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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 85/178

10:00 a.m., December 11, 1985

J. de Larosière, Chairman
R. D. Erb, Deputy Managing Director

Executive Directors	Alternate Executive Directors
	L. K. Doe, Temporary
	M. K. Bush
	D. C. Templeman, Temporary
	L. Hubloue, Temporary
B. de Maulde	S. de Forges
	T. Alhaimus
H. Fujino	M. Sugita
G. Grosche	
J. E. Ismael	Jaafar A.
A. Kafka	J. R. N. Almeida, Temporary
	M. Foot
	H. Fugmann
	L. Leonard
E. I. M. Mtei	
F. L. Nebbia	
Y. A. Nimatallah	
P. Pérez	G. Ortiz
J. J. Polak	A. Steinberg, Temporary
	A. V. Romuáldez
G. Salehkhou	
	A. S. Jayawardena
S. Zecchini	N. Coumbis
Huang F.	Jiang H.

L. Van Houtven, Secretary
R. S. Franklin, Assistant

Also Present

IBRD: N. Carter, Latin America and Caribbean Regional Office. Staff Association Committee: C. A. Sisson, Chairman; J. Berengaut, I. S. Fayad, J. M. Landell-Mills, J. R. McKee, M. Stuart. Administration Department: G. F. Rea, Director; H. J. O. Struckmeyer, Deputy Director; D. A. Anderson, T. Cole, D. S. Cutler, A. D. Goltz. Central Banking Department: L. E. Molho. European Department: P. C. Leme. Exchange and Trade Relations Department: M. Guitián, Deputy Director. Legal Department: G. P. Nicoletopoulos, Director; F. P. Gianviti, Director Designate; S. A. Silard. Western Hemisphere Department: E. Wiesner, Director; S. T. Beza, Associate Director; J. M. F. Braz, J. C. Di Tata, J. Ferrán, D. N. Lachman, R. Ramaciotti, C. L. Ramierez-Rojas, A. G. Santos, B. Stuart. Personal Assistant to the Managing Director: R. M. G. Brown. Advisors to Executive Directors: M. B. Chatah, L. P. Ebrill, S. Ganjarerndee, J. Hospedales, H.-S. Lee, G. W. K. Pickering, I. Puro, E. M. Taha, A. Vasudevan, M. A. Weitz, K. Yao. Assistants to Executive Directors: H. Alaoui-Abdallaoui, J. R. N. Almeida, I. Angeloni, A. Bertuch-Samuels, J. de la Herrán, S. Geadah, V. Govindarajan, N. Haque, G. D. Hogdson, A. R. Ismael, S. King, H. Kobayashi, R. Msadek, K. Murakami, A. Mustafa, W. K. Parmena, J. E. Rodríguez, M. Sarenac, L. Tornetta, A. J. Tregilgas, E. L. Walker.

1. PARAGUAY - 1985 ARTICLE IV CONSULTATION

The Executive Directors considered the staff report for the 1985 Article IV consultation with Paraguay (SM/85/301, 11/8/85). They also had before them a report on recent economic developments in Paraguay (SM/85/302, 11/14/85).

Mr. Nebbia made the following statement:

My Paraguayan authorities are in general agreement with most of the analysis contained in the staff report, but there are some differences of opinion between the staff and the authorities, particularly in relation to the exchange rate situation.

Paraguay's economic performance in the second half of the 1970s was impressive. An average real growth rate of about 10 percent was observed then, with international reserves steadily increasing, low rates of inflation, a moderate level and a favorable structure of the public sector external debt, high levels of employment, and a reasonable balance on public sector operations.

After a decline of GDP in 1982 and 1983, economic activity increased by 3 percent last year, and it is expected to increase by 4 percent this year. The balance of payments deteriorated, and inflationary pressures accelerated from their previous relatively low levels. To a large extent, this was the result of adverse external developments, including the winding down of construction at Itaipú, delays in the development of the Yacyretâ project, and the financial difficulties of Paraguay's neighbors. However, the authorities recognize that certain domestic imbalances also have had a part in the overall economic deterioration.

There are now four basic exchange rates instead of the seven different ones prevailing since mid-1982. Effective February 18, 1985, there has been a 33 percent depreciation of the exchange rate applied to exports. While further action in this area has not been ruled out, the authorities fear that at this time additional devaluations might bring higher inflationary pressures and would increase in a very drastic way the fiscal deficit. Also, it should be emphasized that in the last months there has been an important reduction in the free market rate to about ₲ 650 per U.S. dollar.

In relation to fiscal policies, the authorities have implemented tighter control over current expenditures and cutbacks in capital expenditures, which have meant an important decline in the central administration deficit. Public sector expenditures have declined from 20.3 percent of GDP in 1983 to 16.9 percent of GDP in 1985. Also, the central government overall deficit has been reduced from 4.7 percent of GDP in 1983 to 1.0 percent of

GDP in 1985. Therefore, the authorities are pursuing prudent fiscal policies, and they plan to continue with this policy of fiscal discipline. Wage policy has been very restrictive in the last years and it has helped to maintain public finances under control.

The authorities estimate that the overall public sector deficit in 1985 was below 3 percent of GDP. On this basis they do not believe that the recent weakness in Paraguay's external accounts can be traced in any way to the performance in the public sector finances.

The Paraguayan authorities recognize that an important effort should be required to improve Paraguay's external accounts, especially considering the reduction since 1981 in annual foreign exchange inflows from Itaipú and Yacyretá. They are, however, expecting a renewal of construction activity at Yacyretá over the next few months. Moreover, regarding Itaipú, the authorities believe that by the end of this decade about $180 million a year might be received from electricity royalties.

Regarding monetary policy, the authorities note that the rapid expansion in the Central Bank's net domestic assets in the last two years reflected mainly the Central Bank's rediscount operations and its growing losses on foreign exchange operations associated with the multiple exchange rate system. The authorities had suspended all rediscount operations at preferential rates from April 1985 with the objective of slowing down the rate of credit expansion. Even though interest rates are negative in real terms, effective charges are either neutral or positive--when we consider commissions and fees that should be paid to have access to the financial system.

Paraguay has enjoyed price stability for a long time. The authorities are concerned about the possibility of an increase in inflation, although they do not foresee any pickup in inflation from the levels recorded last year. They are aware that restrictive domestic policies are crucial to correct internal and external imbalances.

This price stability has contributed in an important way to the impressive economic record that Paraguay has achieved in the last years.

Mr. Pérez remarked that the current situation in Paraguay reflected the difficulty the authorities had had in dealing with a sharp deterioration in the economy that had begun in 1981. It also reflected Paraguay's strong dependence on economic developments in neighboring countries. In that regard, the rate of growth recorded in 1984 and the trend for 1985 should be seen as positive signs, although developments in the external and public sector and on the inflation front were matters for concern.

The efforts of the authorities to improve performance in the public sector had already borne fruit in better control of the Central Government accounts, Mr. Perez continued. However, the new system had shifted the burden more toward the Central Bank, which was currently experiencing significant losses. He urged the authorities to continue a prudent fiscal policy in order to extend the nearly balanced accounts of the Central Government to the rest of the public sector. Special mention should be made of the evolution of investment projects like Itaipú, Yacyretá and others in the industrial sector relating to steel and cement. He reiterated the call for caution on investment that his chair had put forward on the occasion of the 1984 Article IV consultation with Paraguay (EBM/85/5, 1/11/85). The failure or success of investment projects depended to a great extent on economic developments abroad and, more specifically, on external demand. Projects should thus be carefully assessed in accordance with the size of the potential market. In addition, an appropriate policy of prices and tariffs in public enterprises should match the effort to reduce losses in the public sector.

The coexistence of four basic exchange rates in Paraguay was a controversial matter, Mr. Pérez considered. As Mr. Nebbia had noted, however, the current situation had been preceded by one in which seven different basic exchange rates had been in existence. There was little disagreement about the need to take further action to achieve a more coherent exchange rate system; the problem was only one of timing. On the one hand, he could understand the authorities' resistance to dismantling too quickly a deep-rooted system like that in Paraguay. Too rapid a change could bring with it pervasive upward pressure--which were already too high--and distortions in the markets. On the other hand, he agreed with the staff that the abolition of a quadruple exchange rate system was a necessary precondition, together with more stringent fiscal and monetary policies, for easing the economic difficulties prevailing in Paraguay. On balance, he would only indicate his expectation that the Paraguayan authorities would do their best to lay the foundation for a transition to a more acceptable exchange rate system.

The latest available data suggested that the trend was toward more restrictive monetary policy in Paraguay, and he hoped that trend would be reinforced, Mr. Pérez commented. Also, he encouraged the authorities to give priority to dealing with the negative economic consequences arising from the current practice of maintaining negative real interest rates. In conclusion, the intended adjustment measures should be implemented promptly, especially since the current positive growth rate might prove short lived as the situation with respect to inflation, the balance of payments and the public sector deteriorated.

Mr. Almeida observed that the Paraguayan authorities had demonstrated both strength and courage in implementing various adjustment measures. Real unit labor costs as measured by the behavior of minimum wages in the private sector had been restrained. The ratio of imports of goods and nonfactor services to GDP had declined by nearly half in the past three years, and the average real effective exchange rate--as shown by the most recent information notice to the Executive Board--had depreciated by 27 percent from March to August 1985 and currently seemed to be appropriate. Nonetheless, there remained important problems that needed to be tackled, particularly with respect to Paraguay's complex exchange system and its system of taxation.

He agreed with the authorities that the exchange rate system should be simplified and that Paraguay should gradually move toward unification, while at the same time preventing undue inflationary consequences, Mr. Almeida continued. Certainly there were ways other than through exchange rate changes to improve competitiveness, and he wondered whether the authorities were considering other actions to avoid financial imbalances. It was his impression that expenditures had already been curtailed too sharply in recent years, although there seemed to be room for maneuver on the revenue side through a broadening of the tax base and an increase in tax rates.

He had taken note of an apparent disagreement between the authorities and staff with respect to the changes that had occurred in the overall deficit of the nonfinancial public sector, Mr. Almeida commented. The staff was picturing a small deterioration in the deficit, while the authorities were suggesting that significant improvements had occurred in 1984/85. The difference was accounted for by an exchange adjustment that had been introduced by the staff in 1985 for the first time and that was retroactive to 1982. He questioned why such an adjustment, if it was considered important, had been made only in the latest consultation, and he wondered whether the weighted average exchange rate used by the staff was the right one. It might have been better if the staff had used a "shadow" exchange rate derived from base years in which the rate had been considered appropriate. For the staff to have passed judgment on such important matters as the deficit of the public sector on the basis of a new and perhaps weak technique seemed a bold move. In his view, more research on the matter should have been conducted.

He found interesting and useful the technique used in the medium-term balance of payments estimates under which was derived the volume of growth for exports and imports required to stabilize the country's debt service, Mr. Almeida said. The technique was far more useful than the usual approach of seeing what happened with respect to the balance of payments assuming a certain rate of growth in trade. He was happy to note that the balance of payments situation in Paraguay would be sustainable; it should not be difficult for a country with obvious potential to expand exports at 7 percent and allow imports to grow at 2-3 percent a year. Finally, the poor quality of data in the staff report made it clear that the Fund should step up its technical assistance to Paraguay, particularly in the area of foreign trade data.

Mr. Steinberg observed that following a period of economic prosperity in the late 1970s, the Paraguayan economy had drifted in the past four years, with a slackening in economic activity, accelerating inflation, deteriorating external accounts, and rising unemployment. Nonetheless, the imbalances in Paraguay were not yet deeply rooted and their reversal might not require a lengthy and costly adjustment process as needed in some other countries, provided of course that appropriate measures were soon taken. In that regard, there appeared to be some consensus between the authorities and the Fund staff on the measures needed.

The structure of the Paraguayan economy was blurred by the complex exchange system that distorted economic aggregates and sectoral classifications, Mr. Steinberg continued. Indeed, that system might itself be the crux of the country's economic problems. The wide gap between, and large variety of, exchange rates had not been ignored by market participants, and the result had been inefficiencies in resource allocation, rising balance of payments and public sector deficits, and widespread illegal activities. The staff had indicated that the authorities were aware of the damage caused by the complex exchange rate system and that they intended to simplify it, although their preference was to wait "until external conditions permit." Were the authorities expecting an upturn in international prices for soybeans and cotton or a reactivation of the Yacyretá project? Such developments could relieve the balance of payments situation but were beyond the control of the authorities; in the meantime, the economic deterioration might continue, distortions could become further consolidated, and the external debt burden might reach dangerous levels. Fortunately, the authorities did not have to wait but could manage their own destiny by following the staff's recommendations to unify the exchange rates at a realistic level and make prompt adjustments in utility tariffs. Those steps would bring about a price increase owing to the rise in petroleum prices and could also contribute to monetary expansion, as mentioned in Mr. Nebbia's statement. Nevertheless, both effects could be mitigated through the implementation of appropriate fiscal and monetary policies. The public financial position would also greatly benefit from such a move, which could increase government revenues as more trade was generated through ordinary legal channels.

As much as it was important to reduce the budget deficit in Paraguay, he found it difficult to understand why the staff was urging the authorities to further reduce budget expenditures, Mr. Steinberg remarked. At 8 percent of GDP--or even at the corrected level of 11 percent--government expenditures were already very low by world standards and in fact raised some doubts about whether the Government was fulfilling the basic functions expected of it. Indeed, in one passage in its report, the staff had indicated that there was room for increasing expenditures on health, education, and investment. Hence, it seemed that there was much greater scope for dealing with the deficit through revenue increases than expenditure cuts. As mentioned earlier, revenues could be increased by simplifying the exchange and trade system and by increasing tax collections.

The deficit of the public enterprises was much larger than that of the Central Government, due to some dubious investments and tariffs that were out of line, Mr. Steinberg went on. While tariff adjustments would eliminate part of the problem, it was not clear what should or could be done with the almost completed cement and steel projects, which might not be profitable. Had the World Bank been involved in evaluating those projects?

A tight monetary policy was essential to support the reform in the exchange system and to prevent the already high rate of inflation from accelerating, Mr. Steinberg said. Certainly, that could not be achieved with central bank credit expanding at current rates and with real interest rates at their present highly negative levels. In conclusion, the choice before the authorities was either to allow events to take their natural course and hope for the best or to formulate an economic program to deal with the country's problems. Such a program might even be provided with financial support from the Fund if the authorities so wished. In any event, it was important to take concrete action soon if those actions were to have a positive effect.

Mr. Templeman remarked that during the 1984 consultation with Paraguay, his chair had expressed some concern about the country's economic performance and about the inadequacy of economic policies in a number of areas. Since then, the concern of his chair had increased. Although moderate economic growth was still expected for 1985, there had been some decline in the investment ratio and a considerable drop in the national savings rate. The rate of inflation continued to be in the range of 25-30 percent for the second straight year; but current account deficit of the balance of payments, excluding the binational corporations remained at 9 percent of GDP; the ratio of foreign debt to GDP and the debt service ratio had continued to rise, as had the accumulation of commercial arrears; and international reserves were falling, with much of Paraguay's trade currently taking place on a cash basis because of declining creditworthiness.

Although those unfavorable developments could be explained to some extent by external factors, they had also been due to a variety of policy deficiencies, Mr. Templeman continued. In the external sector, a complex array of exchange rates and apparent overvaluation of the currency were having serious adverse effects on the balance of payments position, credit expansion, and the public sector deficit. It was startling that nearly one half of Paraguay's foreign trade was taking place outside legal channels. The existence of trade and exchange restrictions had not resolved the balance of payments problems, and those restrictions continued to distort economic incentives. In the monetary area, an overexpansive credit policy had contributed to inflationary pressures and the weak balance of payments position. Negative interest rates and subsidized credit had also inhibited savings and rational investment decisions. In the fiscal area, an inadequate tax system and tax administration had contributed to the public sector deficit, including quasi-fiscal foreign exchange losses of the Central Bank, which were expected to reach nearly 8 percent of GDP in 1985. Moreover, delays in tariff adjustments by the public enterprises and inadequate control over their investment and foreign borrowing decisions had contributed to the deficit problem.

It was only fair to acknowledge that some positive policy actions had been taken since the previous consultation discussion, Mr. Templeman commented. Examples of those actions included some attempts at wage restraint--especially in the public sector--the new tariff law, the April 1985 suspension of automatic discounting by the Central Bank of special credit operations, the shift of some foreign transactions to the free market, the removal of export taxes, and the simplification of import charges and fees. Still, those measures did not constitute a comprehensive or integrated strategy for dealing with Paraguay's major problems.

Although some exogenous and one-time factors had had an adverse impact on the balance of payments--including the near completion of the Itaipú project, the weakness of demand in Paraguay's major neighboring export markets, and the decline in cotton and soybean prices--the inadequacy of exchange rate policy and domestic demand policies had been major influences on the balance of payments situation, Mr. Templeman said. Current account deficits had in turn contributed to a sharp rise in the ratio of total debt to GDP (from 36 percent in 1981 to 51 percent in 1985) and in the total debt service ratio (from 23 percent to 42 percent). The rise in the debt service ratio of the public sector had been especially rapid. Furthermore, the staff's medium-term base-line scenario, which was aimed at stabilization of the debt and the debt service ratios through the end of the decade, allowed for economic growth of only about 2 percent a year. Less optimistic assumptions about the rate of increase in export and import volumes would lead to a debt/GDP ratio and a debt service ratio of 57 percent and 36 percent, respectively. While those numbers were not as high as some in Latin America, they remained cause for concern.

He strongly supported the staff's urging that the authorities move promptly toward unification of the exchange rates at a realistic level, especially for exports, Mr. Templeman commented. For such action to be effective, supporting fiscal and monetary measures would of course have to be in place. A more realistic exchange rate would help to improve the fiscal and monetary situation through the elimination of large foreign exchange losses by the Central Bank. Also, the fiscal accounts would be more transparent as a result of the use of a realistic foreign exchange conversion rate for government expenditures. Action on the exchange rate should make it possible for Paraguay to begin to dismantle its complex trade and foreign exchange controls; in the meantime, the Fund should not grant approval of those practices.

Elimination of the quasi-fiscal exchange rate losses of the Central Bank would help to bring monetary aggregates under better control, and reductions in the nonfinancial public sector deficit would contribute further to that effort, Mr. Templeman noted. The phasing out of subsidized credits by the commercial banks and the elimination of the 11-14 percent ceilings on deposit interest rates--or at least a substantial increase in those rates in the face of the 25-30 percent rate of inflation--should have a favorable effect on both the inflation problem and on the declining national savings rate.

On the fiscal side, Mr. Templeman indicated that he could support the staff's suggestion that the deficits of the public enterprises, which accounted for nearly 30 percent of the nonfinancial public sector deficit in 1985, should be reduced by ending the delays in the adjustment of their tariffs. He also agreed that the Government should monitor more closely the investment and foreign borrowing decisions of the public sector enterprises. Revenues could be further improved through reform of the tax system. In that connection, particular attention should be given to ways of collecting taxes on international trade--principally by providing an incentive for trade to return to legal channels--the low effective tax rate on real estate, the multiplicity of tax exemptions, the inelasticity of the tax system, tax evasion, and the possibility of introducing a personal income tax. He wondered why the study of a possible personal income tax, currently being conducted with the help of the IDB, was still not complete after three years.

In conclusion, Mr. Templeman noted that while Paraguay's current problems were not long-standing ones and might well be susceptible to fairly rapid correction, he was greatly concerned that valuable time had been lost since the previous consultation. The staff had rightly pointed out that the window of opportunity for taking corrective action was progressively closing.

Mr. Foot stated that while he did not wish to underestimate the achievements of the Paraguayan authorities over time, he agreed with those who had sounded notes of caution about the current situation. Mr. Nebbia had placed the overall public sector deficit at below 3 percent of GDP in 1985, while the staff had set the figure at 8 percent, including central bank losses. Whichever figure was accepted, it was clear that there would be strong pressure for the deficit to rise in 1986, with the budget forecast seeming to depend heavily on sizable falls in real public sector wages.

Monetary policy in Paraguay was clearly expansionary, Mr. Foot continued, and interest rates in real terms were significantly negative, even on the basis of the official rate of inflation; and the point could be made even more forcefully on the basis of unofficial estimates for inflation. Mr. Nebbia had rightly pointed out that overall costs must be taken into account, including commissions and fees; however, while doing so might produce a more encouraging position in respect of borrowing, it presumably would lead to significant distortions and the discouragement of savings.

The Paraguayan authorities and the Fund staff were properly concerned about the external position, Mr. Foot observed. In passing, he had been interested to note from page 4 of the staff paper that work at the Yacyretá hydroelectric project had been indefinitely delayed, while Mr. Nebbia had indicated that the Paraguayan authorities expected a renewal of construction at the project over the next few months. Some clarification of the situation would be helpful. Finally, he urged the Paraguayan authorities to pay more attention to maintaining the quality and timeliness of statistical data. The situation as described on page 23 of the staff paper with respect to statistics currently provided to International Financial Statistics (IFS) was clearly unsatisfactory.

the same time, they recognized the importance of moving toward a more rational exchange system, with the objective of improving external competitiveness. The authorities were also becoming increasingly concerned about foreign exchange operations associated with the multiple exchange rate system. They were studying the evolution of the exchange rate carefully and had indicated their willingness to take appropriate action as warranted.

The authorities had pursued fiscal policy in a responsible manner during the past two years, Mr. Nebbia observed. In particular, public sector expenditures had been reduced and a tight wage policy had been followed. Still, he agreed with those Directors who had stressed the need for improvement in the tax system, where there seemed to be scope for reform. Finally, the authorities believed that the implementation of restrictive demand policies would be necessary if Paraguay was to avoid a deterioration in the external and internal accounts.

The Chairman made the following summing up:

> Executive Directors, in general agreement with the views expressed in the staff appraisal of the report for the 1985 Article IV consultation with Paraguay, expressed concern about the deterioration in Paraguay's economic and financial performance and the acceleration of inflation in recent years. While recognizing the adverse impact on the external accounts of the phasing down of the Itaipú hydroelectric project, Directors observed that Paraguay's economic performance also had been affected by inadequate demand management policy and by the maintenance of a complex and unrealistic multiple exchange rate system.
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> Directors emphasized that a major strengthening in the external accounts was required in order to put the economy back on a path of sustained growth. They were of the view that such a strengthening could best be achieved through a coordinated policy package, including the unification of the exchange rate at a realistic level. They stressed, however, that exchange rate action needed to be accompanied by appropriate monetary and fiscal measures and that the authorities must exercise caution in contracting additional foreign debt.
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> Directors noted the efforts made over the past two years to strengthen the public finances. However, they observed that the overall public sector deficit, including the losses of the Central Bank, remained a cause for concern, and they concluded that a further reduction in the deficit was required. To that end, Directors encouraged the Paraguayan authorities to continue in their efforts to restrain expenditure; at the same time, recognizing the limited room for additional cuts in expenditure, they considered that there was scope for raising the tax burden and for introducing other measures aimed at increasing tax

collections. They also suggested the need for a prompt revision in public enterprise prices and for a more careful evaluation of these enterprises' investment projects.

Directors expressed concern about the recent rapid rate of growth in the monetary and credit aggregates, which they felt was inconsistent with the authorities' balance of payments and inflation objectives. In that regard, Directors stressed the need for measures aimed at reducing the public sector borrowing requirement and at eliminating the large foreign exchange losses currently being borne by the Central Bank. They also pointed to the need for a significant increase in domestic interest rates--currently negative in real terms--and for a phasing out of subsidized credit, in view of the paramount need to raise domestic savings and the quality of investment.

The undesirability of the trade restrictions and exchange controls that have come to characterize the Paraguayan exchange and trade system was emphasized, and the authorities were urged to take the policy measures required to lay the basis for the progressive phasing out of those restrictive practices. Directors also urged Paraguay to improve the quality of its economic and financial statistics, which are an indispensable tool in policy formulation.

In sum, Directors considered that time was running out and that the authorities should act in a comprehensive and determined way to adjust while Paraguay still enjoyed room for maneuver; in the absence of such action, the authorities risked a continued further aggravation of financial and economic imbalances.

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

The Executive Board then took the following decision:

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

2. The restrictions on the making of payments and transfers for current international transactions and the multiple currency practices maintained by Paraguay are subject to Article VIII. The Fund notes the complexity of Paraguay's exchange system and

urges the authorities to simplify it by unification of the exchange rate and by the removal of restrictions on payments and transfers for current international transactions.

Decision No. 8148-(85/178), adopted
December 11, 1985

2. JOB GRADING EXERCISE - GRADE AND INTERIM SALARY STRUCTURES

The Executive Directors, meeting in restricted session, considered a staff paper and recommendations on job grading in the Fund (EBAP/85/284, 11/21/85). They also had before them a paper on the same subject prepared by the Staff Association Committee (EBAP/85/299, 12/6/85).

The Executive Board agreed to continue its discussion in the afternoon.

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/85/177 (12/9/85) and EBM/85/178 (12/11/85).

3. APPROVAL OF MINUTES

The minutes of Executive Board Meeting 85/34 are approved. (EBD/85/302, 12/3/85)

Adopted December 9, 1985

4. EXECUTIVE BOARD TRAVEL

Travel by Executive Directors as set forth in EBAP/85/296 (12/6/85) and EBAP/85/302 (12/9/85) and by an Advisor to Executive Director as set forth in EBAP/85/296 (12/6/85) is approved.

APPROVED: July 21, 1986

JOSEPH W. LANG, JR.
Acting Secretary