

January 11, 2022
Approval: 1/19/22

INTERNATIONAL MONETARY FUND
Minutes of Executive Board Meeting 20/2-1
10:00 a.m., January 9, 2020

1. Andorra—Other Business

Staff: Schaechter, EUR; Blair, LEG

Length: 14 minutes

APPROVAL: January 19, 2022

CEDA OGADA
Secretary

Executive Board Attendance

K. Georgieva, Chairman

Executive Directors Alternate Executive Directors

I. Mannathoko (AE)

M. Sidi Bouna (AF), Temporary

J. Corvalan (AG), Temporary

N. Ray (AP)

P. Fachada (BR)

P. Sun (CC)

P. Moreno (CE)

L. Levonian (CO)

R. Kaya (EC)

P. Rozan (FF)

K. Merk (GR)

Y. Indraratna (IN)

D. Fanizza (IT)

T. Tanaka (JA)

M. El Qorchi (MD)

S. Geadah (MI)

A. De Lannoy (NE)

T. Ostros (NO)

L. Palei (RU)

M. Mouminah (SA)

A. Mahasandana (ST)

P. Inderbinen (SZ)

S. Riach (UK)

M. Rosen (US)

J. Lin, Secretary

K. Hviding, Summing Up Officer

S. Maxwell, Board Operations Officer

L. Nagy-Baker, Verbatim Reporting Officer

Also Present

Communications Department: W. Amr. European Department: A. Schaechter. Finance Department: H. Hatanpaeae, T. Krueger, J. Mburu, R. Saperstein. Legal Department: C. Blair, K. Puh, N. Stetsenko, A. Yiadom.

1. ANDORRA—OTHER BUSINESS

The Chairman made the following statement:

This Board session is on a very important topic: an application from Andorra's Ministry of Finance for the principality to join the IMF. We have received the application letter, and we will follow the rules that have been established for membership. It is important that the Board is fully briefed on where we are and what will follow.

The Board is not expected to take any decision today. However, both the Fund and Andorra will issue a press release announcing that Andorra has applied for IMF membership. Therefore, it is important that the Board is briefed on that application today.

As customary, when a country is an applicant, it will ask an Executive Director to serve as the country's channel of communication during the membership process. Andorra has not yet decided whom to approach.

Key steps of the IMF process are as follows: First, in consultation with the authorities, we will send a fact-finding mission. It would be comprised of the four departments that are relevant for this process: the European Department, the Finance Department, the Legal Department, and the Secretary's Department.

For obvious reasons they have their roles: the European Department because it is an application coming from Europe; the Finance Department because we have to assess quotas and financial engagement; the Legal Department, for the legality of the process; and the Secretary's Department because it represents the link with the membership.

The mission team will write a paper describing the economy in detail and recommending a range for the quota of the country. It will also brief the authorities on the membership process.

Second, in due course, as it has been done in previous cases, we will form a membership committee. This is an ad hoc committee of six to eight Executive Directors that will consider the technical aspects of the country's initial quota in the Fund based on the staff paper that I mentioned.

Three, once the applicant country has considered and accepted the initial quota recommendation, then this ad hoc committee will report to the whole Board, and a draft membership resolution would be presented to us for approval.

Four, if the Executive Board approves, then the report and the draft resolution will be sent to the Board of Governors for a vote. If the vote is positive, the applicant country will become a member once it takes the necessary legal steps required under Andorra's domestic law to sign the IMF Articles of Agreement and fulfill the requirements for Fund membership.

Lastly, the signing ceremony will take place in the U.S. Department of State, where the original IMF Articles of Agreement are held. Should that happen, we would then have a 190th member of the IMF.

Separately, Andorra is considering whether or not to pursue membership at the World Bank. They have not yet initiated formally a process, but they are looking into the viability and their interest.

As a background, Andorra first indicated interest of possibly joining the IMF in 1994. Since then, there have been engagements on numerous occasions around this question. For those that may not know, the population of Andorra is 77,000, so should they become a member, they would join the group of small states.

We have done some preliminary assessment of how long this application process might take, but we do not want to preclude in any way the longevity of the process. The experience has been quite diverse, with the shortest time from application to membership taking 3 months, and the longest taking 24 months. Let us see how it will go this time.

After this Board meeting, we will issue a press release announcing that an application has been submitted and the process has started.

Mr. Moreno welcomed the Andorran authorities' initiative and agreed with the Managing Director that it had been a process considered by the authorities for some time. He was hopeful that the country could have a swift membership process into the IMF. Moreover, 190 would be a very good round number.

Mr. Merk asked for an hour after the Board meeting's conclusion in order to inform his authorities ahead of the press release.

The Chairman explained that the Andorran authorities would issue their press release at 10:30 am Washington, DC time. They did not want to wait for too long because issuing during the evening was not good for their news cycle. She proposed to get in touch with the authorities to get 15 more minutes and to bring the meeting to closure so that Directors could inform their authorities.

Mr. Geadah asked about the background for the application. He wondered whether it was due to a change in government or new issues.

The Chairman made the following concluding statement:

The background is the following: when Andorra joined the United Nations in 1994, the authorities considered which other international organizations they would like to join, and they talked about the IMF. At that time, they did not pursue the application for membership.

Let us remember that we are talking about a country of 77,000 people, which limits the institutional capacity to deal with these issues.

Over time, they recognized through a parliamentary committee report that membership in the IMF would support financial stability and would allow them to receive third-party views on how they manage financing and deal with issues like anti-money laundering. That is attractive from that perspective.

This parliamentary committee recommended to apply for membership, and on, that basis, we have this discussion today. It is not politically motivated. It is more related to a recognition that the financial world is more complex and uncertain. Therefore, membership in the IMF is good for Andorra.