatly to the staff's work load, including in particular coordination with the World Bank staff. Hence, if there was not a compelling need to engage in such a process, it seemed best not to undertake it.

As to systemic issues, including the role of the SDR, the paper on the transition to the new SDR basket was important, but the other SDR studies should be given a low priority, Mr. Goos stated. Much of the staff and Board resources to be used for those studies could be employed for more urgent and productive tasks.

As to the area departments' work program, he agreed with Mr. Kafka and others who had stressed their concern about the extraordinary bunching of country papers in the early months on 1991, Mr. Goos said. As he understood it, the Board would have to take up, on average, six country papers per week--well above the average for the period up to the end of 1990. That outlook again raised the question whether the country work could not be spread more evenly throughout the year. All country papers, including papers on requests for Fund resources and program reviews, should be kept as concise as possible and should be focused on the core issues that were relevant to the Fund. Moreover, he agreed with Mr. Peretz that, whenever possible, the Chairman should use the lead speaker approach.

As to the timing of the Board's consideration of the paper on operational modalities of voluntary contributions and of the temporary retention of contributions under burden sharing, he wondered whether it would not be advisable to ascertain on a bilateral and informal basis the prospects for the adoption of the proposals made in those papers, Mr. Goos commented. In any event, his authorities would find it very difficult to participate in a retention scheme, because the retention of their contributions would have to be treated formally as an extension of new credit to the Fund. That requirement would raise difficult issues concerning the quality and security of the resulting claims. In order to qualify as assets that could be shown in the balance sheet of the Bundesbank, such claims would probably need to be secured by special guarantees of the Fund.

He fully agreed with those who had expressed a strong preference for Monday as the day that should be kept free of Board meetings, Mr. Goos said. Finally, he, like previous speakers, felt frustrated by the slow pace of progress on improving the arrears situation. The Board should continue to search for additional ways in which to improve the effectiveness of the current approach to handling that situation. At the same time, he would be reluctant to extend the present deadline for entering into arrangements under the rights approach.

Mr. Posthumus stated that the proposed work program was appropriate, although it might prove impossible to implement fully. He was surprised that the Managing Director had said that the program was focused more than usual on the short term; that was not his own perception. The Board

discussion on November 2, 1990 and recent press reports strongly suggested that the Fund was being pushed hard into taking up short-term issues. He continued to believe that the Fund was basically prepared already to act in emergency situations. At the same time, statements by Governors at the Annual Meetings and in the Interim Committee had reflected in particular a new attention to international monetary system issues, and he greatly welcomed the Managing Director's proposal to discuss those issues in the spring of 1991. A tripolar international monetary system, rather than a multipolar system, seemed to be developing. It might be useful to plan--even at the present early stage--to examine issues related to policy coordination between currency groups and exchange rate stability within the individual groups. Some thought should also be given to providing support for linking the Eastern European countries to the European Monetary System in some way, including a possible role for the Fund in that connection.

Attention should be paid to the implications for international relations of the much greater mobility than hitherto of international capital flows for the financing of imbalances, Mr. Posthumus continued. Greater capital mobility could direct capital to the most productive employment, but it could also help postpone adjustment--as had clearly been the case in recent years. Exchange rate stability and the policy mix were very closely related, and as long as that fact was not recognized sufficiently--as was the case at present--the current international monetary system would remain structurally unstable.

The area departments' work program seemed too heavy; all the area departments were probably overburdened, Mr. Posthumus said. The Managing Director had proposed a supplementary budgetary appropriation, to be considered by the Board later, but he himself wished to send at the present stage a signal that there was a need to expand the staff. He had not supported requests in previous years to increase the size of the staff, but the time had come to consider an increase. In addition, it might be useful to consider using some retired staff members on a temporary consultancy basis.

The review of surveillance begun in the summer of 1990 had not yet been completed, Mr. Posthumus noted. Bilateral surveillance was at the heart of the Fund's responsibilities. In that connection, there was a role for the staff and a role for the Board. The Board--not the staff--decided the precise role of the Board in bilateral surveillance.

The paper on access limits and enlarged access and financing mentioned in the proposed work program should be issued in the spring of 1991, if possible, Mr. Posthumus commented. That subject would probably be very controversial, and the Board should therefore leave adequate time to consider it.

With respect to policy framework papers for middle-income countries, the suggestion was being made, for first time, to provide such papers in connection with the use of the Fund's general resources, Mr. Posthumus

noted. That would be a step in the direction of coordination of use of Fund and World Bank resources, which would not be useful or proper. That approach would wrongly give the impression that the Fund and the Bank were doing basically the same work.

Mr. Yoshikuni made the following statement:

I found the Managing Director's statement well balanced and helpful for the discussion today. I am in broad agreement with the work program and will comment only on some particular points.

As all of us are aware, by far the most important priority in our work program for the next half year is to respond expeditiously to the economic difficulties caused by the Middle East crisis. The discussion on November 2 was a long and heated one. Though it was the first official Board meeting on this issue, the exchange of views was fruitful and inspiring. Taking into account that some 30 Fund missions in the field are waiting eagerly for the outcome of the discussion, it is essential that we proceed with this matter as soon as possible.

Since this chair has clarified its views on the specific points raised in the staff paper on this issue, today I will refrain from repeating them, but will just make some general comments. First, I would like to reiterate Mr. Vegh's point on November 2: he wisely reminded us of the danger associated with making policy changes under exceptional circumstances. Given the uncertainties in oil prices and the political situation surrounding this matter, it is essential that we proceed expeditiously but at the same time cautiously. Some proposals that have been made have the possibility of a fundamental change in the character of the Fund. In particular, from this chair's point of view, the proposals on a subsidy account and a lengthened program period under the ESAF are a matter of concern. Although these proposals are of a temporary nature, I would like to stress the need for cautious deliberation on these issues.

Second, with regard to the need for deliberation I just mentioned, I am quite interested in the review of conditionality. However, as other Directors have mentioned, it is regrettable that the next review of conditionality, which was to be held in early December according to the last work program, has been postponed until May next year. Since, according to the Managing Director's statement, about 30 new requests for use of Fund resources based on the amended guidelines will be brought to the Board within the period to end-April next year, it would naturally be a great help for us to review past policies on conditionality to ensure that

conditionality is not weakened in the amended and adapted policy guidelines. In this regard, I would urge the staff to accomplish this task as soon as possible.

Now let me turn to the other points mentioned in the Managing Director's statement. First, I am in full agreement with the Managing Director as to the focus for the spring 1991 world economic outlook. The issues specified in the statement seem to be adequate and opportune.

Second, I wish to stress again the central responsibility of the Fund for the continuous study of the functioning of the international monetary system. In this connection, it is very encouraging that the staff is preparing papers on interesting and inspiring topics, such as a survey of the SDR in reserve management in the major industrial countries, and the role of reserves in measuring members' external financing strength in the context of developments in international liquidity. I very much look forward to the outcome of these topics. Furthermore, since it would be more helpful if the outcomes were more integrated, I would encourage the staff to proceed with the study dealing with the relationship between international liquidity, international reserves, and the SDR, as well as its implications in terms of a more stable international monetary system. As Governor Hashimoto mentioned in his statement at the Annual Meeting, the staff should pay due attention to the technical aspects of promoting a multiple reserve currency system with emphasis on the currencies of the United States, Japan, and the EC triad, reflecting upon our five years' experience since the Plaza Accord. In this connection, I welcome the Managing Director's statement that the staff will undertake a study in that area.

On the work program of the area departments, the anticipated number of reviews under existing arrangements and of new requests for programs will require thoughtful and reasonable adjustments to the Board's schedule in order to balance the work load of both the Fund staff and the members of the Board.

I will now comment briefly on burden sharing. I should like to reiterate my reservations about the retention of differed charges. It should be recalled that there had not been much progress in the Board discussion by the time of the spring Interim Committee. We doubt whether the Board is really willing at this stage to consider retention as one of the options under the strengthened arrears strategy. At any rate, if it is discussed by the Board, the staff should consult each member's legal and accounting situation, as well as its willingness, prior to the Board discussion, in order to explore the feasibility of the proposals.

While I recognize the importance of environmental issues and appreciate the role of the World Bank in this area, I share the doubts of other Directors about the involvement of the Fund, particularly given the heavy work load before us.

Mr. Torres made the following statement:

We are in broad agreement with and support the work program that we are discussing today. I can also associate myself with the concerns expressed by other Directors about the extent of the work load that this program will impose on the Board and the staff in the near future.

Presumably, from the point of view of the issues to be discussed, the burden is inevitable and there is little room for maneuver. Operational and country-related matters are the core of the Fund's activities. In addition, the Fund has to address necessarily other major issues to fulfill its role in international monetary relations. And it is not easy to find areas or topics of the Fund's responsibility which are not included in the present work program.

However, I wonder whether something more could be done about the organization and the procedures of the discussions in this Board, in order to keep them as efficient as they are but to make them less time-consuming. In any case, to avoid further burdening the discussion and to minimize unnecessary repetition, I will comment very briefly and selectively on some particular points.

On Fund policy advice and conditionality, we are very pleased with the initiative to include a review of first credit tranche conditionality and with the broader scope envisaged for the discussion in the forthcoming seminar on Fund policy advice on exchange rate policy, whether or not it is related to Article IV consultations. Both will be very helpful to clarify policy issues, particularly the requirements members should adopt for first credit tranche drawings.

We are also very pleased with the suggestion made by the Chairman to circulate periodically progress reports on the Ninth Quota Review and the Third Amendment. We consider that they may be very useful to generate peer pressure on governments that for one reason or another may delay the approval of these measures.

We welcome the paper on the role of reserves in measuring members' relative external financial strength in connection with the guidelines on the allocation of currencies under the operational budget, which, as you may recall, is an issue to which my

Spanish authorities attach particular importance. The forthcoming paper on the methodology for evaluating burden sharing is also of great interest.

We would like to see the relative weight of trade and debt issues increase in the work program. They are important issues for this institution, they are clearly interrelated, and they have been repeatedly underscored in the discussions of this Board.

The interest in Fund/GATT relations is obvious, and a timely assessment of the outcome of the Uruguay Round is needed. Nevertheless, we should also examine these issues systematically and in a broader framework--similar, perhaps, to that of Fund exchange rate policy advice--in relation to the design, implementation, and evaluation of Fund programs. The discussion of the implications for the Fund's policies for several bilateral trade agreements currently under negotiation should also be of great interest. For instance, there may be a good case for following the progress on the "Enterprise for the Americas" initiative. It includes three of the topics which are of interest for Fund programs--trade liberalization, direct investment, and official debt relief--in a geographical area of particular relevance.

On the developments in the debt situation and strategy, we welcome the inclusion for Board consideration of recent policy changes by official bilateral creditors and the situation of lower middle-income countries. The role of the Fund in implementing the strengthened debt strategy has been important and should continue to be so. It is suggested that the review of the effectiveness of the renewed debt strategy should take place late in March. We should avoid timing that might be considered by certain members as a signal that this important issue is left to a second place in the Fund's priorities. An earlier consideration of this matter, perhaps at a Board discussion, might be appropriate in this regard.

Finally, let me emphasize the final remarks in the Managing Director's statement. We, too, are concerned about the increasing and perhaps unavoidable propensity to focus our work on the short term and we strongly support the call to maintain a medium-term perspective and continue to reflect on the evolving role of the Fund. We look forward to the results of the forthcoming retreat/seminar, which should be instrumental in this regard. A tentative list of the topics to be discussed and background material should be circulated in advance, in order to make the outcome of the retreat more fruitful.

Mr. Thorláksson made the following statement:

I fully agree with other Directors that the work program for the period ahead is ambitious and important. This program focuses more than usual on the short term, as recent events have increased the problems facing many of the member countries and have contributed to the uncertainty of future economic developments. This tells us that the Fund is a central and vital institution to which the members look for help and guidance in difficult times.

It is indeed important to reflect on the role of the Fund in this changing world, so that it can respond appropriately to changing requirements of the membership and continue to play its central role as an international monetary institution. But in responding to this short-term need, it is equally important not to lose sight of the medium-term perspective on the Fund's work.

We welcome, therefore, the decision to reflect on the role of the Fund during the planned informal Board retreat and we look forward to Board discussions on these topics beyond that seminar as well, both in general terms and within the context of the international monetary system and the debt strategy.

Since I broadly agree with the Managing Director on the issues and the priorities as outlined in his statement, I will just comment briefly.

Priority should be given to work connected with the economic re-orientation that is taking place in the East European member countries, and we look forward to the discussion on this topic in December. Clearly, the Fund should play a key role in assisting countries introducing, inter alia, currency convertibility. It is also important that analyses of other multilateral institutions be used to support this task. Moreover, we endorse the priority given to the study of the Soviet Union's economy, which will, among other things, contribute to consistency in international support efforts.

Regarding specific items in the work program, the Nordic countries stress the importance of the review of conditionality. Moreover, in view of the relevance of the Uruguay Round to international economic developments, we welcome the plans to keep the Board up to date on progress in this area and we appreciate the opportunity to discuss the outcome of the negotiations.

This chair concurs with the Managing Director's suggestion that the Fund proceed pragmatically with regard to preparation of medium-term policy documents for middle-income countries. We also believe that, because of the heavy work load, the discussion on

the operational paper on modalities under the burden sharing mechanism could, for the time being, be given a relatively low priority, as could the systemic issues related to the SDR.

On other systemic topics, of course the Fund should continue studying and evaluating the functioning of the current international monetary system and the main features of a more stable one, as well as the operations of monetary unions and common currency areas. However, the latter should generally be guided toward issues connected with Fund surveillance, and particularly focus on the effectiveness of different exchange rate regimes. In other words, these issues should be approached in light of the Fund's operational requirements rather than the theoretical aspects of the subject.

Allow me a final observation on Board procedures. The heavy work schedule in general, and the many anticipated country matters in particular, once again clearly demonstrate the need for streamlining the Board procedures as soon as possible. I hope, for instance, that the Board retreat will be an opportunity to address this matter, including the issue of surveillance, in depth.

Mr. Monyake made the following statement:

The current work program is comprehensive and has brought into focus some key issues affecting the world economy. I can endorse the work priorities as proposed but would have preferred that some of the important policy papers had been taken up in October to avoid undue pressures in the immediate weeks preceding the spring meetings of the Interim and Development Committees. This sentiment has been expressed by some of my colleagues also, in trying to avoid bunching work toward the end of the period under review. In this regard, the Board's discussion of the paper on "Operational Modalities of Voluntary Contributions and of the Temporary Retention of Contributing under Burden Sharing" could be taken up not later than January 1991.

The Middle East crisis has undoubtedly compounded the problems of many poor developing countries currently implementing adjustment measures and would, in fact, weaken or frustrate their adjustment efforts, unless urgent steps are taken to provide necessary assistance. It is, therefore, appropriate that top priority be accorded to exploring ways to ameliorate the difficulties imposed on these countries by the crisis. We agree that the first line of defense should be a pragmatic use and adaptation of existing Fund facilities to meet immediate needs. The consideration of the paper on "The Response of the Fund in the Wake of Recent Developments in the Middle East" provided a good starting point.

The procedure for implementing the Executive Board decision on this subject should follow immediately after the discussion on this paper has been concluded. The establishment of a temporary subsidy account to assist poor members affected by the crisis, including those that are not SAF/ESAF eligible, in mitigating charges on their use of the Fund's regular resources must continue to be explored.

We note that current actions attempt primarily to respond to the immediate impact of the crisis and further action would be required if the crisis escalates or persists longer than anticipated. In this regard, the Fund would need to strengthen its catalytic role in mobilizing additional concessional financing from bilateral and multilateral sources. This will include provision of generous debt relief for the heavily indebted countries affected by the crisis.

On the world economic outlook, we recognize that increased uncertainty and vulnerability resulting from the crisis could render tedious the task of staff assessment of world economic performance and forecasts for future outlooks. We are encouraged that the staff will closely monitor developments and develop alternative oil price scenarios to keep the Executive Board abreast of developments. We also endorse the proposal that the spring 1991 issue of the World Economic Outlook should devote special attention to appraising the consequences of developments in the oil market. In this connection, we look forward to the staff's full evaluation of the impact of the crisis and the policy response to the crisis, by the industrial countries, on the economies of sub-Saharan Africa, including the prospects for output growth, inflation performance, and external viability of these countries.

We look forward to the discussion of the paper on "The Developments in the Debt Strategy" scheduled for March 1991. Although some progress has been made under the current debt strategy, there is general agreement that the pace has been slow generally and the coverage is limited only to a few severely indebted middle-income countries. It is in this context that we welcome recent initiatives by some industrial countries to provide relief on the official debt of lower middle-income countries that are not eligible for the Toronto rescheduling terms or qualified to benefit under the Brady initiatives. We expect the Fund to support these initiatives and encourage other industrial countries to emulate this gesture.

Regarding the review of conditionality, we look forward to the discussion of the paper on the review of CFA Franc arrangements and the paper on the analytical issues relating to Fund

advice and exchange rate policy. We see these two papers as providing necessary ingredients for the next periodic review of conditionality. Indeed, we would request that the time between the discussions of these two papers and the next review of conditionality be narrowed. We note that the role of exchange rate policy in the adjustment process has in previous Board discussions of country programs stimulated lively debates. In particular, the question of the relationship between exchange rates and inflation appears not to have been adequately addressed. There is an urgent need for an in-depth discussion on whether stabilization programs in developing countries that are experiencing high rates of inflation should emphasize fixed or floating exchange rate policy.

The important responsibility of the Fund to ensure an orderly and efficient functioning of the international monetary system is recognized. We, therefore, welcome the two papers slated for discussion during the first quarter of 1991 to evaluate recent developments in the international monetary scene. Also, we have no serious problem in accepting the proposal to revisit issues on the role of SDRs and other related topics, but we are concerned that the matter of SDR allocations appears to have been shelved. The need to create additional liquidity in the international monetary system has already been established. Concrete steps should therefore be taken to resume allocations of SDRs and pave the way for the establishment of the SDR as the principal international reserve asset.

The next six-monthly report on overdue financial obligations of the Fund is scheduled for discussion in March 1991. Notwithstanding the progress made to resolve the arrears problem in 5 of the 11 countries with protracted arrears, there are a few others currently on the brink of involuntary withdrawal from the Fund. Unfortunately, social unrest and political uncertainties as well as the vagaries of weather appear to have intensified in these countries lately and have added a new dimension to their economic problems. We hope that the next review will provide an opportunity to appraise the effectiveness of existing remedial measures. We remain convinced that much could be gained by emphasizing the cooperative element of the collaborative approach in dealing with the arrears problem.

We agree that the Fund's responsibility as the central organ of the international monetary system is enormous and the task is growing with increased membership and global economic problems. If the Fund is to remain effective in the performance of its onerous tasks, there must be plans for expansion.

The paragraph in the opening statement on SAF/ESAF does not make it clear whether the review scheduled for July 1991 will also

cover the question of extension beyond the three years to four, five, or six years. As to the Ninth General Review of Quotas, in my constituency the response that one gets so far shows that there is active movement toward realizing the target dates. It would be useful to could be furnished with status reports.

As to the discussion in paragraph 8 on the area departments' work program, the opening part does not refer to the question whether the SAF would also be included in the tentative timing of the work program relating to Article IV consultations and reviews under existing enhanced structural adjustment, stand-by or extended arrangements. Presumably it is also supposed to be covered.

At present, staff reports for Article IV consultations with 13 of the members of this constituency will be discussed in the first half of 1991; and consultations with two-thirds of the membership will be conducted in the first half of the year. In the second half of the year, consultations with only four members of our constituency will be discussed. Finally, I wonder whether Angola should not be included in the list of countries that are to be discussed in the coming period.

Ms. Creane made the following statement:

We are in general agreement with the work program that the Managing Director has laid out for the coming months. There are a number of important and challenging issues which will come before the Board. We have one comment before moving to some of the specific issues raised, that is that the tentative schedule seems particularly heavy in the early months of 1991. In this we concur with Mr. Kafka and others and hope an effort will be made to spread the work load out as evenly as possible, avoiding, in particular, heavy bunching in the generally hectic period just prior to the Interim Committee Meeting.

We also agree that the Board's first and most important item of business is to develop the modalities of the Fund's response to the Gulf crisis. We welcome the discussion on November 2 and the Board's agreement to move forward with a strong and speedy response, beginning with consideration on November 14 or 15 of a paper on the inclusion of an oil element in the CCFF. We urge the Board to make rapid progress in coming to an agreement within the month, so that the new measures might be incorporated into Fund programs by the start of the new year.

We support the tie-in with studies in the spring world economic outlook on the effects of oil market developments. However,

we would suggest that it would be helpful to also include an appraisal of the effects on non-oil market sectors, such as services, caused by the recent developments in the Middle East. We look forward to the focus on the relationship between financial sectors and developments in equity markets, particularly in light of events this past year. In the Managing Director's statement, he singled out the effects of the U.S. budgetary situation for examination. But, as other countries have large fiscal imbalances as a percent of GDP, we believe that the proposed study on the implications of budgetary developments should be broadened to include a wider array of countries.

Regarding the debt situation and strategy, we recommend that the review of responses to recent debt relief proposals by official creditors be changed to be a summary of developments during 1990 regarding official debt relief. We do not believe that the Fund's role extends to analysis of Paris Club developments. A technical paper on methodologies for evaluating burden sharing among creditors could be useful in each member country's own decision-making process. However, we have doubts that it warrants the use of scarce Fund resources and would recommend instead that the staff focus on the application of the strategy in the debtor countries. We are concerned that this paper might be used to set targets for debt relief or to establish methodologies for balancing contributions among creditor groups, both of which could have serious policy implications if used to prescribe action among creditors.

We acknowledge and support the continuing need for Fund resource response for work on the Eastern and Central European economies, as well as the U.S.S.R. We look forward to the December discussion of the paper on the transformation of centrally planned economies and to the other studies on Eastern European economic developments.

As the environment is a critical source of concern, it is important that the Fund consider it thoroughly. For this reason, we welcome the paper on environmental issues and Fund policy advice, and look forward to the discussion quite early in 1991.

We are pleased with the preparations of policy framework paper-like medium-term policy documents for some middle-income countries. This chair has long believed that these documents would help improve the cohesiveness of Fund-Bank activities in member countries and enhance the policy dialogue.

The work program contains important work being prepared on systemic issues, and we look forward to the board discussion of these papers. In particular, the papers on the operation of

monetary unions and common currency areas, and those on international capital markets and flows are good examples. A brief explanation of the paper on the international monetary system would be helpful, including whether the staff has in mind a survey of proposals or some other format. As we consider the last three papers mentioned on the composition and role of the SDR to be operational issues that cannot be considered in isolation, we believe that these should be considered only after discussion of more systemic issues and, therefore, should be scheduled later in 1991. In general, we agree with Mr. Goos's comments.

We agree with the Managing Director that the recent additions to the Fund membership as well as the developments in the Middle East all point to growing demands on the Fund's resources. However, the Fund's liquidity is ample for the coming year. Therefore, we urge all member countries to take the necessary measures to implement the quota increase agreement as quickly as possible and no later than the end of 1991.

Regarding operational matters, we look forward to reviewing the paper on burden sharing, and strongly agree on the need to avoid issues of retroactivity in the adjustment of the rate of charge and remuneration. We would also appreciate some elaboration on the likelihood that the 85 percent floor of the remuneration coefficient would be reached.

Our final comment today is on administrative issues. We would like to second Mr. Peretz's request for consideration of a joint Fund-Bank committee of Executive Directors on administrative matters.

Mr. Prader made the following statement:

The proposed work program is well balanced and acceptable to us. It addresses all the relevant issues.

On specific areas of Fund activities, it goes without saying that we support the Fund's work on Eastern and Central Europe, be it in the form of technical or financial assistance or in the form of studies. Also, in view of the upcoming requests for Fund programs, it will be important to have a timely and well organized discussion on some of the central issues mentioned in the work program: convertibility, privatization, sequencing of stabilization and structural reforms, etc. I would also support Mr. Peretz's suggestion for a Board discussion on the Soviet Union next year.

On the proposed discussion on the environmental impact of the Fund program and on Fund policy advice, I would say that such a discussion is acceptable. The only question is whether an investigation of the social aspects of Fund programs, such as the effects of Fund programs on distribution, is not equally or more important for the success and viability of Fund programs.

On systemic issues, this chair has traditionally advocated that the Fund exercise its mandate for evaluating the functioning of the international monetary system more extensively and forcefully. We welcome, therefore, the renewed emphasis on the role of the Fund, as illustrated in the announcement of a discussion on the EMU as well as the continuation of our discussion on international capital flows.

We also appreciate the intention to take up the suggestions of Governors Hashimoto and Maystadt on the main features of a more stable international monetary system and to commission the Fund staff to undertake a study on these issues. In the context of keeping interest in the SDR alive, the papers on the role of the SDR in the diversification of holdings will be useful.

Finally, on operational matters, I should say that despite Mr. Fernández Ordóñez's departure from the Fund, one of the principal issues that he has raised, namely, the need for a revision of the guidelines on the allocation of currencies under the operational budgets, remains as relevant as before. My hope is that the paper on the role of reserves in measuring members' relative external financial strength in the context of developments in international liquidity will not be written from the point of view that basically nothing has changed in the behavior of monetary authorities since the beginning of the 1970s and that there are no operational consequences for the Fund. Instead, the staff should approach the underlying problems with an open mind. In this way, an otherwise theoretical paper might have a fruitful impact on the review of the guidelines.

Mr. Kabbaj made the following statement:

We welcome the comprehensive statement on the work program and broadly agree with its content. As usual, the work load ahead for the Board, management, and staff is indeed heavy. Recent developments in the Middle East and their effects on the world economy are rightly taken into account and add to the already heavy pressures on the institution.

Let me now touch briefly on some of the issues raised in the Managing Director's statement. First, on the response to recent

developments in the Middle East, we had on November 2 an interesting discussion on the subject and we are prepared to address expeditiously the remaining issues with the objective of equipping the Fund with the most appropriate and readily usable tools to deal with whatever development could take place, and with an emphasis on existing mechanisms.

Second, on the world economic outlook, we welcome the development of alternative scenarios on oil prices and the intention to bring to the attention of the Executive Board significant developments in this area. As regards the Uruguay Round, we would like to restate the great importance this chair attaches to trade issues, and our wishes for a successful conclusion of the difficult negotiations underway. Unfortunately, the latest information surfacing lately does not point to such an early conclusion. We would welcome more frequent updates by the staff, perhaps in the framework of the Committee on relation with GATT, and urge the Managing Director to intensify his personal involvement in pushing for a successful outcome if we are to avoid unfavorable developments for the international community at large.

Third, on developments in the debt situation and debt strategy, we agree with the proposals contained in the Managing Director's statement but call for a revival of Fund initiatives in this regard, particularly in connection with official debt owed by low-income and low middle-income countries.

Fourth, on Eastern and Central European countries and the U.S.S.R. study, we believe that the issues addressed in the assessment of these countries are very often relevant to some important developing countries, and that the latter should have the benefit of Fund assistance in these difficult fields. In particular, the paper entitled "Currency Convertibility and the Transformation of Centrally Planned Economies" should not in our view be limited to Eastern European countries but should also cover some selected developing countries as well.

Fifth, on Fund policy advice and conditionality, with regard to environmental issues, we have no quarrel with the importance of these issues for the world and with the necessity of addressing them. However, we feel that these should not become part of policy advice and surveillance by the Fund, especially in the form of conditionality. We believe that the Fund has neither the resources nor the expertise to deal with these issues, which could be better dealt with by the World Bank or by other specialized agencies. On the review of the operations of the SAF, ESAF, and ESAF Trust, we suggest that this review should address the effects of conditionality on the insufficient use of ESAF resources by countries which are otherwise in clear need of these resources.

Regarding Bank-Fund collaboration and the usefulness of a medium-term policy instrument similar to the policy framework papers for middle-income countries, we reiterate the opposition of this chair to such an approach, which is not appropriate in our view for this category of countries. In any event, and for the few cases in which this would be considered useful, we take note of the Managing Director's qualification to the effect that it would be done for "countries that are expressing an interest in such documents as a policy guide."

Sixth, on systemic issues, including the role of the SDR, we welcome particularly the study underway by the staff that will explore the main features of a more stable international monetary system. Although cognizant of the importance of the currencies of the "triad," we would like the staff to also emphasize a monetary system based on the SDR and monitored by the Fund. In this regard, we welcome the preparation by the staff of additional papers on SDR issues.

Seventh, on area departments' work program, we feel that the number of staff reports for consultations under Article IV to be issued during the next six months is inordinately high and reflects the delays registered lately in the conclusion of staff consultations with a number of member countries. We believe that such a bunching should be avoided in the future if the high standards of the work of the staff and the Board are to be upheld.

Eighth, we note the lack of reference to further work on the subject of the Islamic economic and financial system despite the support of this and other chairs on previous occasions. This area of research has wide implications as an alternative system of financing to traditional methods and should be studied as such in a greater detail. We also hope that further study of the system can contribute to a solution to the current debt problem facing the international financial community.

We fully agree with the Managing Director's final thoughts in his opening statement. The Fund should always be prepared to respond promptly in assisting member countries and "maintain at all times a medium-term perspective and continue to reflect on the tasks and priorities of the institution in the years ahead." In this regard, we very much look forward to the opportunity we will have to reflect on these thoughts during the retreat seminar on November 15-16.

Mr. Zhang said that he generally agreed with the work program that the Managing Director had proposed and wished to make a few comments. First, it was evident from the work program that there was a heavy work load for the

coming period. He could go along with the order of work shown in the Managing Director's statement and the emphasis placed on the various topics by the Managing Director. An expeditious response by the Fund to the economic difficulties caused by the Middle East crisis in member countries should, without any doubt, be the Fund's foremost priority. As only early implementation of economic adjustment measures could bring about positive changes for success in dealing with the current situation, and flexibility and adaptation of the Fund's existing instruments were of paramount importance, he hoped that concrete and effective results could be achieved from discussing the situation in a timely manner.

Second, the events in the Middle East and the fluctuation of oil prices had a direct bearing on the international economic situation and had resulted in additional uncertainty and greater vulnerability of the world economy, Mr. Zhang remarked. It was therefore crucial to pay close attention to recent trends in the next world economic outlook exercise and the review on the debt situation and strategy.

Third, regarding the Ninth General Review of Quotas and the Third Amendment of the Articles of Agreement, he welcomed the idea mentioned in the Managing Director's statement that operational reports on the status of increases in quotas and acceptance of the Third Amendment should be circulated periodically, Mr. Zhang said. Periodic and timely circulation of operational reports would greatly help member countries complete the processing of their responses in an timely manner.

Finally, Mr. Zhang commented, he agreed with the Managing Director that although the present work program focused on the short-term, owing to the demands of recent events, the Board should maintain a medium-term perspective and continue to reflect on the role and tasks of the institution in the years ahead.

Mr. Fernando made the following statement:

I will comment on the world economic outlook--not merely the spring outlook, but also the fall world economic outlook exercise. We hope that we would be able to see some assessment of the effect of adjustment policies, both in the developed and less developed countries, arising from the oil problem, on the underlying factors in the oil market. I am not, of course, asking for a forecast of oil prices, because even a crystal ball at this stage may be of limited use. But it may be recalled that in the previous world economic outlook, in the spring, despite all the caveats with respect to price expectations, and hoping that the price would be about \$21 per barrel at the end of next year's quarter, we did build into it certain assumptions that policies followed in the developed and developing countries would not be accommodative. We would like to see some assessment of the impact of macroeconomic policies on the underlying factors in the oil market.

As to the study of the Soviet Union's economy, we are indeed very pleased to hear that the deadlines will be met, thus enabling the Fund to report to the world leaders on the subject. But what I would like to know somewhat more about the timing for keeping the Executive Board informed of that study and its conclusions.

Third, the conditionality review is to cover programs in the upper credit tranches, with a focus on the mobilization of domestic savings. This is of particular relevance, given the large and competing claims on world savings. But what I would like to suggest--and this may already be intended--is that the empirical evidence in this assessment should also cover the SAF and ESAF cases in terms of the effect of programs on domestic savings.

During the two previous reviews of the ESAF, considerable emphasis was placed on domestic savings, particularly the potential contribution of sound fiscal policies and improving the domestic savings effort. Therefore, we would like to see some assessment of this not just in the context of upper credit tranche stand-by or extended arrangements, but also in the context of the SAF and ESAF. There should be no problem regarding timing, because both the review on conditionality and the review of the SAF and ESAF are slated for discussion at about the same time.

As to the area departments' work program, we, like others, are concerned about the substantial work load for the next six months. The work load could be increased if we accept the proposal that the circulation period for use of Fund resources by the countries affected by the Middle East crisis should be reduced from four weeks to two weeks.

In this situation, we are prepared to fully support any administrative procedures that may be adapted where suitable to even out the work load, obviously giving priority to the important and urgent cases. The difficulty that the Board has had in reaching a conclusion on the procedures for concluding interim consultation reports under the surveillance review is, of course, not very helpful. We hope that the Board can solve that problem quickly.

Fifth, I wish to comment on the Chairman's summings up with respect to Article IV consultations. In many--if not most--instances when important issues are addressed and there is a divided opinion, the summing up of the discussion conveyed to authorities sometimes tends to be confusing and to dilute the urgency of a subject. This may be of particular practical significance when a country is already implementing a Fund-supported program or is contemplating a Fund-supported program. The message to the authorities should be as clear as possible. Of course,

this is a problem for the Executive Board to resolve, but any helpful suggestion in this context would be helpful. Perhaps the Chairman's summing up, which of course is conveyed to the member country, could be supported and accompanied by a communication by the head of the area department giving the gist of the main conclusions at the Board discussion without trying to present the various different positions of groups of Directors, as usually done in a Chairman's summing up.

On the question of voluntary contributions to help the arrears strategy and the temporary reduction of contributions under burden sharing, we would like to see it discussed as early as possible, as the paper has been in circulation for quite some time. Of course, the current priorities must be taken account of, and we would suggest that a suitable occasion would be the review of the cooperative arrears strategy. This subject requires very careful consideration by the Board and preferably should be taken up alone or with a very closely related subject.

The question of special charges also should be examined very carefully, because the share of special charges in total arrears will rapidly rise after a certain point in time.

The question of the high cost of ordinary resources deserves to be considered by itself, because a subsidy account, even on a temporary basis, could be a very complex subject to handle.

The overall work program is a good blend of short-term issues and long-term issues. Therefore, we fully endorse it.

The Chairman commented that Mr. Fernando had usefully called attention to the problem that, in an effort to present various views in a balanced manner, summings up sometimes had not proven to be helpful to the individual countries concerned. That matter should perhaps be the subject of a separate discussion on another occasion.

Mr. Goos remarked that there were usually good reasons why Directors expressed conflicting views during the discussion on the staff report for an Article IV consultation with a member country. In the final analysis, of course, it was always up to the authorities themselves to decide which policy options to choose. But papering over differences of views in the Board would be misleading. In addition, the staff should be as clear and frank as possible in its presentation to the Board of conflicting views between the staff and the authorities in order to give Directors a good idea of the problems that might have arisen during the discussions with the authorities. It was not helpful to have staff reports that wrongly gave the impression that the staff and the authorities fully agreed on all the major

policy issues. If there was agreement in the Board on a specific solution to particular issues, then that situation should be spelled out in the summing up.

Mr. Kyriazidis said that the work program was appropriate, although heavy, particularly the number of country items. He favored leaving one day a week free of meetings, but, given the heavy work load, he wondered whether that would prove to be possible.

Mrs. Sirivedhin commented that she generally agreed with the proposed work program. She agreed with Mr. Kafka's remarks on debt and on the bunching of Executive Board meetings, and with Mr. Finaish's comments on the rights approach and technical assistance. Finally, Mondays should be kept free of Board meetings.

The Secretary recalled that some Executive Directors had suggested that the date of the next discussion on the debt strategy should be advanced from March. For some time the Board had had a pattern whereby the debt situation and strategy were discussed twice a year, in the period before each meeting of the Interim Committee. The proposal to hold the next discussion in March 1991 was specifically meant to be a prelude to, and provide basic input into, the April 1991 Interim Committee meeting. Hence, it seemed preferable and advantageous to maintain the proposed schedule. Of course, if there were to be major unforeseen developments, the staff and the Board should stand ready to consider them immediately.

Differing views had been expressed on the study of methodologies for evaluating burden sharing, the Secretary noted. The study would cover fairly complex issues, and the staff had not advanced far enough in its preparations to be able to suggest when it might be circulated; the staff would make that information available as soon as possible.

The staff had taken note of Mr. Peretz's suggestion that a discussion be held early in 1991 on the economy of the Soviet Union, the Secretary said. With regard to the paper on currency convertibility, a number of Directors had emphasized the importance they attached to it. The paper could perhaps be on the table for discussion soon--perhaps in December--and it would include in the appendix a review of the experience of countries other than those in Eastern Europe, as some Directors had requested.

Differing views had also been expressed on the content of the paper on environmental issues, the Secretary remarked. Presumably the paper should give Directors an opportunity to clarify their views on how far the Fund should go in that area, where it should not go and why, and the Board's views on collaboration with the Bank in particular in the area of the environment.

The staff had also taken note of the request by several Directors to avoid conducting the review of conditionality any later than May 1991, the

Secretary commented. The staff would have in mind the request to include in the paper experience with stand-by and extended arrangements in addition to those approved in 1985-87. The staff would try to include experience with arrangements approved in 1988; it was not yet clear whether it would be possible to include even more recently approved arrangements as well. The staff would also bear in mind Directors' comments on structural issues and Mr. Peretz's suggestion concerning the administrative base required for the successful implementation of Fund-supported programs.

On systemic issues, the staff had noted the differing degrees of urgency or lack thereof attached by Directors to the proposed studies on the SDR, the Secretary commented. As to the Ninth General Review of Quotas and the Third Amendment of the Articles, the staff intended to start soon--before the end of 1991--the periodic circulation of a paper indicating the acceptances of the Third Amendment and the consents to quota increases received in the Fund.

The staff fully appreciated that there was a general concern about bunching of country items in the coming period, the Secretary remarked, but the problem was not easy to solve. There was an element of seasonality in the scheduling of items: during July and August there were fewer missions, because of vacations by staff members and by officials in member countries, and because of the informal Board recess. As the Annual Meetings were held in September, many missions tended to be pushed toward an annual peak in October-November, which meant that the bulk of country reports were circulated and Board discussions held in the first four months of the year, as was the case with the proposed work program. It seemed unlikely that all the country items that would be ready for discussion in that period could actually be handled by the Board in those months; unfortunately, some of them would probably have to be taken up after the April meeting of the Interim Committee. The staff would certainly continue to do what it could to achieve the more even flow of Board discussions that Directors clearly preferred; but the scope for action was limited.

Several Directors had noted the need to return to the matter of the review of surveillance, the Secretary commented. The staff would follow up with a further short paper as a basis for the next Board discussion.

A discussion on Angola was tentatively scheduled for July 1991, the Secretary remarked.

In the area of operational issues, various views had been expressed on the timing of the Board discussion on the paper on operational modalities of voluntary contributions and of the temporary retention of contributions under burden sharing, the Secretary observed.

Directors who had addressed the question of an administrative tribunal had all stated that the Board should proceed to take up that matter, the Secretary remarked. The staff would circulate the necessary paper as soon

as possible. As to the timing of the medical benefits discussion, the first set of proposals to improve the finances of the plan had been discussed by the Committee on Administrative Policies in October 1990. Further additional material had been requested from the staff for discussion by the Committee in the coming weeks. A more comprehensive and detailed set of proposals on cost containment would be issued by the staff not later than March or early April 1991, so that, if all possible, the matter could be dealt with before the end of the present fiscal year.

The role of interest rates in savings had been discussed by the Board in 1989, the Secretary recalled. On that occasion, the points of the relevant World Bank report had been covered in the staff paper for the Fund Board's discussion. If a Director wished to have a further discussion on that topic, it would be helpful to know which particular points the staff should be asked to examine.

The Chairman recalled that Mr. Kafka has also raised the important issue of how to increase the effectiveness of the Fund's policy advice to countries that were not using the institution's resources. He looked forward to discussing that matter during the forthcoming retreat.

Mr. Kafka remarked that the Bank staff's attitude on the effect of interest rates on savings seemed to be much more skeptical than the Fund staff's, and he wondered whether the Fund staff would at some stage wish to comment on the matter. In addition, given the heavy work load for the coming period, he doubted whether a study on first credit tranche conditionality should be undertaken.

The Chairman commented that, given their different mandates, it was not surprising that the Fund and the World Bank sometimes had somewhat different views on important macroeconomic issues. However, there did not seem to be a major divergence of views between the staffs of the two institutions on the role of interest rates in savings.

Directors seemed to prefer to leave two Mondays per month free of Board meetings, the Chairman continued. In addition, there appeared to be considerable support for the lead speaker system, and attempts should be made to improve its effectiveness.

The staff paper on convertibility was to be circulated soon, and Directors should have sufficient time to prepare for a discussion in December on that important issue, the Chairman commented; the Fund's work with Eastern European countries should be focused on that issue. The Fund had a mandate and a comparative advantage in that area, and that paper should be given a very high priority. Some of the other studies that he had mentioned could be circulated for the information of the Board, rather than for discussion. However, after the staff's report on the economy of the

Soviet Union was completed, there should be a restricted seminar discussion to review the document and to exchange views on the possible next steps by the Fund in that area.

The Fund should try to make clear to the rest of the world what its involvement in environmental issues could and should be, the Chairman considered. In that connection, the key principle was that good macroeconomic policies supported a good environment. The Fund would not be trying to carve out new ground in the area of the environment, where it did not enjoy a comparative advantage.

He shared Directors' concern about the need to push as much as possible, without relaxing policies, the implementation of the rights approach by all the countries that were ready to undertake that approach, the Chairman said. Management and staff were working toward that end. In addition, he had noted the emphasis that Directors had placed on the world economic outlook, and particularly the necessity of monitoring underlying trends in the oil markets.

The Executive Directors concluded their discussion of the work program through April 1991.

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/90/156 (11/2/90) and EBM/90/157 (11/5/90).

2. CZECH AND SLOVAK FEDERAL REPUBLIC, AND POLAND - TECHNICAL ASSISTANCE

In response to requests from the authorities of the Czech and Slovak Federal Republic and of Poland for technical assistance in the central banking field, the Executive Board approves the proposal set forth in EBD/90/364 (10/30/90).

Adopted November 2, 1990

3. EXECUTIVE BOARD TRAVEL

Travel by Executive Directors and by an Advisor to Executive Director as set forth in EBAP/90/281 (11/1/90) is approved.

APPROVED: September 5, 1991

JOSEPH W. LANG, JR.
Acting Secretary