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FOR  
AGENDA

EBD/87/251

October 5, 1987

To: Members of the Executive Board  
From: The Acting Secretary  
Subject: Bolivia - Establishment and Administration of Voluntary  
Contribution Account

The attached paper on the establishment and administration of a voluntary contribution account at the request of Bolivia will be brought to the agenda for discussion on a date to be announced. A draft decision appears on page 9.

Mr. Liuksila (ext. 7797) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

Other Distribution:  
Department Heads

INTERNATIONAL MONETARY FUND

BOLIVIA

Establishment and Administration of Voluntary Contribution Account  
at the Request of Bolivia: Letter of Request, Draft Decision  
and Instrument, and Draft Reply

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Prepared by the Western Hemisphere Department, the Legal Department  
and the Treasurer's Department

(In consultation with the Exchange and Trade Relations Department)

Approved by S.T. Beza, F. Gianviti and F. Gerhard Laske

October 5, 1987

I. Request

Attached is a request from the Minister of Finance of Bolivia, acting through the Central Bank of Bolivia, to open an account (the "Account") with the Fund pursuant to Article V, Section 2(b), for the administration of resources to be contributed by other countries (the "Contributors") to finance the discharge of a portion of Bolivia's external indebtedness through a debt buyback scheme. The buyback covers external indebtedness owed or guaranteed by the Republic of Bolivia, the Central Bank of Bolivia, or any other governmental agency of Bolivia to nonofficial creditors, which are mostly commercial banks but include other lenders of record, under bank credit agreements or instruments (the "Creditors"). 1/ The coming into effect of a 1987 Amendment to the 1981 Refinancing Agreement for Bolivia, 2/ requires inter alia the granting by the Fund of Bolivia's request set forth in Attachment I. The general background for this request has been described previously in "Bolivia-Debt Buyback Arrangement," EBS/87/181 (8/19/87), which was circulated for the information of the Executive Directors. The salient features of the contemplated debt buyback are as follows:

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1/ See Section 12.19 of Amendment to Refinancing Agreement Dated as of April 29, 1981 and Other Agreements among La Republica de Bolivia, Banco Central de Bolivia, The Original Obligors and Banks Named Herein and Bank of America National Trust and Savings Association, as Coordinating Agent for the Banks, Dated as of February 17, 1987, contained in Annex to Bolivia-Debt Buyback Arrangement, EBS/87/181 (8/19/87).

2/ See EBS/87/181 (8/19/87), pp. 1 and 2.

The purpose of the buyback is to facilitate an improvement in Bolivia's external position through a reduction of its external indebtedness. Together with parallel arrangements for debt-equity swaps and a subsequent debt rescheduling, the buyback will provide Bolivia with an opportunity to normalize its international payments position by eliminating arrears, and thereby contribute to a restoration of its international creditworthiness.

The resources would be obtained from the Contributors in the form of contributions specifically designated for the buyback. The 1987 Amendment envisages that transfers of proceeds from donations will be made directly to the Account, or indirectly through the Central Bank of Bolivia. In addition, firmly pledged donations may be prefinanced by the Central Bank of Bolivia provided that the Creditors do not object to any condition on the availability of proceeds from a donation on grounds that such condition makes the prospect of receiving the funds too remote. Finally, discussions have been taking place between Bolivia and Creditors on forms of contributions other than donations, opening up the possibility that a part or all of the proceeds of concessional loans, and of prefinancing of such loans by the Central Bank of Bolivia, may be transferred to the Account, subject to concurrence by Creditors.

As regards the operation of the Account, the 1987 Amendment envisages that within a period of four months from the coming into effect of that Amendment, Bolivia will offer to buy back debt at a price to be determined by the authorities. Creditors will then negotiate individually with Bolivia the amount of claims they are willing to sell at that discount price. The highest offer by Bolivia will apply to all Creditors, including those who tendered their claims earlier. There will be no obligation for any Creditor to sell its claims on Bolivia under this arrangement.

An effort by Bolivia to obtain resources for the buyback is under way.

## II. Role of the Fund

Bolivia's present request envisages a role for the Fund as administrator of resources from the Contributors and as administrator of a verification procedure to ensure that the resources contributed to the Account meet the terms and conditions laid down by the Creditors for such contributions.

In the discussions that have led to this request, the management has supported a role for the Fund provided that the Fund would need to be satisfied, amongst other things, that the financing and modalities of the buyback are consistent with Bolivia's economic and financial program in support of which Bolivia is expected to request the use of the Fund's resources.

Bolivia does not intend to seek any new borrowing from commercial banks in the next several years, other than possibly for trade financing. Consistent with this objective, Bolivia intends to finance the buyback through concessional contributions, including concessional loans, which would not result in the incurrence of indebtedness on commercial terms. The 1987 Amendment authorizes Bolivia to prefinance from its own international reserves contributions designated for the buyback, but only if such contributions represent "irrevocable legal, valid and binding agreements from other countries to provide funds" to Bolivia with "no resulting obligation or indebtedness of the Republic or Banco Central or any other Governmental Agency." <sup>1/</sup> In line with Bolivia's intention to obtain the Creditors' concurrence for the use of concessional loans for financing the Account, the draft Instrument allows Bolivia to use proceeds of contributions that are not donations, provided, however, that Creditors do not object to the terms and conditions of such contributions.

Under the verification procedure outlined in Bolivia's request, each transferor will notify to the Fund of the Contributor's name and the terms and conditions of each contribution designated for the buyback. In turn, the Fund will disclose to the Creditors certain terms and conditions of the contribution but without disclosing the Contributor or the particular amount unless authorized by the Contributor or Bolivia, respectively. The disclosure of the terms and conditions will allow Creditors an opportunity to object to nonconcessional financial terms or to conditions making the availability of funds from a contribution too remote. Restrictions on the use of proceeds of contributions (other than those that would limit the use of funds for the purpose for which the Account is to be established) are also subject to concurrence by the Creditors. This procedure has been designed to give effect to the following principles:

- (1) The use of Bolivia's own international reserves for the buyback should be avoided except for the prefinancing of certain irrevocable commitments by Contributors;
- (2) As the buyback is based on an agreement with the Creditors, the Creditors should be permitted to retain a right to object to the particular terms and conditions of contributions that are not proceeds of unrestricted, unconditional donations;
- (3) To assist Bolivia in obtaining the best results and, specifically, to reward those Creditors that accept Bolivia's offer first, the Fund as administrator of the Account should agree not to disclose the position of the Account, unless authorized by Bolivia; and

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<sup>1/</sup> Section 12.19 of the 1987 Amendment, Annex to EBS/87/181 (8/19/87).

- (4) Ensuring the participation of some countries as contributors may require considerable confidentiality and, therefore, the identity of an individual Contributor should not be disclosed without its consent.

### III. Legal Authority for the Fund to Grant the Request

Article V, Section 2(b) provides the Fund with authority to perform financial and technical services and, in that connection, to administer contributions for the benefit of a member. Article V, Section 2(b) reads as follows:

"If requested, the Fund may decide to perform financial and technical services, including the administration of resources contributed by members, that are consistent with the purposes of the Fund. Operations involved in the performance of such financial services shall not be on the account of the Fund. Services under this subsection shall not impose any obligation on a member without its consent."

Accordingly, the Fund has authority to accede to Bolivia's present request to open the Account and to decide upon arrangements under which resources are transferred to the Account for administration and the disbursement upon each purchase by Bolivia of claims constituting its external indebtedness.

Bolivia's request would be met by the adoption of a decision approving the draft Instrument, which decides upon a role for the Fund and authorizes the Managing Director to establish and administer the Account as a separate account under Article V, Section 2(b).

### IV. Draft Instrument

#### 1. Operations

Under the provisions of the attached draft Instrument, funds will be received by the Account from the Contributors either directly or indirectly through the Central Bank of Bolivia (draft Instrument, paragraph 3(b)).

All receipts and disbursements will be in U.S. dollars and the Account will be denominated in U.S. dollars (draft Instrument, paragraph 3(a)). Under arrangements to be agreed between the Contributors and Bolivia, any contributions that are made available by a Contributor in currencies other than the U.S. dollar will be exchanged, prior to their transfer to the Account, into U.S. dollars by the central bank or other appropriate agency of the Contributor or by the Central Bank of Bolivia.

Pending disbursement of funds, the Managing Director is authorized to invest amounts held in the Account with the Bank for International Settlements or the Federal Reserve Bank of New York (draft Instrument, paragraph 5). Proceeds from investments of amounts in the Account become part of the resources available for use under the Instrument (draft Instrument, paragraph 2). The investment authority is necessary because certain funds will remain in the Account for at least forty (40) days during which objections may be lodged by Creditors against their use for the buyback (draft Instrument, paragraph 3(i)).

Under the arrangements that Bolivia has made with the Creditors for the purposes of the contemplated buyback, the Creditors will deal with the Fund only through Bank of America, National Trust and Savings Association, Global Agency, 315 Montgomery Street, San Francisco, California 94104. As notified to the Fund in the letter of request (Attachment I), Bank of America will serve as coordinating agent (the "Coordinating Agent"). All communications by the Fund to the Creditors, and vice versa, will be made through the Coordinating Agent.

Disbursements of funds available in the Account shall be made to the Coordinating Agent in accordance with instructions received from the Central Bank of Bolivia. When giving such instructions to the Fund, the Central Bank will specify the contribution which is to be used for the disbursement. Moreover, the Central Bank of Bolivia will represent to the Fund that the disbursement is for the purpose of the buyback (draft Instrument, paragraph 4).

The Fund will be neutral on the burden sharing involved in the buyback; more specifically, the Fund will not be called upon to pass judgment on the concessionality of funding of the Account, and it is intended that Creditors retain the right to object to contributions other than unrestricted or unconditional donations (draft Instrument, paragraph 3(h)). Moreover, the Fund will not determine the order in which contributions are used for disbursements nor advise the Coordinating Agent concerning the further distribution of funds among Creditors.

## 2. Verification Procedures

Under the provisions of the attached draft Instrument, the Fund would receive certifications that the transfers to the Account represent contributions of resources by the Contributors for the purpose of the Account, thereby ensuring that the transfers do not involve the use of Bolivia's international reserves.

Accordingly, each transferor of funds to the Account, being either a Contributor or the Central Bank of Bolivia, will certify to the Fund the name of the Contributor and the terms and conditions of the contribution (draft Instrument, paragraph 3(e)). Certifications and notifications by the Central Bank of Bolivia with respect to contributions made by Contributors through it will be subject to confirmation by each Contributor (draft Instrument, paragraph 3(f)).

After completion of the procedure above for a transfer, the Fund will inform the Creditors that the necessary notifications, certifications and confirmations have been received. Amounts that have been transferred into the Account will become available for disbursement upon the completion of the procedure, provided the respective contributions are not subject to such terms and conditions that have to be disclosed to the Creditors. If that is the case, the Fund will disclose the restrictions imposed on the use of proceeds of donations transferred to the Account and, in the case of prefinancing of donations, the conditions imposed on the availability of funds irrevocably committed to Bolivia and the restrictions imposed on the use of proceeds of such contributions. As regards other transfers to the Account, including proceeds of concessional loans and their prefinancing, the Fund shall disclose the terms (excluding amount) and conditions of such contributions. Creditors, therefore, retain the right to object to transfers other than those representing the proceeds of unrestricted donations or those of the prefinancing of future donations that do not involve restrictions on the use of proceeds or any conditions on the availability of funds at a future date (draft Instrument, paragraph 3(h)).

If the necessary certifications, confirmations or notifications have not been received promptly in respect of a transfer, or if the Creditors, within forty (40) days of their disclosure, object to certain terms and conditions that they have a right to object to, the amount of any transfer already made, and any income that may have been earned from investment of that amount, will be returned promptly to the transferor (draft Instrument, paragraph 3(i)). 1/

To obtain the best results for Bolivia, the bidding process may require confidentiality of information on amounts available for the buyback and, therefore, the attached request by Bolivia authorizes the Fund to disclose the position of the Account, before the termination of the Account, only in accordance with instructions to be received from the Central Bank of Bolivia (draft Instrument, paragraph 3(j)). Moreover, the Managing Director is to be authorized to accept transfers of funds to the Account on the understanding that the Fund will not disclose the identity of a Contributor without its consent. To help perform the function entrusted to him under this confidential procedure, the Managing Director will, therefore, confine the activity and information to certain designated staff 2/ (draft Instrument, paragraph 3(k)).

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1/ Section 12.19(v) of the 1987 Amendment allows written objections to the Coordinating Agent within thirty (30) days; during this time the use of proceeds of conditional contributions is suspended. The draft Instrument allows an additional 10 days for the necessary communications between the Coordinating Agent and the Creditors; hence, the 40 day limit.

2/ It is envisaged that the Managing Director would make information available only to the Deputy Managing Director, the Director of the Western Hemisphere Department, the General Counsel, the Treasurer, and to other staff specifically designated.

Also, he will make the information provided by the Contributors available to the external auditors of the Fund. However, the external auditors of the Fund, who are confirmed by the Executive Board pursuant to Section 20 of the By-Laws of the Fund, may not disclose the position of the Account, unless authorized by Bolivia, until the termination of the Account, or the identity of a Contributor without its consent. The external auditors would nevertheless report to the Board of Governors, if the Account had not been terminated, that they had completed the audit of the Account and were satisfied with the operation of the Account. In the event that the external auditors felt that the Accounts did not represent a true and fair view, they would report accordingly to the Board of Governors on the nature of any problem pertaining to the Account. Under this formulation of paragraphs 3(j) and (k) of the draft Instrument, Executive Directors will not be informed of the position of the Account before the termination of the Account, unless provision of such information is authorized by Bolivia.

### 3. Separateness of the Account

The Fund will not incur any obligation or liability by reason of the establishment, administration or termination of the Account. The draft Instrument does not create authority for the Fund to undertake financial obligations as administrator of the Account; more specifically, the permissible operations are limited to those stated in the draft Instrument, and these do not include any power to borrow for purposes of the Account.

The operations conducted through the Account will not be "on the account of the Fund," in accordance with Article V, Section 2(b). The resources contributed to the Account will not be recorded in the General Department or the SDR Department of the Fund, but will be kept separate of all other accounts of, or administered by, the Fund, and the property and assets held in such other accounts of, or administered by, the Fund will not be used to discharge liabilities or meet losses arising out of the administration of the Account. The resources held in the Account shall not be available to discharge liabilities, or meet the losses arising out of the administration of such other account of, or administered by the Fund (Draft Instrument, paragraph 6(c)).

Paragraph 7 of the draft Instrument provides that Rules J-1 through J-7 of the Fund's Rules and Regulations shall apply to the Account subject to three qualifications:

- (a) The position of the Account will not be disclosed until its termination, unless authorized by Bolivia; it is possible, therefore, that if the Account remains in existence at the end of a financial year, an audited financial statement of the position of this Account would not be included in the Fund's Financial Statements and in the Fund's Annual Report;



- (b) The identity of a Contributor will not be disclosed without its consent; and
- (c) The Account will be summarized in terms of the U.S. dollar.

The Managing Director is to be authorized to open accounts with the Fund's depositories "in the name of the Fund" (draft Instrument, paragraph 6(b)(1)). The resources held in such accounts would constitute "assets" of the Fund for various provisions of the Articles of Agreement. Thus, the guarantee in Article XIII, Section 3 would apply. The provision reads:

"Each member guarantees all assets of the Fund against loss resulting from failure or default on the part of the depository designated by it."

Similarly, the Account, its assets, property, income, and its operations and transactions authorized by the draft Instrument enjoy the status, immunities and privileges of the Fund under Article IX of the Fund Agreement in member countries and under Article III of the UN Convention on Privileges and Immunities in countries that have accepted the Convention with respect to the Fund. 1/

Paragraph 4(d) of the draft Instrument provides that no charge shall be levied for the service rendered by the Fund in the establishment, operation, and termination of the Account. The expenses of administration of the Account shall be paid by the Fund from the General Resources Account, for which no reimbursement will be made. The expenses of carrying out the operations of the Account are expected to be minimal.

The Account may be terminated by the Fund or Bolivia at any time: it is expected that Bolivia will terminate the Account after the buy-back has been completed and the operations of the Account will have been carried out (draft Instrument, paragraph 8). Any assets and property of the Account remaining on the date of termination of the Account will be returned promptly to the transferors or, in accordance with their instructions, to Bolivia. The distribution will be made on the basis of the respective transfers, and investment proceeds thereon, remaining in the Account. This technique, which involves the tracing of

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1/ UN Convention on the Privileges and Immunities of the Specialized Agencies and Annex V adopted by the UN General Assembly on November 21, 1947. The Executive Directors of the Fund accepted the standard clauses of the Convention and approved Annex V with respect to the Fund on April 11, 1949. The Annex became effective on May 9, 1949, when it was received by the United Nations. See Selected Decisions, Thirteenth Issue, pp. 464-481.

proceeds of investment to particular transfers into the Account, will allow the Fund to attribute investment income to each contribution and avoid problems that could arise from the pooling of all resources into one fund.

#### VI. Proposed Decision

A decision setting forth the terms and conditions on which the Fund authorizes the Managing Director to open and administer an Account for Bolivia and to perform other services incidental thereto, pursuant to Article V, Section 2(b), requires a majority of the votes cast.

Accordingly, the following draft decision is proposed for adoption by the Executive Board:

"1. Pursuant to Article V, Section 2(b), the Fund adopts the provisions of the Instrument set forth in the Annex that establish an Account for the administration by the Fund of resources to be contributed for the benefit of Bolivia.

2. The provisions of the Instrument set forth in the Annex may be amended only by a decision of the Fund and with the concurrence of Bolivia."

An Instrument to Establish an Account at the Request of Bolivia

To help fulfill its purposes, and at the request of Bolivia, the International Monetary Fund (the "Fund") has adopted this Instrument to establish an Account (the "Account"), which shall be governed by, and administered in accordance with, the following provisions:

1. Establishment of the Account

The Managing Director is hereby authorized to establish an Account for the administration of resources to be contributed by other countries in order to assist Bolivia to discharge a portion of the external indebtedness owed or guaranteed by the Republic of Bolivia, the Central Bank of Bolivia (the "Central Bank"), or any other governmental agency of Bolivia, to nonofficial creditors.

2. Resources

The resources of the Account shall consist of amounts transferred to the Account as proceeds of contributions made for the purpose of the Account by other countries, either directly or indirectly through the Central Bank (including prefinancing by the Central Bank of irrevocable contributions), and the income from investment of the resources of the Account.

3. Receipt of Resources

(a) The receipt of funds into the Account shall be in U.S. dollars.

(b) Transfers to the Account may be received from contributors or the Central Bank.

(c) When making a transfer to the Account, a transferor other than the Central Bank shall certify that the transfer is for the purpose of the Account.

(d) When making transfers to the Account, the Central Bank shall certify that the corresponding amounts are either the proceeds of contributions made by countries other than Bolivia for the purpose of the Account, or a prefinancing of future contributions in respect of which irrevocable commitments have been made by countries other than Bolivia for the purpose of the Account.

(e) Each transferor shall notify the name of the contributor and the terms and conditions of the contribution that is designated for the purpose of this Account.

(f) Certifications and notifications by the Central Bank shall be subject to confirmation by the respective contributors.

(g) Certifications and notifications relating to a transfer shall be made to the Fund not later than three (3) business days after the transfer. Confirmations shall be requested by the Fund promptly, and provided by the contributor to the Fund within three (3) business days after the request.

(h) Upon completion of the procedure above, the Fund shall inform the coordinating agent of nonofficial creditors of Bolivia, as notified by Bolivia (the "Coordinating Agent"), that the necessary notifications, certifications and confirmations have been received, and disclosed to the Coordinating Agent the restrictions, if any, imposed on the use of proceeds of donations transferred to the Account, and, in the case of prefinancing of donations, the conditions imposed on the availability of funds irrevocably committed to Bolivia and the restrictions, if any, imposed on the use of proceeds of such contributions. In addition, with respect to other transfers to the Account, including proceeds of concessional loans to Bolivia and their prefinancing, the Fund shall disclose to the Coordinating Agent the terms (excluding amount) and conditions of such contributions.

(i) If the procedure prescribed above is not completed in respect of a transfer, or if the Coordinating Agent, within forty (40) days of the disclosure under (h) above, objects to the terms and conditions so disclosed, the amount of the transfer, and any income that may have been earned from investment of that amount, shall be returned promptly to the transferor.

(j) Unless authorized by Bolivia, the position of the Account shall not be disclosed by the Managing Director, the staff, or the external auditors of the Fund, until the Account has been terminated. The external auditors shall state in their audit report to the Board of Governors whether the operation of the Account has been conducted in accordance with this Instrument.

(k) The identity of a contributor shall not be disclosed, without its consent, by the Managing Director, the staff, or the external auditors of the Fund.

#### 4. Use of Resources

Disbursements of funds available in the Account shall be made to the Coordinating Agent in accordance with instructions received from the Central Bank. When giving such instructions, the Central Bank shall specify the contribution the proceeds and income of which are to be used for the disbursement and represent to the Fund that the disbursement is for the purpose of the Account.

5. Investment of Resources

Pending disbursement of funds, the Managing Director is authorized to invest amounts held in the Account with the Bank for International Settlements or the Federal Reserve Bank of New York.

6. Administration of the Account

(a) The Account shall be administered by the Fund.

(b) The Managing Director is authorized

(i) to make all arrangements, including establishment of accounts in the name of the International Monetary Fund with the Bank for International Settlements and the Federal Reserve Bank of New York to carry out the operations of the Account; and

(ii) to take all measures necessary to implement the provisions of this Instrument.

(c) The resources of the Account shall be used only in accordance with this Instrument and shall be kept separate from the property and assets of all other accounts of, or administered by, the Fund. The property and assets held in such other accounts shall not be used to discharge liabilities or to meet losses arising out of the administration of the Account; nor shall the resources of the Account be used to discharge liabilities or to meet losses arising out of the administration of such other accounts.

(d) Subject to the provisions of this Instrument, the Fund, in administering the Account, shall apply mutatis mutandis the same rules and procedures as apply to the operation of the General Resources Account of the Fund.

(e) No charge shall be levied for the services rendered by the Fund in the administration, operation, and termination of this Account.

7. Accounts, Audit and Reports

The rules of the Fund on accounting and reporting for accounts maintained under Article V, Section 2(b) (Rules J-1 through J-7) shall apply to the Account, subject to 3(j) above and provided that

(i) the Account shall be summarized, and the financial statements relating to it shall be expressed, in terms of the U.S. dollar; and

(ii) the identity of a contributor shall not be disclosed without its consent.

8. Termination of the Account

(a) The Account may be terminated by the Fund or Bolivia at any time. Termination shall be effective on the date that either party receives a notice of termination, or on such later date, if any, as may be specified in the notice of termination.

(b) Any assets and property of the Account remaining on the date of termination of the Account shall be returned promptly to the transferors, or, in accordance with their instructions, to Bolivia. The distribution shall be made on the basis of the respective transfers, and investment proceeds thereof, remaining in the Account.

Bolivia's Request

October 1, 1987

Embajada de Bolivia  
Washington, D.C. 20008  
EMBO 499/87

Mr. Michel Camdessus  
The Managing Director  
International Monetary Fund  
700 19th Street, N.W.  
Washington, D.C. 20431

Dear Mr. Camdessus,

The Government of Bolivia, acting through the Central Bank of Bolivia, requests the Fund to open an account (the "Account") for the administration of resources to be contributed by other countries for the discharge through a debt buyback operation of a portion of the external indebtedness owed or guaranteed by the Republic of Bolivia, the Central Bank of Bolivia, or any other governmental agency of Bolivia to nonofficial creditors including commercial banks (the "Creditors").

As you know, there is an agreement to amend the 1981 Refinancing Agreement for Bolivia to permit a two-step approach to resolving Bolivia's bank debt problem. A portion of the outstanding principal and associated unpaid interest will be reduced by a debt buyback at a discount. Bolivia will offer to buy back its debt directly from the Creditors at prices determined by the Government. Each Creditor will then decide on the amount of debt it is willing to sell at those prices. The same prices will apply to all Creditors. The remaining indebtedness is expected to be restructured after completion of the buyback on terms to be determined at the time.

The Fund's assistance in the debt buyback arrangement is expected to enhance the confidence of the Creditors that only contributions from other countries, and not Bolivia's own international reserves, will be used to effect the contemplated discharge of Bolivia's external indebtedness. Furthermore, the participation by some potential contributors

may require that the Account be administered by the Fund, without disclosing the identity of any particular contributor without its consent.

Accordingly, the Government of Bolivia requests that the Fund establish a procedure for the certification of each individual contribution or any irrevocable commitment made to Bolivia for a contribution to be made. After completion of the procedure, and the funds held in the Account having become available for disbursement upon the concurrence of Creditors with certain terms and conditions of a contribution, the Fund is authorized to inform the Creditors of the position of the Account but only in accordance with instructions to be received from the Central Bank of Bolivia. The Government also proposes that the Executive Board authorize the Managing Director to accept transfers of funds to the Account on the understanding that the Fund will not disclose the identity of a contributor without its consent.

Under the arrangements that the Government has made with Creditors for the purposes of the contemplated buyback, the Creditors will deal with the Fund only through Bank of America, National Trust and Savings Association, Global Agency Unit 5596, 315 Montgomery Street, 15th Floor, San Francisco, California 94104, which has been appointed by them to serve as coordinating agent (the "Coordinating Agent"). Moreover, disbursements of funds available in the Account shall be made by the Fund through transfers to Bank of America NT&SA, the Coordinating Agent for Bolivia (Account No. 2-10-19945/ Chips I.D. number 196046), Bank of America International of New York, in accordance with instructions to be received from the Central Bank of Bolivia consistent with the purpose of the Account. All communications between the Fund and the Creditors shall be through the Coordinating Agent and all communications to the Coordinating Agent shall be to the attention of Mr. John Horwath, Senior Agency Officer.

The coming into effect of the 1987 Amendment to the 1981 Refinancing Agreement is predicated on the Fund's role in the debt buyback and, therefore, we would appreciate that the Executive Board consider this matter at an early date.

I shall be sending a copy of this letter to the Creditors of Bolivia.

Very truly yours,

Juan Cariaga  
Minister of Finance



Draft Reply by the Managing Director

Dear Mr. Minister:

I would like to inform you that the Executive Board of the International Monetary Fund has acceded to your request for the establishment of a Voluntary Contribution Account for Bolivia.

With my highest regards,

Very truly yours,

Michel Camdessus  
Chairman of the Executive Board  
and  
Managing Director