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March 2, 1988

To: Members of the Executive Board
From: The Secretary
Subject: Final Minutes of Executive Board Meeting 86/137

The following correction has been made in the final minutes of EBM/86/137 (8/25/86):

Page 30, item 3, para. 1, last line: for "(EBS/86/156, 7/18/86)."
read "(EBS/86/198, 8/25/86)."

A corrected page is attached.

Att: (1)

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Department Heads

accurately estimated. The authorities remained steadfast in their efforts to pursue pragmatic policies that over time would build the momentum for sustained economic growth. It is urgent that the international community stand ready to assist Guinea with the requisite financial and technical assistance. Directors had noted the enormous financing gaps in the adjustment program. Financial assistance must be forthcoming given the low level of per capita income in Guinea and the vulnerability of the economy to forces beyond the authorities' control.

Establishing the basis for sustained growth and development should be at the center of any economic and financial program, Mr. Mtei remarked. The World Bank therefore had an important role to play in Guinea, and the Fund should augment that role by providing assistance under the structural adjustment facility. The Fund should be flexible so as to avoid overburdening Guinea's bureaucracy or placing undue strain on the social and political fabric of the country. The authorities' current policy stance met the requirements for the use of resources under the structural adjustment facility, and he hoped that the staffs of the Fund and the World Bank would move rapidly to ensure that the authorities' request was met.

The Executive Board then took the following decision:

1. Guinea has consulted with the Fund in accordance with paragraph 4(b) of the stand-by arrangement for Guinea (EBS/86/4, Supplement 2, 2/4/86) and paragraph 7(iii) of the memorandum annexed to the letter of the Head of State of Guinea and Chairman of the Military Committee for National Recovery dated December 12, 1985 attached to the stand-by arrangement, in order to review policies, establish performance criteria for end-July and end-September 1986, and reach understandings subject to which further purchases may be made by Guinea under the stand-by arrangement.
2. The letter and annexed memorandum from the Head of State of Guinea and Chairman of the Military Committee for National Recovery, dated June 25, 1986, shall be attached to the stand-by arrangement for Guinea, and the letter and annexed memorandum of December 12, 1985 shall be read as supplemented and modified by the letter and annexed memorandum of June 25, 1986.
3. The references in paragraph 4(a) of the stand-by arrangement to paragraph 7(i) and Table 1 of the memorandum annexed to the letter of December 12, 1985 (relating to the performance criteria on total domestic credit, net bank credit to the Government, bank credit to public enterprises, minimum net foreign exchange sales by the Central Bank at the auctions, minimum reductions of external payments arrears through cash payments, minimum increase in net external reserves of the Central Bank, and nonconcessional external loans contracted or guaranteed by the Government) shall be read as reference to paragraph 4 of the letter dated June 25, 1986, and to paragraph 8 and Table 1 of the memorandum annexed to that letter.

4. Paragraph 2(a) of the stand-by arrangement is hereby amended as follows:

"(a) Purchases under this stand-by arrangement shall not, without the consent of the Fund, exceed the equivalent of:

SDR 9 million through June 1, 1986;

SDR 15 million through September 15, 1986;

SDR 21 million through November 15, 1986;

SDR 27 million through February 15, 1987.

5. The Fund decides, pursuant to paragraph 4 of the stand-by arrangement, that the first review contemplated in paragraph 7(iii) of the annexed memorandum to the letter dated December 12, 1985 is completed, and that, notwithstanding the nonobservance of the performance criterion on the minimum foreign exchange sales by the Central Bank on the auction market during the first quarter of 1986, Guinea may resume making purchases under the stand-by arrangement."

Decision No. 8369-(86/137), adopted
August 25, 1986

3. ZAMBIA - OVERDUE FINANCIAL OBLIGATIONS -
REPORT AND COMPLAINT UNDER RULE K-1

The Executive Directors gave substantive consideration to the Managing Director's report and complaint under Rule K-1 concerning Zambia's overdue financial obligations to the Fund (EBS/86/198, 8/25/86).

The staff representative from the African Department remarked that he had just received a telex from the Zambian authorities informing the Fund that Zambia had concluded negotiations with a commercial bank and expected to make a large payment of about \$37 million in partial settlement of its overdue obligations to the Fund. However, it would take a few days to complete the necessary documentation to effect that payment.

The staff representative from the Treasurer's Department commented that because of an additional obligation that had become overdue, the figure in the third line of paragraph 2 of the decision should be amended to read SDR 83,836,620.