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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 85/134

3:00 p.m., September 9, 1985

J. de Larosière, Chairman

Executive Directors	Alternate Executive Directors
A. Alfidja	
	D. C. Templeman, Temporary
	L. Hubloue, Temporary
B. de Maulde	
M. Finaish	T. Alhaimus
	H. Kobayashi, Temporary
	W.-L. Bengs, Temporary
	Z. b. Ismail, Temporary
	G. W. K. Pickering, Temporary
	J. Hospedales, Temporary
	H. Fugmann
E. I. M. Mtei	A. Abdallah
	C. A. Salinas, Temporary
	J. E. Suraisry
	J. de la Herrán, Temporary
	A. A. Scholten, Temporary
	A. V. Romuáldez
G. Salehkhou	O. Kabbaj
	A. S. Jayawardena
	D. J. Robinson, Temporary
	N. Coumbis
	Jiang H.

L. Van Houtven, Secretary
J. K. Bungay, Assistant

Also Present

African Department: E. L. Bornemann, E. A. Calamitsis, L. D. Dicks-Mireaux, C. A. François, I. C. Lienert, E. Sacerdoti, L. Schmitz, A. Tas. Exchange and Trade Relations Department: S. Kanesa-Thasan. Legal Department: S. A. Silard. Secretary's Deparment: R. S. Laurent. Advisor to Executive Director: A. Vasudevan. Assistants to Executive Directors: A. K. Diaby, E. Olsen, R. Msadek, Yang W.

1. ALGERIA - 1985 ARTICLE IV CONSULTATION

The Executive Directors resumed from the previous meeting (EBM/85/133, 9/9/85) their consideration of the staff report for the 1985 Article IV consultation with Algeria (SM/85/185, 6/27/85; Cor. 1, 7/8/85; and Cor. 2, 8/23/85). They also had before them a report on recent economic developments in Algeria (SM/85/202, 7/18/85; Cor. 1, 8/27/85).

Mr. Templeman remarked that since the previous consultation with Algeria, economic performance had generally improved from an already satisfactory level. Real growth had accelerated in 1984, compared with 1983, the current account of the balance of payments had moved into a small surplus, the fiscal deficit had declined perceptibly, and monetary expansion had decelerated. Only a moderate rise in the inflation rate to about 6.5 percent had marred that performance. Unfortunately, the prospects for 1985 and 1986 were not clear from the staff report, which lacked any medium-term projections beyond the economic targets cited in the 1985-89 Plan. The relative absence of such forecasts for the past two years was disappointing. Better monetary statistics were needed, and he wondered why the authorities had not resumed calculation of the national accounts in constant terms.

The general shift in development strategy toward greater flexibility was being continued, although still in the context of a very tightly controlled economy, Mr. Templeman observed. That welcome shift in approach should be maintained, because as the economy was diversified and became more complex, economic decision making would have to be more decentralized and market oriented. Although the authorities had already taken some steps in that direction under the 1980-84 Plan, and some further movement was embodied in the Plan for 1985-89, a number of internal policy contradictions remained. For example, a harmonized national wage scale applicable to all economic sectors and all parts of the country did not seem consistent with the need for labor mobility in order to diversify the economy and to develop all regions of the country. To some extent, tying future wage increases to productivity gains might help to reduce the rigidity of the current wage system, but the economic rationale for the system itself was not clear; further comment from the staff might clarify the issue. The sharp appreciation of the exchange rate did not conform to the aim of export diversification and internal economic efficiency. Further, the traditional reluctance to allow interest rates to move could impede the mobilization of household savings and their intermediation.

The continued shift in development strategy in the new Five-Year Plan away from heavy industry in favor of agriculture and infrastructure was appropriate, Mr. Templeman commented. Continued development of the private sector, not only in the priority areas already established, but more generally, could also help greatly to provide both complementary and competitive goods and services. The recent legislation on artisanry, joint ventures with foreign investors, and investment incentives contained some useful measures. However, to assure sustainable long-term growth, some changes might be needed in the pattern of savings and investment.

For example, both the domestic savings and the investment ratios were very high. While it was true that real economic growth had also been fairly high, averaging about 4.5 percent in the past five years, the question was whether such a high gross fixed investment ratio averaging 34 percent was necessary to generate that level of growth or whether it implied that the efficiency of capital investment had not been very high. Similarly, it appeared that treasury savings had represented about half of total domestic savings, although private savings had apparently also been fairly large. If the private sector was supposed to have a more important role as the economy continued to develop and diversify, a system of intermediation would have to mobilize and channel household savings into productive investment, especially in the private sector, which suggested the need for a lower level of public savings through a reduction in the high tax burden, and also lent support to the desirability of financial market reforms along the lines discussed in the staff report.

The authorities had made important achievements within the past one to two years, Mr. Templeman mentioned; they included a reduction of the fiscal deficit, which was due in part to an improved tax administration and to a desirable broadening of the tax base toward less dependence on taxation of the hydrocarbon sector; relative wage restraint in the public sector; a reduction in the treasury deficit from nearly 9 percent of GDP to about 2 percent; and the reorganization of the public enterprises into smaller units, which had made it easier to identify loss-making enterprises and had facilitated decentralized decision making. The reduction in the ability of large public enterprises to subsidize loss-making units within an enterprise should reduce fiscal deficits and contribute to more realistic pricing throughout the economy. However, a number of goods continued to be provided at subsidized prices, either financed directly from the budget or through the Special Subsidy Fund; those subsidies should be reduced, or be provided only to those most in need.

Algeria's success in keeping the current account of the balance of payments in rough equilibrium in the past few years was a laudable achievement, Mr. Templeman continued, as was the diversification within the hydrocarbon sector away from crude oil exports. A reduction in foreign debt was an appropriate goal, but the authorities could also take advantage of favorable market conditions from time to time to improve the debt profile. It was unfortunate that achievement of external balance had been so dependent on import restrictions, however; such restrictions would lead to inefficient resource allocation and would become increasingly difficult to apply as the economy grew and became more complex.

An exchange rate policy had led to a real effective appreciation of the dinar by 40 percent between 1980 and early 1985; however, that development had given rise to grave doubts, Mr. Templeman concluded. Had the decline of the U.S. dollar in recent months corrected any of that appreciation? The concern that had been expressed a year ago, when the appreciation had been significantly less, still remained. Although it could be argued that an appreciating currency would help to fight inflation and to keep down the cost of servicing foreign debt, and that current export capacity might not be very price elastic, such views reflected a static approach. In the meantime, the domestic economy was not being subjected to the test of foreign competition based on realistic pricing, and the authorities were forgoing exploitation of new export opportunities. Caution might be needed in adjusting the rate, but it was hard to see how export growth could proceed without some shift in policy.

Mr. Scholten observed that the strategy of the Algerian authorities was characterized by bold targets counterbalanced by prudent policies, which had been essential to the successful performance of the economy over the past few years. The authorities' stated willingness to modify the objectives of the new Five-Year Plan, should economic circumstances dictate, provided welcome assurance that that attitude would be maintained. Developments in the oil market might indeed necessitate some modifications.

The ratio of money and quasi-money to GNP had risen from 57 percent to 74 percent over the past three years, and although it might stop rising as a result of the decline in the fiscal deficit to approximately 2 percent of GDP in 1985, Mr. Scholten asked whether there was any excess liquidity and if so, how the authorities were dealing with it.

The authorities' intention to aim at export diversification was gratifying, Mr. Scholten indicated. In light of the very beneficial results stemming from the diversification within the hydrocarbon sector, it seemed appropriate to start emphasizing nonhydrocarbon exports, which was one of the new aspects that had set the current Five-Year Plan apart from its predecessor. Although a 20 percent yearly growth rate for nonhydrocarbon exports was considered ambitious by the staff, present nonhydrocarbon exports amounted to only about 1.5 percent of GDP, while a full 75 percent of GDP was created in the nonhydrocarbon sectors. The right policies should make it possible to increase nonhydrocarbon exports rapidly, and the authorities' intention in that regard would benefit the long-term growth of the Algerian economy and its resilience to external shocks.

However, the staff's comment that the current exchange rate policy was likely to hamper the rapid expansion of nonhydrocarbon exports had become more relevant in that further diversification had become a target, Mr. Scholten pointed out. In view of the importance of ensuring that the current industrial investments proved profitable and viable in the long run, every possible helpful measure should be taken, including structural measures as well as changes in the exchange rate policy. Could Mr. Salehkhou or staff elaborate on the nature of the proposals that had emanated from the exchange rate study that had been carried out after the previous Article IV consultation?

The authorities had followed a prudent external debt policy over the past years, which had enabled Algeria to weather a very difficult period in the international capital markets, notwithstanding a sizable gross borrowing requirement, Mr. Scholten remarked. It was regrettable that no medium-term scenario had been prepared, for it would have been useful if only to show amortizations over the next few years.

It was cause for satisfaction that the favorable assessment of Algeria's balance of payments and reserve position had led to the proposal to include the Algerian dinar in the operational budget for the coming quarter.

Mr. Alfidja considered that, on the whole, the Algerian economy had performed satisfactorily in 1984: domestic production had expanded at a sustained pace, the fiscal deficit as a percentage of GDP had been reduced significantly, and the external current account position had continued to improve. The Government deserved commendation for having initiated and implemented prudent macroeconomic policies that had undoubtedly contributed to those results.

The authorities' efforts to broaden the productive base were bearing fruits, Mr. Alfidja noted with satisfaction. The output of the energy sector, which had become more diversified, had continued to expand. Growth had also been registered in manufacturing and infrastructure. The restructuring of the public enterprises, the implementation of a more flexible pricing policy, and the increased role of the private sector had contributed to Algeria's favorable performance.

Despite the noteworthy recovery of the agricultural sector, Mr. Alfidja observed, the problem of low productivity in that sector needed to be tackled, in light of the authorities' objective to become less dependent on food imports. In that context, the increasing scope for private farming and the access of private farmers to credit, as well as the introduction of tax incentives, were steps in the right direction. After the completion of the study on producer price reforms, the authorities should take any further appropriate actions.

Developments in the fiscal sector reflected the authorities' willingness to reduce their dependence on hydrocarbon-based revenues, Mr. Alfidja indicated. The restructuring of the public enterprises and the strengthening of tax administration had helped bring down the overall treasury deficit as a percentage of GDP from 9 percent in 1983 to 5.5 percent in 1984. In addition, nonpetroleum tax revenue accounted for 57 percent of total receipts in 1984, compared with 38 percent three years earlier. A further reduction in the fiscal deficit was projected for 1985.

The Algerian authorities should be encouraged to continue to implement prudent financial policies, thereby strengthening the foundation for sustained economic growth in the medium term, Mr. Alfidja said. The reorientation of policies toward allowing greater price flexibility, permitting more autonomy in economic decision making, and offering a greater role to the banking system were appropriate moves.

Mr. Mtei remarked that the economy of Algeria had performed remarkably well in recent years. At a time when the world economy had been going through a deep and prolonged recession, Algeria had registered satisfactory rates of economic growth averaging about 4.5 percent in the past five years. As population had grown by 3.2 percent, per capita income had grown over the same period. The rapid economic expansion, which had accelerated in 1984, had taken place despite depressed petroleum prices and adverse weather conditions that had affected agricultural production for two consecutive years in 1982 and 1983. The expansion was due to the diversification efforts that the authorities had undertaken with vigor and determination, efforts that had no doubt been facilitated by their judicious and prudent utilization of oil revenues.

Among the lessons to be learned from the Algerian experience, Mr. Mtei commented, was that a carefully designed and executed central plan could achieve the desired goals. During the worldwide recession, the Algerian authorities had not necessarily been implementing a countercyclical investment strategy; instead, they had maintained gross fixed capital formation at a high level. During that period, they had already started to restructure the economy by directing resources toward the expansion of the nonhydrocarbon sectors. As a consequence, the share of GDP of those sectors, excluding government services, had risen progressively from 56.8 percent in 1980 to 62.4 percent in 1984. The share of GDP of the hydrocarbon sector, though still playing a dominant role, had fallen from 31.4 percent in 1980 to 25 percent in 1984. At the same time, high gross domestic savings had helped to reduce excessive reliance on external resources and to accelerate investment expenditure without creating undue pressures on prices.

The balance of payments--buttressed by revenues from oil and, in recent years, from condensate and gas--had remained relatively comfortable over the period, Mr. Mtei continued. Meanwhile, tight control over imports, which favored the flow of those imports that supported diversification, had restricted the growth in private consumption, and thus the balance of payments had not been jeopardized. In many other countries, free-for-all import practices and conspicuous consumption had created balance of payments pressures. While appropriate exchange rate, pricing, and tax policies could bring about needed alignments as well as supply responses, careful planning could also help restructure an economy in appropriate directions. Unimpeded access to foreign goods, however attractive, was not necessarily good for countries at lower stages of economic development, just as the importation of luxury goods financed by workers' savings abroad was not necessarily bad.

Because the authorities did not compile national accounts data, Mr. Mtei asked whether Algerian statistics were compiled in such a way that they could be transformed easily into the Fund's customary format. Otherwise, it would be helpful to learn what action the authorities were taking to rectify the deficiency.

Mr. de Maulde considered that the 1985 Article IV consultation with Algeria was particularly timely as it came at the juncture of two Five-Year Plans, thus enabling the Executive Board to assess the past performance of the economy and to be informed of the intention of the authorities for the medium term.

In the past few years, Algeria's economy had performed well, both domestically and externally, Mr. de Maulde continued. The rate of growth of GDP, averaging more than 4 percent annually since 1980, had been exceptional by all comparative standards. The concurrent improvement of the current account, which in 1984 had returned to equilibrium after two years of deficit, was also remarkable. Algeria's oil resources had been part of the explanation for the success achieved, but the policies of the authorities had also been a major contributing factor. Public investment appeared to have been allocated in a careful manner; demand management had also been prudent; the management of the external debt had remained cautious; and the comprehensive restructuring of the public enterprise sector, still under way, was a model to be considered by many other countries.

Nonetheless, Mr. de Maulde observed, Algeria continued to face difficult challenges, including the relatively poor quality of most of its farmland and the continued struggle against desertification in parts of the country. The high rate of growth of the population and the ensuing need to provide the country's youth with food, education, and jobs was probably the most important problem for the future.

The authorities were well aware of the need to move away from their high dependency on energy exports and to emphasize diversification toward products with good export prospects, Mr. de Maulde observed. The authorities had maintained equilibrium in the current account of balance of payments partly through the limitation of imports and the development of import substitution production, but they should look for other areas of activity in which Algeria would have a comparative advantage; they should also review their current exchange rate policy.

Certain satisfactory structural measures already had been implemented or were contemplated, Mr. de Maulde observed. The authorities were to be commended for reorganizing various economic mechanisms by introducing more freedom into wage and price fixing and giving incentives to the private sector and more autonomy to public enterprises. The major thrust of the forthcoming Five-Year Plan appeared appropriate to consolidate the progress made under the previous one. The objectives of the new Plan appeared rather ambitious, but the framework of multiple annual plans would permit adaptations to changing circumstances. The shift in investments toward such sectors as agriculture, water management, and housing were welcome.

Additional information on the current status of land tenure in Algeria would be helpful, Mr. de Maulde pointed out. If it was true that the Government favored private farm holdings in the south, did that mean that private farmland ownership was not possible in other parts of the country? Might that be an explanation for the poor performance of the agricultural sector, as had been the case in many other countries?

The authorities' management of the external debt was extremely cautious, Mr. de Maulde remarked. Algeria was one of the rare countries that had reduced its indebtedness in the past few years; even if the current level still required close attention, much progress had been made.

The staff report had clearly pointed out the areas where further action appeared necessary, Mr. de Maulde concluded. By continuing to set their economic policy in the framework of a medium-term plan, the authorities were demonstrating a sense of responsibility for the future, while retaining the flexibility to take prompt and appropriate measures in response to changing circumstances, as they had in the past.

The staff representative from the African Department recalled that Algeria had been and remained a centrally planned economy. The authorities had been very pragmatic and had achieved various successes in making the economy run more efficiently. They were willing as well to give greater responsibility to the private sector and to rely to some extent on market forces, but they would undertake such initiatives only within the framework of their basic philosophy of central planning--with state control of most important economic activities--while attempting to do so as efficiently as possible.

The Algerian philosophy was pertinent to exchange rate policy, which was not given a major role, the staff representative added. The staff report had pointed out that in general the exchange rate was not an urgent, immediate issue; the Algerians had the capacity and the will to maintain domestic and external financial balance without modifying the exchange rate. However, on the structural side, it would be difficult for Algeria to diversify and expand nontraditional exports, particularly in the industrial sector, at the current exchange rate. The staff view had not been disputed by the Algerian authorities, who had said that they would take corrective action if the exchange rate became a hindrance. The staff and the authorities thus differed mainly on timing; the authorities felt that the point to take corrective action had not yet been reached, although they were considering various options in a pragmatic way. The increase in liquidity continued to be of concern to the staff, but had not concerned the authorities greatly, since they controlled imports, wage policy, and, to some extent, prices.

The staff report did contain comments on the medium-term aspects of the new Plan, the staff representative pointed out; the authorities had also given indications of their future medium-term policies, including those in the external area. Although the staff had prepared some more detailed medium-term balance of payments projections, the authorities had been extremely reluctant to discuss them or to have them included in the staff report. The authorities had indicated that the bulk of exports were petroleum related and included not only crude oil but natural gas, liquified condensate, and various refined petroleum products. The prices of all those commodities were very sensitive from the commercial point of view, and the authorities were reluctant to discuss price forecasts in the staff report.

Further efforts were needed to improve data, particularly in monetary policy, in which the creation of new banks had led to certain problems, the staff representative noted. The Algerian authorities had assured the staff that in the future they would be able to provide more frequent and timely data. They did produce national accounts data at current prices according to their own definition, based on gross domestic production, and that differed somewhat from the national accounts data prepared by the Fund. The authorities had not prepared data at constant prices; estimates in the staff report, which had been made by the staff and discussed with the Algerian authorities, were a fairly accurate reflection of actual developments.

A very ambitious undertaking of the authorities was the development of a national wage scale for all the possible posts within all the sectors of the economy, the staff representative continued. The system was supposed to begin operating in 1986, one of its objectives being to even out some of the large differentials in wages that had arisen in the country. In particular, wages in the public enterprises had become very high compared with those in other sectors of the economy, particularly in the government sector. The national wage scale would still permit flexibility because, in addition to the basic wage scale, productivity bonuses and various regional bonuses would be given to encourage development in the south. Since the system was still being established, the staff hoped to learn more, during the next consultation, about the authorities' experience with it.

The appreciation of the dinar had to a large extent resulted from the large weight of the U.S. dollar in the Algerian currency basket so that the two currencies had moved generally in the same direction, the staff representative explained. The latest available data indicated that the appreciation had come to a halt and that the rate was more or less stable. Exchange rate stability was a fundamental concern of the Algerian authorities for purposes of central planning. It was true that Algeria's exchange system had reduced fluctuations in the rate; at the same time, it had resulted in a substantial appreciation, particularly vis-à-vis the currencies of some countries in Europe, which were potential key markets for Algeria's industrial exports.

To the staff's knowledge, no major changes had taken place in land tenure, which took three forms in most of the country: self-managed enterprises, the cooperative system, and the land held by the private sector, the staff representative observed. However, the private sector holdings were generally in the poorer areas of the country; most of the good land in the coastal areas was part of the public sector. The Government was particularly interested in increasing private ownership of land in the more remote areas of the country in the south. The staff was unaware of any plans to change the existing land tenureship in the more productive areas of the country.

Mr. Salehkhou emphasized that although Algeria had a centrally planned economy, the authorities were trying to achieve a balance between planning for the medium and long terms, and viewed adjustment as a daily process. Hence, their Five-Year Plans were subject to annual evaluations so as to avoid the rigidities of economic planning. The authorities had placed emphasis on balanced growth, efficiency, flexibility, a realistic pricing system, productivity gains linked to wage increases, and use of the private sector as a complementary partner in the central planning process.

Although the Algerian authorities were well aware of the role of incentives in the development process, they remained committed to socialist principles, Mr. Salehkhou observed. Those principles governed many of the authorities' decisions, including the harmonization of the wage scale, but they would retain a flexible attitude. For example, the authorities were trying to remedy certain weaknesses by shifting emphasis in the new plan toward infrastructure. Housing had been given priority, and in that respect the mobilization of savings, government loans, and the role transferred to private subcontractors, were expected to alleviate the existing shortages. The private sector had also been very active in such sectors as textiles, food processing, construction, and tourism.

It was heartening to learn that the Algerian authorities were seen as having been very prudent and cautious in external borrowing, Mr. Salehkhou added. Amid the harsh external environment, they had been trying to reduce the burden of external debt. Given the characteristics of their economy and their system of economic management, the authorities would resort to external capital markets only in accordance with predetermined needs and within a framework of domestic and external equilibrium. Algeria's creditworthiness in the international financial markets was reflected in the good borrowing terms that it enjoyed.

Exchange rate policy was an issue that had been raised before, Mr. Salehkhou recalled. The authorities viewed the current exchange rate as appropriate. Algeria was heavily dependent on revenues from oil and hydrocarbon exports, had to meet external debt obligations, and had a relatively low inflation rate. The authorities planned to shift their emphasis toward the development of import substituting and infrastructure-type industries before they gave any further consideration to the possible gains to be made from adopting an exchange rate policy to promote exports.

The authorities had stressed that within a broad context of uncertain economic prospects, it would be unrealistic to target variables for the medium term, Mr. Salehkhou stated. They preferred to maintain their newly established pragmatism in economic and financial management, defining certain medium-term objectives within the framework of the Five-Year Plan in terms of variables but forecasting other variables on an annual basis for reasons of efficiency. While the authorities were always glad to take up any Fund-related issues with the staff, they preferred not to discuss medium-term prospects in staff reports because of the risk of serious misinterpretation, both domestically and abroad, and even of the loss of confidentiality.

The Chairman made the following summing up:

Executive Directors commended the Algerian authorities on the satisfactory economic growth achieved over the period 1980-84. At a time of declining prices for crude oil, the diversification of exports toward natural gas and condensate, together with tight controls over imports, had enabled the current account of the balance of payments to remain in virtual equilibrium since 1980. Algeria was one of the relatively few countries that had managed to reduce its external foreign indebtedness over the past few years, and Directors commended the authorities on their prudent debt management. They considered that the good performance of the economy was also due to the pursuit of prudent financial policies in recent years, which had avoided the buildup of price pressures.

Concerning the outcome of the first Five-Year Plan (1980-84), Directors observed that considerable progress had been made in reorienting investment toward infrastructure and housing, sectors that had previously received less attention. They welcomed the decentralization of public enterprises into more manageable units, which had resulted in improvements in efficiency and productivity. However, they considered that further progress should be made in ameliorating the financial situation of state enterprises, by further increasing prices to cover costs and by improving efficiency.

Directors welcomed the increased flexibility being introduced in development planning, and the emphasis being given to the development of agriculture and other nonhydrocarbon activities. Support was expressed for the increasing role being given to the private sector, which was seen as a necessary adjunct for the smooth functioning of the economy. A greater competitive environment would be instrumental in promoting a more flexible wage and pricing system, which Directors observed was also another of the new Plan's aims.

Despite the reduction of the hydrocarbon revenue base and additional government expenditure associated with public enterprise restructuring, Directors were pleased to observe the improvement in the Government's budgetary situation, with the overall deficit expected to decline from 9 percent of GDP in 1983 to about 2 percent in 1985. They noted that tight control had been exercised over spending on wages and salaries and on capital outlays, that the nonhydrocarbon tax base had been broadened, and that tax administration had improved. Directors recognized the importance of maintaining such a fiscal policy stance in coming years, given the uncertainty on the prospects for hydrocarbon-based receipts, which still provided over 40 percent of government revenues. Credit to the Government, although decelerating from that recorded in 1982-83, was still rising rapidly in 1984, Directors observed. Directors also welcomed the proposed reforms within the financial sector: in particular, the intentions of the Algerian authorities to raise interest rates gradually, to promote more attractive savings investments, and to increase the role of the banking system in the financing of the economy. In this context, it was hoped that banking statistics would be improved and prepared on a more timely basis.

Concerning the exchange rate, Directors noted the large nominal and real effective appreciation of the dinar that had taken place since 1980. Some Directors considered that present exchange rate policy was not fully consistent with the new Plan objectives of establishing a more transparent price system and promoting the growth of manufactured and agricultural exports, necessary to lessen dependence on oil and gas exports. They concurred with the staff's view, which advocated a more realistic exchange rate policy. Other Directors, however, indicated that they were in sympathy with the Algerian authorities' view that at the current stage the exchange rate played little role as an instrument of economic policy, and they noted the intention of the authorities to keep the appropriateness of the exchange rate under review in a pragmatic manner.

It is expected that the next Article IV consultation with Algeria will be held on the standard 12-month cycle.

The Executive Board then took the following decision:

1. The Fund takes this decision relating to Algeria's exchange measures subject to Article VIII, Sections 2 and 3, in concluding the 1985 Article XIV consultation with Algeria and in the light of the 1985 Article IV consultation with Algeria conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. The Fund urges Algeria to ease further the restrictions on payments and transfers with respect to current international transactions which are still in effect, and to adopt policies which would enable it to eliminate the multiple currency practice resulting from the premium on workers' remittances from abroad, as described in SM/85/185.

Decision No. 8070-(85/134), adopted
September 9, 1985

APPROVED: May 15, 1986

LEO VAN HOUTVEN
Secretary