

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

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EBD/85/166

July 5, 1985

To: Members of the Executive Board
From: The Acting Secretary
Subject: Tonga - Report of the Committee on Membership

Attached is the report by the Chairman of the Committee on Membership for Kiribati and Tonga, recommending the approval of a draft membership Resolution for Tonga for submission to the Board of Governors for a vote by mail.

This matter is being placed on the agenda of an Executive Board meeting to be held on July 12, 1985.

Att: (1)

Other Distribution:
Department Heads

July 5, 1985

To: The Chairman of the Executive Board

From: L. Leonard, Acting Chairman, Committee on Membership -
Kiribati and Tonga

Subject: Tonga - Report on Membership

At Meeting 85/50 (3/29/85), the Executive Board decided to proceed with the formal investigation of the application by the Government of the Kingdom of Tonga for membership in the Fund, and appointed this Committee to study the application and prepare a draft report to the Board of Governors.

After considering the size and characteristics of the economy of Tonga in relation to those of existing members, the Committee concluded that a quota of SDR 3.25 million would be appropriate for Tonga.

The Committee considers that, in order to permit sufficient time for the completion of certain technical arrangements, Tonga should be permitted to pay its subscription within six months from the effective date of its membership.

The Committee further recommends that Tonga should make a payment in SDRs or in currencies acceptable to the Fund equivalent to 22.7 percent of its quota. Such a payment would be in accordance with Article II, Section 2 of the Articles, and the guidelines adopted by the Executive Board in September 1979 for the payment of reserve assets in connection with the initial quota payment.

The authorities of Tonga have indicated that the proposed terms and conditions for the membership of Tonga are acceptable to them.

Executive Board Decision No. 1720-(64/32), adopted June 12, 1964, provides that as a matter of general procedure, and provided circumstances of an exceptional nature do not dictate otherwise, matters which require action by the Board of Governors and which arise in a period closely preceding an annual meeting shall be placed on its Agenda rather than being handled by mail or cable vote, unless all steps preliminary to referral to the Board of Governors have been completed at least three months in advance of the meeting. In view of Tonga's wish to become a member before the Annual Meeting to be held in Seoul and the requirement that the Articles be signed in Washington, as well as the practice of granting waivers of the three-month rule in the past, it is recommended that action should not be postponed to the Annual Meeting but that the Board of Governors should be asked to vote without meeting in accordance with Section 13 of the By-Laws.

Accordingly, it is recommended that the attached draft decision be adopted by the Executive Board and that the communication and the draft Resolution appended thereto be sent to the Board of Governors for a vote without meeting.

During the meeting, the Committee members focused briefly on the structure of the quotas of small countries generally. They felt that there were some inconsistencies in that structure, particularly in relation to calculated quota shares, and asked that the staff reexamine in due course the position of small quotas in the Fund.

DRAFT DECISION

MEMBERSHIP FOR TONGA

1. The Board of Governors is requested to vote without meeting pursuant to Section 13 of the By-Laws of the Fund upon the attached draft Resolution.
2. The Secretary is directed to send the attached report and draft Resolution on Membership for the Kingdom of Tonga to each member of the Fund by rapid means of communication on or before _____, 1985.
3. To be valid, votes must be cast by Governors or Alternate Governors and must be received at the seat of the Fund before 6:00 p.m. _____, 1985. Votes received after that time will not be counted.
4. The effective date of the Resolution of the Board of Governors shall be the last day allowed for voting.
5. All votes cast pursuant to this decision shall be held in the custody of the Secretary until counted, and all proceedings with respect thereto shall be confidential until the Executive Board determines the result of the vote.
6. The Secretary is authorized to take such further action as he shall deem appropriate in order to carry out the purpose of this decision.

REPORT BY THE EXECUTIVE BOARD

MEMBERSHIP FOR TONGA

The Government of the Kingdom of Tonga applied on January 16, 1985 for admission to membership in the International Monetary Fund in accordance with Section 2 of Article II of the Articles of Agreement of the Fund; and, pursuant to Section 21 of the By-Laws, the Executive Board has consulted with the representative of that Government and has agreed upon the terms and conditions which, in the opinion of the Executive Board, the Board of Governors may wish to prescribe for admitting Tonga to membership in the Fund.

The Executive Board has therefore approved the attached Resolution for submission to the Board of Governors for a vote without meeting pursuant to Section 13 of the By-Laws.

INTERNATIONAL MONETARY FUND

DRAFT RESOLUTION

MEMBERSHIP FOR TONGA

WHEREAS, the Kingdom of Tonga on January 16, 1985 requested admission to membership in the International Monetary Fund in accordance with Section 2 of Article II of the Articles of Agreement of the Fund;

WHEREAS, pursuant to Section 21 of the By-Laws of the Fund, the Executive Board has consulted with the representative of Tonga and has agreed upon the terms and conditions which, in the opinion of the Executive Board, the Board of Governors may wish to prescribe for admitting Tonga to membership in the Fund;

NOW, THEREFORE, the Board of Governors, having considered the recommendations of the Executive Board, hereby resolves that the terms and conditions upon which Tonga shall be admitted to membership in the Fund shall be as follows:

1. Definitions: As used in this Resolution:
 - (a) The term "Fund" means the International Monetary Fund;
 - (b) The term "Articles" means the Articles of Agreement of the International Monetary Fund, as amended;
 - (c) The term "SDR" means the special drawing right.
2. Quota: The quota of Tonga shall be SDR 3.25 million.
3. Payment of Subscription: The subscription of Tonga shall be equal to its quota. Tonga shall pay 22.7 percent of its

subscription in SDRs or in the currencies of other members selected by the Managing Director from those currencies that the Fund would receive in accordance with the operational budget in effect at the time of payment. The balance of the subscription shall be paid in the currency of Tonga.

4. Timing of Payment of Subscription: Tonga shall pay its subscription within six months after accepting membership in the Fund.
5. Exchange Transactions with the Fund and Remuneration: Tonga may not engage in transactions under Article V, Section 3, or receive remuneration under Article V, Section 9, until its subscription has been paid in full.
6. Exchange Arrangements: Within 30 days after accepting membership in the Fund, Tonga shall notify the Fund of the exchange arrangements it intends to apply in fulfillment of its obligations under Article IV, Section 1 of the Articles.
7. Representation and Information: Before accepting membership in the Fund, Tonga shall represent to the Fund that it has taken all action necessary to sign and deposit the Instrument of Acceptance and sign the Articles as contemplated by paragraph 8(a) and 8(b) of this Resolution, and Tonga shall furnish to the Fund such information in respect of such action as the Fund may request.

8. Effective Date of Membership: After the Fund shall have informed the Government of the United States of America that Tonga has complied with the conditions set forth in paragraph 7 of this Resolution, Tonga shall become a member of the Fund on the date when Tonga shall have complied with the following requirements:
- (a) Tonga shall deposit with the Government of the United States of America an instrument stating that it accepts in accordance with its law the Articles and all the terms and conditions prescribed in this Resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this Resolution; and
 - (b) Tonga shall sign the original copy of the Articles held in the Archives of the Government of the United States of America.
9. Period for Acceptance of Membership: Tonga may accept membership in the Fund pursuant to this Resolution not later than six months after the effective date of this Resolution, which date shall be the date of its adoption by the Board of *Governors*; provided, however, that, if the circumstances of Tonga are deemed by the Executive Board to warrant an extension of the period during which Tonga may accept membership pursuant to this Resolution, the Executive Board may extend such period until such later date as it may determine.