Principal Policy Decisions of the Executive Board

A. Access Policy—Guidelines on Access Limits—Review

1. Pursuant to Decision No. 10181-(92/132),[1] adopted November 3, 1992, and Decision No. 10819-(94/95),[2] adopted October 24, 1994, as amended by Decision No. 11593-(97/106), adopted October 23, 1997, the Fund has reviewed the guidelines and the limits for access by members to the Fund's general resources under the credit tranches and the Extended Fund Facility, including the decision to raise the annual limit to 100 percent of quota, and decided that (i) the annual access limit of 100 percent of quota established by Decision No. 10819-(94/95), as amended, shall remain in effect through October 31, 1998, and (ii) the other provisions of Decision No. 10181-(92/132) and Decision No. 10819-(94/95) remain appropriate in the present circumstances.

2. The next of the annual reviews prescribed by Decision No. 10181-(92/132), adopted November 3, 1992, and by Decision No. 10819-(94/95), adopted October 24, 1994, as amended, shall be completed by October 31, 1998.

Decision No. 11608-(97/112)
November 13, 1997

B. IMF's Income Position

(a) Retroactive Reduction of Rate of Charge—Amendment of Decision No. 11482-(97/42);[3] ESAF Trust—Reserve Account—Transfer to the ESAF-HIPC Trust; and Supplemental Reserve Facility—Disposition of Net Operational Income

1. Retroactive Reduction of Rate of Charge—Amendment of Decision No. 11482-(97/42)

Paragraph 2 of Decision No. 11482-(97/42), adopted April 21, 1997, shall be amended by replacing "109.6 percent" with "107 percent."

2. ESAF Trust—Transfer to the ESAF-HIPC Trust

For financial year 1998, no reimbursement shall be made to the General Resources Account from the ESAF Trust Reserve Account for the cost of administering the ESAF Trust. An amount equivalent to such cost shall be transferred after the end of the financial year from the ESAF Trust Reserve Account (through the Special Disbursement Account) to the ESAF-HIPC Trust.

3. Supplemental Reserve Facility—Disposition of Net Operational Income

For financial year 1998, after meeting the cost of administering the ESAF Trust, any remaining net operational income generated by the Supplemental Reserve Facility shall be transferred, after the end of the financial year, to the General Reserve.

Decision No. 11683-(98/27)
March 12, 1998

(b) Disposition of Net Income for FY 1998

SDR 98,483,336 of the Fund's net income for financial year 1998 shall be placed in the Fund's Special Reserve after the end of the financial year.

Decision No. 11710-(98/49)
April 28, 1998

(c) Rate of Charge on the Use of Fund Resources for FY 1999

1. Notwithstanding Rule I-6(4)(a), effective May 1, 1998, the proportion of the rate of charge referred to in Rule I-6(4) to the SDR interest rate under Rule T-1 shall be 107 percent.

2. Any net income for financial year 1999 in excess of an amount equivalent to 5 percent of the Fund's reserves at the beginning of that financial year shall be used to reduce retroactively the proportion of the rate of charge to the SDR interest rate for financial year 1999. If net income for financial year 1999 is below an amount equivalent to 5 percent of the Fund's reserves at the beginning of that financial year, the amount of projected net income for financial year 2000 shall be increased by the equivalent of that shortfall. For the purpose of this provision, net income shall be calculated without taking into account net operational income generated by the Supplemental Reserve Facility.

Decision No. 11711-(98/49)
April 28, 1998

C. Enhanced Structural Adjustment Facility (ESAF)

(a) Use of Resources for Commercial Debt- and Debt-Service-Reduction Operations—ESAF Trust Instrument—Amendment

1. The Instrument to Establish the Enhanced Structural Adjustment Facility Trust annexed to Decision No. 8759-

[1] See *Selected Decisions,* Twenty-Second Issue (June 30, 1997), pages 238–39.
[2] Ibid., page 239.
[3] Ibid., page 318.

(87/176) ESAF,[4] as amended, shall be further amended by adding the following subparagraph at the end of Section II, paragraph 3(b):

> Notwithstanding the previous subparagraph, if in the determination of access under a three-year arrangement or at the time of approval of an annual arrangement, resources are committed to help finance the cost of a debt- and debt-service-reduction operation with commercial banks, the resources so committed shall be disbursed only at the time the operation materializes, the program supported by the arrangement remains on track, and the Executive Board is satisfied that such use would be efficient and market based; provided, however, that the resources may be made available from the outset of an arrangement if the above conditions are met.

Decision No. 11533-(97/67) ESAF
July 2, 1997

(b) ESAF-HIPC Initiative—Status Report and Options for Financing

Special Disbursement Account—Transfer of Resources from Reserve Account of 1987 ESAF Trust and Use for Special ESAF Operations

The Executive Board has agreed to a transfer of SDR 70 million from the ESAF Trust Reserve Account to the Special Disbursement Account and use for special ESAF operations. The Executive Board agreed to return to consider the financing issues by mid-summer 1998.

The Executive Board has adopted the following decision to amend the Instrument to Establish the Enhanced Structural Adjustment Facility Trust:

Section V, subparagraph 5(b) of the Instrument to Establish the Enhanced Structural Adjustment Facility Trust shall be amended by substituting "SDR 250 million" for "SDR 180 million."

Decision No. 11610-(97/113)
November 24, 1997

(c) ESAF Trust—Reserve Account—Review

Pursuant to Executive Board Decision No. 10286-(93/23) ESAF,[5] the Fund has reviewed the adequacy of the Reserve Account of the ESAF Trust, and determines that amounts held in the account are sufficient to meet all obligations which could give rise to a payment from the Reserve Account to lenders to the Loan Account of the ESAF Trust in the six months from January 1 to June 30, 1998.

Decision No. 11648-(98/1) ESAF
December 30, 1997

(d) ESAF Trust—Transfer to the ESAF-HIPC Trust

(See Section B(*a*) above, IMF's Income Position, for the full text of this Decision.)

Decision 11683-(98/27)
March 12, 1998

(e) ESAF Trust—Reserve Account—Transfer to the ESAF-HIPC Trust

For financial year 1999, no reimbursement shall be made to the General Resources Account from the ESAF Trust Reserve Account for the cost of administering the ESAF Trust. One-fourth of the estimated annual cost shall be transferred after the end of each financial quarter ended July 31 and October 31, 1998 and January 31 and April 30, 1999 from the ESAF Trust Reserve Account (through the Special Disbursement Account) to the ESAF-HIPC Trust.

Decision No. 11713-(98/49) ESAF
April 28, 1998

D. Supplemental Reserve Facility

(a) Establishment

1. (a) The Fund will be prepared to provide financial assistance in accordance with the terms of this Decision to a member that is experiencing exceptional balance of payments difficulties due to a large short-term financing need resulting from a sudden and disruptive loss of market confidence reflected in pressure on the capital account and the member's reserves, if there is a reasonable expectation that the implementation of strong adjustment policies and adequate financing will result, within a short period of time, in an early correction of such difficulties.

(b) This facility is likely to be utilized in cases where the magnitude of the outflows may create a risk of contagion that could pose a potential threat to the international monetary system.

(c) When approving a request for the use of its resources under this Decision, the Fund will take into account the financing provided by other creditors. In order to minimize moral hazard, a member using resources under this Decision will be encouraged to seek to maintain participation of creditors, both official and private, until the pressure on the balance of payments ceases. All options should be considered to ensure appropriate burden sharing.

(d) The Fund may make the use of its resources under this Decision conditional upon the adoption by the member of measures under Article VI, Section 1 of the Fund's Articles of Agreement.

2. Financing under this Decision will be available to members under a stand-by or extended arrangement in addition to resources in the credit tranches or under the extended Fund facility, in cases where (i) a member faces the type of balance of payments difficulties described in paragraph 1 above and (ii) the projected access in the credit tranches or under the extended Fund facility, taking into account outstanding purchases, would otherwise exceed either the annual or cumulative limit. In those cases, unless the member's medium-term financing needs require access in the credit tranches or under the extended Fund facility beyond the annual or cumulative limit, financing in the credit tranches or under the extended Fund facility will not be provided beyond the annual or cumulative limit, and financing beyond either limit will be provided only under this Decision.

3. Financing under this Decision will be determined by the Fund, taking into account the financing needs of the member, its capacity to repay, including in particular the strength of its program, its outstanding use of Fund credit,

[4] Ibid., pages 25–42.
[5] Ibid., pages 353–55.

and its record in using Fund resources in the past and in cooperating with the Fund in surveillance, as well as the Fund's liquidity.

4. Financing under this Decision will be committed for a period of up to one year, even if the corresponding arrangement is for a longer period, and will generally be available in two or more purchases. The first purchase will be available at the time of approval of financing under this Decision, which will normally coincide with the approval of the corresponding arrangement. The subsequent purchases will be available subject to the conditions of the corresponding arrangement.

5. The corresponding arrangement will identify the total amount and phasing of the financing provided under this Decision.

6. (a) A member making purchases under this Decision shall repurchase the outstanding amounts of its currency resulting from such purchases within two to two and a half years from the date of each purchase in two equal semi-annual installments; the first installment shall become due two years and the second installment two and a half years from the date of each purchase.

(b) The member will be expected to repurchase those amounts one year before they become due, provided that the Fund may, upon request by the member, decide to extend each such repurchase expectation by up to one year. If a member fails to make a repurchase as expected, the Fund may require the member to make the repurchase in question within a specified period not to exceed the repurchase schedule under (a) above.

(c) The Fund shall not approve, and the Managing Director shall not recommend for approval, a request for the use of the general resources of the Fund by a member that is failing to meet a repurchase expectation under (b) above. Provision shall be made in each Stand-By and Extended Arrangement for the suspension of further purchases under the arrangement whenever a member fails to meet a repurchase expectation under (b) above.

7. Purchases under this Decision and holdings resulting from such purchases shall be excluded for the purposes of the definition of "reserve tranche purchase" pursuant to Article XXX(*c*).

8. During the first year from the date of approval of financing under this Decision, the rate of charge under Article V, Section 8(*b*) on holdings acquired as a result of purchases under this Decision shall be 300 basis points per annum above the rate of charge referred to in Rule I-6(4) as adjusted for purposes of burden sharing. Such rate shall be increased by 50 basis points at the end of that period and every six months thereafter, until the surcharge reaches 500 basis points, subject to the provisions of paragraph 9.

Pending a Decision on the use to be given to the income generated under this Decision, such income shall not be taken into account when determining the amount of net income in excess of the net income target for purposes of paragraph 3 of Decision No. 11482-(97/42), adopted April 21, 1997.

9. The provisions of Decision No. 8165-(85/189) G/TR,[6] December 30, 1985, except Section IV, shall apply to overdue financial obligations arising under this Decision, subject to the following provision:

The rate of charge on overdue repurchases shall be determined by the Fund but shall not be less than the maximum rate of charge specified in paragraph 8.

10. Except for the purposes of determining the level of conditionality applied to purchases in the credit tranches, the Fund's holdings of a member's currency resulting from purchases under this Decision shall be considered separate from the Fund's holdings of the same currency resulting from purchases made under any other policy on the use of the Fund's general resources.

11. In order to carry out the purposes of this Decision, the Fund will be prepared to grant a waiver of the limitation of 200 percent of quota in Article V, Section 3(*b*) (iii), whenever necessary to permit purchases under this Decision or to permit other purchases that would raise the Fund's holdings of the purchasing member's currency above that limitation because of purchases outstanding under this Decision.

12. This Decision and its operation will be reviewed no later than December 31, 1998.

Decision No. 11627-(97/123) SRF
December 17, 1997

(b) Disposition of Net Operational Income

(See Section B(*a*) above, IMF's Income Position, for the full text of this Decision.)

Decision No. 11683-(98/27)
March 12, 1998

For financial year 1999, after meeting the cost of administering the ESAF Trust, any remaining net operational income generated by the Supplemental Reserve Facility shall be transferred, after the end of that financial year, to the General Reserve.

Decision No. 11716-(98/49)
April 28, 1998

E. General Arrangements to Borrow—Renewal

Executive Board Decision No. 1289-(62/1)[7] on the General Arrangements to Borrow, as amended, is hereby renewed for a period of five years from December 26, 1998.

Decision No. 11609-(97/112)
November 19, 1997

F. Increases in Quotas of Members

(a) Periods for Consent to and Payment for Increases in Quotas Under Ninth General Review—Extension

1. Pursuant to paragraph 4 of the Resolution of the Board of Governors No. 45-2, "Increases in Quotas of Members—Ninth General Review," the Executive Board decides that notices in accordance with paragraph 2 of that Resolution must be received in the Fund before 6:00 p.m., Washington time, on December 31, 1997.

2. Pursuant to paragraph 5 of the Board of Governors Resolution No. 45-2, the Executive Board decides that each

[6]Ibid., pages 279–81.

[7]Ibid., pages 358–69

member shall pay to the Fund the increase in its quota under the Ninth Review within 1,876 days after the later of (a) the date on which it notifies the Fund of its consent, or (b) November 11, 1992.

Decision No. 11517-(97/61)
June 17, 1997

1. Pursuant to paragraph 4 of the Resolution of the Board of Governors No. 45-2, "Increases in Quotas of Members—Ninth General Review," the Executive Board decides that notices in accordance with paragraph 2 of that Resolution must be received in the Fund before 6:00 p.m., Washington time, on June 30, 1998.

2. Pursuant to paragraph 5 of the Board of Governors Resolution No. 45-2, the Executive Board decides that each member shall pay to the Fund the increase in its quota under the Ninth Review within 2,057 days after the later of (a) the date on which it notifies the Fund of its consent, or (b) November 11, 1992.

Decision No. 11649-(98/1)
December 30, 1997

(b) Eleventh General Review of Quotas—Report to the Board of Governors and Proposed Resolution

I. The Executive Board approves the Report of the Executive Board to the Board of Governors, attached hereto, entitled "Increases in Quotas of Fund Members—Eleventh General Review," for transmission to the Board of Governors.

II. 1. The Board of Governors is requested to vote without meeting pursuant to Section 13 of the By-Laws upon the proposed Resolution entitled "Increases in Quotas of Fund Members—Eleventh General Review: Resolution of the Board of Governors."

2. The Secretary is directed to send the Report of the Executive Board and the proposed Resolution, both entitled "Increases in Quotas of Fund Members—Eleventh General Review," to each member of the Fund by rapid means of communication on or before December 23, 1997.

3. To be valid, votes must be cast by Governors or Alternate Governors and must be received at the seat of the Fund on or before 6:00 p.m., Washington time on January 30, 1998. 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 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 purposes of this decision.

Decision No. 11644-(97/127)
December 22, 1997

Attachment
Report of the Executive Board to the Board of Governors: Increase in Quotas of Fund Members—Eleventh General Review

1. Article III, Section 2(*a*) of the Articles of Agreement provides that "The Board of Governors shall, at intervals of not more than five years, conduct a general review, and if it deems it appropriate, propose an adjustment of the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned." This report and the attached Resolution on increases in quotas under the current, that is, Eleventh General Review, are submitted to the Board of Governors in accordance with Article III, Section 2.

2. The five-year period prescribed by Article III, Section 2(*a*) for the Eleventh General Review of Quotas ends on March 31, 1998, five years from the date on which the Tenth General Review of Quotas should have been concluded.[8] The Tenth General Review of Quotas was completed in early 1995 without recommending an increase in quotas to the Board of Governors. At that time, the Executive Board reported to the Board of Governors that:

> . . . the Fund is at present relatively well-positioned to meet a prospective substantial demand for its resources over the next three years. Nevertheless, the Fund's liquidity position is expected to decline over the next few years from its currently strong position. Furthermore, considerable uncertainties can be expected as regards the supply of usable resources, which depends on the continued relative strength in the balance of payments and reserve positions of mainly the industrial countries in the Fund. The continued adequacy of members' quotas, including the Fund's liquidity position, will be closely monitored by the Executive Board in the period ahead.

3. The conduct of the Eleventh General Review of Quotas has been guided by the views expressed by the Interim Committee since the Spring of 1995. At its meeting in April of that year, the Interim Committee requested the Executive Board "to continue to review the adequacy of the Fund's resources, and, in connection with its review of the role of the Fund, to carry forward its work on the Eleventh General Review of Quotas." At its meeting in October 1995, the Committee "welcomed the progress already made by the Executive Board on Fund quotas, and requested the Board to move forward with the Eleventh Quinquennial Review." The Committee's April 1996 Communiqué stated, with respect to the Fund's financial resources and assistance to members, that the Committee "notes the progress made by the Executive Board in preparatory work for the Eleventh General Review of Quotas and stresses the need to ensure the adequacy of the quotas for the Fund to continue to carry out its mandate, taking into account changes in the world economy since the last increase in quotas was agreed in 1990." In September 1996, the Committee reiterated its request to the Executive Board "to continue its work on the Review and to do its utmost to reach a conclusion as soon as possible." In April 1997, the Committee requested the Executive Board to complete its work on quotas as soon as possible and to report to it in time for the Hong Kong meeting of the Committee. The Committee also stated that "the proposed distribution should be predominantly equiproportional while contributing to a correction of the most impor-

[8]The five-year period prescribed by Article III, Section 2(*a*) for the Tenth General Review ended on March 31, 1993 (paragraph 2 of the "Report of the Executive Board to the Board of Governors" of December 12, 1994 on Increases in Quotas of Members—Tenth General Review).

tant anomalies in the present quota distribution. The Executive Board should also review the quota formulae promptly after the completion of the Eleventh Review of Quotas." The Executive Board reached agreement on the size and distribution of the increase in quotas, which was endorsed by the Interim Committee at its meeting on September 21, 1997, in Hong Kong, China.

4. The Interim Committee agreed that:

- the present total of Fund quotas would be increased by 45 percent;
- 75 percent of the overall increase would be distributed in proportion to present quotas;
- 15 percent of the overall increase would be distributed in proportion to members' shares in calculated quotas (based on 1994 data), so as to better reflect the relative economic positions of members; and
- the remaining 10 percent of the overall increase would be distributed among those members whose present quotas are out of line with their positions in the world economy (as measured by the excess of their share in calculated quotas over their share in actual quotas), of which 1 percent of the overall increase would be distributed among five members whose current quotas are far out of line with their relative economic positions, and which are in a position to contribute to the Fund's liquidity over the medium term.

The Committee requested the Executive Board to submit before the end of this year a proposed resolution for the approval of the Board of Governors to effect the agreed increases in quotas. The Committee reiterated its view that the formulas used to calculate quotas should be reviewed by the Board promptly after the completion of the Eleventh General Review.

5. In its discussions on the Eleventh General Review, the Executive Board has considered, inter alia (i) the size of the overall increase in quotas; (ii) the distribution of the overall increase; (iii) the procedures for consent and payment for the increase in quotas, including by members with overdue obligations in the General Resources Account; and (iv) the media for payment for the increase in quotas. In its preparatory work on the Review, the Executive Board also considered issues relating to the role of the Fund in providing balance of payments financing, the quota formulas used in making quota calculations, and the declining share in quotas of developing countries in the Fund.

6. In assessing the Fund's need for resources over the medium term in order to carry out its purposes, the Executive Board stressed that (i) the Fund is the central institution in the international monetary system and it must be adequately endowed with financial resources to enable it to act effectively when dealing with members' balance of payments difficulties; (ii) the Fund, in fulfilling its function at the center of the system, must ensure that its resources are fully safeguarded, including by the adoption and implementation of appropriate policies by members supported by use of the Fund's general resources, and that its resources are provided on a temporary basis, thereby ensuring that its resources revolve; and (iii) the Fund must hold a level of usable assets that are sufficient to protect the liquidity and immediate usability of members' claims on the Fund, so as to maintain members' confidence in and support of the institution.

7. In its consideration of the size of the increase in quotas, the Executive Board has taken into account a range of factors, including the growth of world trade and payments since 1990; the scale of potential payments imbalances, including imbalances that may stem from sharp changes in capital flows; the prospective demand for Fund resources, including the need for the Fund to support members' growth-oriented adjustment programs, which, in many cases, may involve far-reaching economic and structural reforms; and the rapid globalization and the associated liberalization of trade and payments, including on capital account, that has characterized the development of the world economy since the last increase in quotas was agreed in 1990. The Executive Board has also considered the Fund's current and prospective liquidity position, and has also taken into account the adequacy of the Fund's borrowing arrangements, in particular the General Arrangements to Borrow (GAB) and the prospective coming into effect of the New Arrangements to Borrow (NAB). These borrowing arrangements are an important buttress to the Fund's liquidity but are not a substitute for larger quotas. The Executive Board reiterated its view that the Fund should continue to rely on its quota resources as its principal form of financing and should resort to borrowing only in exceptional circumstances.

In its consideration of the prospective demand for the Fund's resources in the context of the globalized economy, the Executive Board stressed that members should approach the Fund at an early stage of their balance of payments difficulties, and take all appropriate steps to maintain the confidence of markets, not only through the pursuit of adequate and transparent policy actions but also through the timely and transparent provision of economic and financial information to the markets.

8. In the light of these considerations, and taking into account the agreement reached by the Executive Board at the Annual Meetings in Hong Kong, which was endorsed by the Interim Committee at its meeting on September 21, 1997 in Hong Kong, the Executive Board now proposes to the Board of Governors that the present total of Fund quotas be increased by 45 percent, from approximately SDR 146 billion to approximately SDR 212 billion.

9. As regards the distribution of the overall increase in quotas, the Executive Board has been guided by the views of the Interim Committee as expressed in its communiqués of April and September 1997, and summarized in paragraph 4 above.

10. In reaching the agreement on the size and distribution of the increase in quotas, Directors confirmed that there was no intention to re-open the issues of the size and composition of the Executive Board, and that the existing representation of developing countries should not be affected.

11. The Executive Board also proposes adjustments in the quotas of France, Germany, Italy, and the United Kingdom in a manner that would maintain unchanged the increases in quotas for all other members as determined under paragraph 4 above. The Executive Board notes that the United Kingdom and France have agreed to maintain the equal distribution of quotas between themselves under the Eleventh General Review as first agreed under the Ninth General Review.

12. The Executive Board proposes that the quotas determined in paragraph 4 above be rounded to the nearest multi-

ple of SDR 0.1 million. The quotas proposed under the Eleventh Review for those members that have not yet consented or paid for their proposed increase in quotas under the Ninth Review (Resolution No. 45-2 of the Board of Governors) have been calculated on the basis of their proposed Ninth Review quotas.

13. The list of proposed quotas for all members is to be found in the Annex to the draft Resolution proposed for adoption by the Board of Governors.

14. Under the proposed Resolution, a member that does not have overdue obligations with respect to purchases, charges, or assessments to the General Resources Account will be able to consent to the amount of quota proposed for it in the Annex to the proposed Resolution. The member will be able to consent to the increase in its quota at any time before 6:00 p.m., Washington time, January 29, 1999. In order to meet this deadline, the member will have to have completed before that date whatever action may be necessary under its laws to enable it to give its consent. The Executive Board is authorized by paragraph 4 of the proposed Resolution to extend the period of consent.

15. A member's quota cannot be increased until it has consented to the increase and paid the subscription. Under the proposed Resolution, the increase in a member's quota will take effect only after the Fund has received the member's consent to the increase in quota and the member has paid the increase in subscription, provided that the quota increase cannot become effective before the date on which the Fund determines that the participation requirement in paragraph 3 of the proposed Resolution has been satisfied. The participation requirement in paragraph 3 of the proposed Resolution will be reached when the Fund determines that members having not less than 85 percent of the total of quotas on December 23, 1997 have consented to the increases in their respective quotas as set out in the Annex.

16. Taking into consideration the situation of members that may still wish to consent to or pay for their quota increases under the Ninth Review, the Executive Board recommends that the periods for consent and payment for quota increases under the Ninth Review be extended until the date when the participation requirement in paragraph 3 of the proposed Resolution on the Eleventh Review has been reached. Such extension of the periods of consent and payment for quota increases under the Ninth Review is provided for in paragraph 7 of the proposed Resolution.

17. The proposed Resolution provides that a member must pay the increase in its subscription within 30 days after (a) the date on which the member notifies the Fund of its consent, or (b) the date on which the participation requirement is met, whichever is the later. A member may not make such a payment unless it is current in its obligations with respect to repurchases, charges, and assessments to the General Resources Account. The Executive Board is authorized in paragraph 5 of the proposed Resolution to extend the period for payment.

18. The Executive Board has agreed that, when considering any extension of the period for consent or payment, it shall give particular consideration to the situation of members that may still wish to consent to or pay for the increase in quota, including those members with protracted arrears to the General Resources Account, consisting of overdue repurchases, charges, or assessments to the General Resources Account, that are judged to be cooperating with the Fund toward the settlement of these obligations.

19. Article III, Section 3(*a*) provides that 25 percent of any increase in quota shall be paid in special drawing rights, but permits the Board of Governors to prescribe, inter alia, that this payment may be made on the same basis for all members, in whole or in part, in the currencies of other members specified by the Fund, subject to their concurrence. Paragraph 8 of the Resolution provides that 25 percent of the increase in quotas proposed as a result of the current review should be paid in SDRs or in currencies of other members selected by the Fund, subject to their concurrence, or in any combination of SDRs and such currencies. The balance of the increase shall be paid in a member's own currency. A reserve asset payment will help strengthen the liquidity of the Fund and will not impose an undue burden on members, because under the existing decisions of the Fund, a reserve asset payment will either enlarge or create a reserve tranche position of an equivalent amount. In addition, the Fund stands ready to assist members that do not hold sufficient reserves to make their reserve asset payments to the Fund to borrow SDRs from other members willing to cooperate; these loans would be made on the condition that such members would repay on the same day the loans from the SDR proceeds of drawings of reserve tranche positions which had been established by the payment of SDRs.

20. The Executive Board recommends that the Board of Governors adopt the attached Resolution that covers all the matters on which the Governors are requested to act. The adoption of the Resolution requires positive responses from Governors having an 85 percent majority of the total voting power.

Attachment
Proposed Resolution of the Board of Governors: Increase in Quotas of Fund Members—Eleventh General Review

WHEREAS the Executive Board has submitted to the Board of Governors a report entitled "Increases in Quotas of Fund Members—Eleventh General Review" containing recommendations on increases in the quotas of individual members of the Fund; and

WHEREAS the Executive Board has recommended the adoption of the following Resolution of the Board of Governors, which Resolution proposes increases in the quotas of members of the Fund as a result of the Eleventh General Review of Quotas and deals with certain related matters, by vote without meeting pursuant to Section 13 of the By-Laws of the Fund;

NOW, THEREFORE, the Board of Governors hereby RESOLVES that:

1. The International Monetary Fund proposes that, subject to the provisions of this Resolution, the quotas of members of the Fund shall be increased to the amounts shown against their names in the Annex to this Resolution.

2. A member's increase in quota as proposed by this Resolution shall not become effective unless the member has notified the Fund of its consent to the increase not later than the date prescribed by or under paragraph 4

below and has paid the increase in quota in full within the period prescribed by or under paragraph 5 below, provided that no member with overdue repurchases, charges, or assessments to the General Resources Account may consent to or pay for the increase in its quota until it becomes current in respect of these obligations.

3. No increase in quotas shall become effective before the date of the Fund's determination that members having not less than 85 percent of the total of quotas on December 23, 1997 have consented to the increases in their quotas.

4. Notices in accordance with paragraph 2 above shall be executed by a duly authorized official of the member and must be received in the Fund before 6:00 p.m., Washington time, January 29, 1999, provided that the Executive Board may extend this period as it may determine.

5. Each member shall pay to the Fund the increase in its quota within 30 days after the later of (a) the date on which it notifies the Fund of its consent, or (b) the date of the Fund's determination under paragraph 3 above, provided that the Executive Board may extend the payment period as it may determine.

6. When deciding on an extension of the period for consent to or payment for the increase in quotas, the Executive Board shall give particular consideration to the situation of members that may still wish to consent to or pay for the increase in quota, including members with protracted arrears to the General Resources Account, consisting of overdue repurchases, charges, or assessments to the General Resources Account, that, in its judgment, are cooperating with the Fund toward the settlement of these obligations.

7. For members that have not yet consented to their increases in quotas under the Ninth Review, the period for consent to such quota increases shall extend to the date determined under paragraph 3 above. For members that have not yet paid for their quota increases under the Ninth Review, the period for payment for such quota increases shall extend to 30 days after the date determined under paragraph 3 above.

8. Each member shall pay 25 percent of its increase either in special drawing rights or in the currencies of other members specified, with their concurrence, by the Fund, or in any combination of special drawing rights and such currencies. The balance of the increase shall be paid by the member in its own currency.

The Board of Governors adopted the foregoing Resolution, effective January 30, 1998, which was designated Resolution No. 53-2.

Annex to Resolution No. 53-2

	Proposed Quota (In millions of SDRs)		Proposed Quota (In millions of SDRs)
1. Afghanistan, Islamic State of	161.9	34. Chile	856.1
2. Albania	48.7	35. China	4,687.2
3. Algeria	1,254.7	36. Colombia	774.0
4. Angola	286.3	37. Comoros	8.9
5. Antigua and Barbuda	13.5	38. Congo, Democratic Republic of the	533.0
6. Argentina	2,117.1	39. Congo, Republic of	84.6
7. Armenia	92.0	40. Costa Rica	164.1
8. Australia	3,236.4	41. Côte d'Ivoire	325.2
9. Austria	1,872.3	42. Croatia	365.1
10. Azerbaijan	160.9	43. Cyprus	139.6
11. Bahamas, The	130.3	44. Czech Republic	819.3
12. Bahrain	135.0	45. Denmark	1,642.8
13. Bangladesh	533.3	46. Djibouti	15.9
14. Barbados	67.5	47. Dominica	8.2
15. Belarus	386.4	48. Dominican Republic	218.9
16. Belgium	4,605.2	49. Ecuador	302.3
17. Belize	18.8	50. Egypt	943.7
18. Benin	61.9	51. El Salvador	171.3
19. Bhutan	6.3	52. Equatorial Guinea	32.6
20. Bolivia	171.5	53. Eritrea	15.9
21. Bosnia and Herzegovina	169.1	54. Estonia	65.2
22. Botswana	63.0	55. Ethiopia	133.7
23. Brazil	3,036.1	56. Fiji	70.3
24. Brunei Darussalam	215.2	57. Finland	1,263.8
25. Bulgaria	640.2	58. France	10,738.5
26. Burkina Faso	60.2	59. Federal Republic of Yugoslavia (Serbia/Montenegro)[1]	467.7
27. Burundi	77.0	60. Gabon	154.3
28. Cambodia	87.5	61. Gambia, The	31.1
29. Cameroon	185.7	62. Georgia	150.3
30. Canada	6,369.2	63. Germany	13,008.2
31. Cape Verde	9.6	64. Ghana	369.0
32. Central African Republic	55.7	65. Greece	823.0
33. Chad	56.0	66. Grenada	11.7

Annex to Resolution No. 53-2 ***(concluded)***

	Proposed Quota (In millions of SDRs)
67. Guatemala	210.2
68. Guinea	107.1
69. Guinea-Bissau	14.2
70. Guyana	90.9
71. Haiti	81.9
72. Honduras	129.5
73. Hungary	1,038.4
74. Iceland	117.6
75. India	4,158.2
76. Indonesia	2,079.3
77. Iran, Islamic Republic of	1,497.2
78. Iraq	1,188.4
79. Ireland	838.4
80. Israel	928.2
81. Italy	7,055.5
82. Jamaica	273.5
83. Japan	13,312.8
84. Jordan	170.5
85. Kazakhstan	365.7
86. Kenya	271.4
87. Kiribati	5.6
88. Korea	1,633.6
89. Kuwait	1,381.1
90. Kyrgyz Republic	88.8
91. Lao People's Democratic Republic	52.9
92. Latvia	126.8
93. Lebanon	203.0
94. Lesotho	34.9
95. Liberia	129.2
96. Libya	1,123.7
97. Lithuania	144.2
98. Luxembourg	279.1
99. Macedonia, former Yugoslav Republic of	68.9
100. Madagascar	122.2
101. Malawi	69.4
102. Malaysia	1,486.6
103. Maldives	8.2
104. Mali	93.3
105. Malta	102.0
106. Marshall Islands	3.5
107. Mauritania	64.4
108. Mauritius	101.6
109. Mexico	2,585.8
110. Micronesia, Federated States of	5.1
111. Moldova	123.2
112. Mongolia	51.1
113. Morocco	588.2
114. Mozambique	113.6
115. Myanmar	258.4
116. Namibia	136.5
117. Nepal	71.3
118. Netherlands	5,162.4
119. New Zealand	894.6
120. Nicaragua	130.0
121. Niger	65.8
122. Nigeria	1,753.2
123. Norway	1,671.7
124. Oman	194.0
125. Pakistan	1,033.7

	Proposed Quota (In millions of SDRs)
126. Palau, Republic of	3.1
127. Panama	206.6
128. Papua New Guinea	131.6
129. Paraguay	99.9
130. Peru	638.4
131. Philippines	879.9
132. Poland	1,369.0
133. Portugal	867.4
134. Qatar	263.8
135. Romania	1,030.2
136. Russia	5,945.4
137. Rwanda	80.1
138. Samoa	11.6
139. San Marino	17.0
140. São Tomé and Príncipe	7.4
141. Saudi Arabia	6,985.5
142. Senegal	161.8
143. Seychelles	8.8
144. Sierra Leone	103.7
145. Singapore	862.5
146. Slovak Republic	357.5
147. Slovenia	231.7
148. Solomon Islands	10.4
149. Somalia	81.7
150. South Africa	1,868.5
151. Spain	3,048.9
152. Sri Lanka	413.4
153. St. Kitts and Nevis	8.9
154. St. Lucia	15.3
155. St. Vincent and the Grenadines	8.3
156. Sudan	315.1
157. Suriname	92.1
158. Swaziland	50.7
159. Sweden	2,395.5
160. Switzerland	3,458.5
161. Syrian Arab Republic	293.6
162. Tajikistan	87.0
163. Tanzania	198.9
164. Thailand	1,081.9
165. Togo	73.4
166. Tonga	6.9
167. Trinidad and Tobago	335.6
168. Tunisia	286.5
169. Turkey	964.0
170. Turkmenistan	75.2
171. Uganda	180.5
172. Ukraine	1,372.0
173. United Arab Emirates	611.7
174. United Kingdom	10,738.5
175. United States	37,149.3
176. Uruguay	306.5
177. Uzbekistan	275.6
178. Vanuatu	17.0
179. Venezuela	2,659.1
180. Vietnam	329.1
181. Yemen, Republic of	243.5
182. Zambia	489.1
183. Zimbabwe	353.4

[1]Under Executive Board Decision No. 10237-(92/150) adopted December 14, 1992, the Federal Republic of Yugoslavia (Serbia/Montenegro) may succeed to the membership of the former Socialist Federal Republic of Yugoslavia.

G. Special One-Time Allocation of SDRs—Report to Board of Governors on Proposed Fourth Amendment of Articles of Agreement

Pursuant to the request of the Interim Committee that an amendment of the Articles of Agreement be proposed providing for a special one-time allocation of SDRs, the Executive Board:

(a) adopts the Report of the Executive Board to the Board of Governors on the Proposed Fourth Amendment of the Articles of Agreement of the International Monetary Fund;

(b) proposes the introduction in the Articles of Agreement of the modifications included in the Proposed Fourth Amendment attached to the Resolution in Part IV of the Report;

(c) recommends the adoption by the Board of Governors of the Resolution in Part IV of the Report.

Decision No. 11578-(97/96)
September 19, 1997

Resolution No. 52-4
Special One-Time Allocation of SDRs
Proposed Fourth Amendment of the Articles of Agreement

WHEREAS the Interim Committee of the Board of Governors has invited the Executive Board to propose an amendment of the Articles of Agreement of the International Monetary Fund providing for a special one-time allocation of SDRs to allow all participants in the Special Drawing Rights Department to receive an equitable share of cumulative SDR allocations; and

WHEREAS the Executive Board has proposed such an amendment and prepared a report on the same;

NOW, THEREFORE, The Board of Governors, noting the said Report of the Executive Board, hereby RESOLVES that:

1. The proposals for modifications (Proposed Fourth Amendment) that are attached to this Resolution and are to be incorporated in the Articles of Agreement of the International Monetary Fund are approved.

2. The Secretary of the Fund is directed to ask, by circular letter, telegram, or other rapid means of communications, all members of the Fund whether they accept, in accordance with the provisions of Article XXVIII of the Articles, the Proposed Fourth Amendment.

3. The circular letter, telegram, or other communication to be sent to all members in accordance with 2 above shall specify that the Proposed Fourth Amendment shall enter into force for all members as of the date on which the Fund certifies, by formal communication addressed to all members, that three-fifths of the members, having eighty-five percent of the total voting power, have accepted the modifications.

Attachment to Resolution No. 52-4

Proposed Fourth Amendment of the Articles of Agreement of the International Monetary Fund

The Governments on whose behalf the present Agreement is signed agree as follows:

1. The text of Article XV, Section 1 shall be amended to read as follows:

(a) To meet the need, as and when it arises, for a supplement to existing reserve assets, the Fund is authorized to allocate special drawing rights in accordance with the provisions of Article XVIII to members that are participants in the Special Drawing Rights Department.

(b) In addition, the Fund shall allocate special drawing rights to members that are participants in the Special Drawing Rights Department in accordance with the provisions of Schedule M.

2. A new Schedule M shall be added to the Articles, to read as follows:

"Schedule M
Special One-Time Allocation of Special Drawing Rights

1. Subject to 4 below, each member that, as of September 19, 1997, is a participant in the Special Drawing Rights Department shall, on the 30th day following the effective date of the fourth amendment of this Agreement, receive an allocation of special drawing rights in an amount that will result in its net cumulative allocation of special drawing rights being equal to 29.315788813 percent of its quota as of September 19, 1997, provided that, for participants whose quotas have not been adjusted as proposed in Resolution No. 45-2 of the Board of Governors, calculations shall be made on the basis of the quotas proposed in that resolution.

2. (a) Subject to 4 below, each country that becomes a participant in the Special Drawing Rights Department after September 19, 1997 but within three months of the date of its membership in the Fund shall receive an allocation of special drawing rights in an amount calculated in accordance with (b) and (c) below on the 30th day following the later of: (i) the date on which the new member becomes a participant in the Special Drawing Rights Department, or (ii) the effective date of the fourth amendment of this Agreement.

(b) For the purposes of (a) above, each participant shall receive an amount of special drawing rights that will result in such participant's net cumulative allocation being equal to 29.315788813 percent of its quota as of the date on which the member becomes a participant in the Special Drawing Rights Department, as adjusted:

(i) first, by multiplying 29.315788813 percent by the ratio of the total of quotas, as calculated under 1 above, of the participants described in (c) below to the total of quotas of such participants as of the date on which the member became a participant in the Special Drawing Rights Department, and

(ii) second, by multiplying the product of (i) above by the ratio of the total of the sum of the net cumulative allocations of special drawing rights received under Article XVIII of the participants described in (c) below as of the date on which the member became a participant in the Special Drawing Rights Department and the allocations received by such participants under 1 above to the total of the sum of the net cumulative allocations of special drawing rights received under Article XVIII of such participants as of September 19, 1997 and the allocations received by such participants under 1 above.

(c) For the purposes of the adjustments to be made under (b) above, the participants in the Special Drawing Rights Department shall be members that are participants as of September 19, 1997 and (i) continue to be participants in the Special Drawing Rights Department as of the date on which the member became a participant in the Special Drawing Rights Department, and (ii) have received all allocations made by the Fund after September 19, 1997.

3. (a) Subject to 4 below, if the Federal Republic of Yugoslavia (Serbia/Montenegro) succeeds to the membership in the Fund and the participation in the Special Drawing Rights Department of the former Socialist Federal Republic of Yugoslavia in accordance with the terms and conditions of Executive Board Decision No. 10237-(92/150), adopted December 14, 1992, it shall receive an allocation of special drawing rights in an amount calculated in accordance with (b) below on the 30th day following the later of: (i) the date on which the Federal Republic of Yugoslavia (Serbia/Montenegro) succeeds to membership in the Fund and participation in the Special Drawing Rights Department in accordance with the terms and conditions of Executive Board Decision No. 10237-(92/150), or (ii) the effective date of the fourth amendment of this Agreement.

(b) For the purposes of (a) above, the Federal Republic of Yugoslavia (Serbia/Montenegro) shall receive an amount of special drawing rights that will result in its net cumulative allocation being equal to 29.315788813 percent of the quota proposed to it under paragraph 3(c) of Executive Board Decision No. 10237-(92/150), as adjusted in accordance with 2(b)(ii) and (c) above as of the date on which the Federal Republic of Yugoslavia (Serbia/Montenegro) qualifies for an allocation under (a) above.

4. The Fund shall not allocate special drawing rights under this Schedule to those participants that have notified the Fund in writing prior to the date of the allocation of their desire not to receive the allocation.

5. (a) If, at the time an allocation is made to a participant under 1, 2, or 3 above, the participant has overdue obligations to the Fund, the special drawing rights so allocated shall be deposited and held in an escrow account within the Special Drawing Rights Department and shall be released to the participant upon discharge of all its overdue obligations to the Fund.

(b) Special drawing rights being held in an escrow account shall not be available for any use and shall not be included in any calculations of allocations or holdings of special drawing rights for the purposes of the Articles, except for calculations under this Schedule. If special drawing rights allocated to a participant are held in an escrow account when the participant terminates its participation in the Special Drawing Rights Department or when it is decided to liquidate the Special Drawing Rights Department, such special drawing rights shall be canceled.

(c) For purposes of this paragraph, overdue obligations to the Fund consist of overdue repurchases and charges in the General Resources Account, overdue principal and interest on loans in the Special Disbursement Account, overdue charges and assessments in the Special Drawing Rights Department, and overdue liabilities to the Fund as trustee.

(d) Except for the provisions of this paragraph, the principle of separation between the General Department and the Special Drawing Rights Department and the unconditional character of special drawing rights as reserve assets shall be maintained."

The Board of Governors adopted the foregoing Resolution, effective September 23, 1997.

IMF Relations with Other International Organizations

IMF cooperation with other international organizations that share common interests and goals, such as the World Bank, the United Nations, the World Trade Organization (WTO), and the International Labour Organization (ILO), continued to evolve in 1997/98 in response to the changing global economic environment and the emergence of new policy challenges.

Relations with the World Bank

Both the evaluations of the Enhanced Structural Adjustment Facility (ESAF) and the Asian financial crisis highlighted the importance of more effective IMF-World Bank collaboration in 1997/98, especially on financial sector, social, and debt issues.

- Building on the April 1997 Joint Statement by the Managing Director of the IMF and the President of the World Bank, an agreement on strengthening collaboration mechanisms for financial sector issues was discussed by the Executive Boards of both institutions and is being implemented. The agreement covers a wide range of activities in the financial sector, including diagnosis, policy advice, technical assistance, and training, as well as operational procedures in crisis situations. In particular, it clarifies the roles of the two institutions and defines and strengthens procedures for collaboration on financial sector issues. Accordingly, the Bank is concerned mainly with the sectoral and developmental aspects of financial systems in developing countries, while the IMF's involvement, including its surveillance, relates primarily to the macroeconomic aspects of financial systems and markets in all member countries.
- The broadening of the IMF's policy advice to include concern for the social impact of its policy advice—notably, to better protect vulnerable groups from the adverse effects of adjustment by ensuring well-designed and targeted social safety nets—has also called for closer collaboration with the World Bank, which undertakes much of the analysis and policy advice on social issues, along with the Food and Agriculture Organization (FAO), ILO, UN Development Programme (UNDP), and United Nations Children's Fund (UNICEF).
- During the financial year, the IMF continued to work closely with the Bank on the implementation of the HIPC Initiative for the heavily indebted poor countries (see Chapter IX). One of the guiding principles of the debt-relief Initiative is that assistance to eligible countries be coordinated among all creditors, with broad and equitable participation. IMF and World Bank staff initiate the consultation process with other creditors prior to the "decision point" to ensure that the HIPC documents reflect the likely response of the international community. Immediately following the IMF and Bank Board meeting at the decision point and at the completion point, the IMF's Managing Director and the President of the World Bank send a joint letter to multilateral and bilateral creditors informing them of the decisions in principle by the IMF and World Bank.

Relations with the United Nations

Collaboration with the United Nations continued in 1997/98, both at the institution-wide and local levels. *Collaboration at the institution-wide level,* largely carried out and supported by the IMF's Office at the UN in New York, has entailed increased participation by IMF staff in meetings and initiatives organized by UN committees and commissions, exchange of information, and collaboration in the statistical area and postconflict situations. In addition, the IMF Office in Geneva works on trade-related issues with the UN Conference on Trade and Development (UNCTAD). In April 1998, the UN Economic and Social Council (ECOSOC) held a Special High-Level Meeting on "Global Financial Integration and Development and Recent Issues," which the IMF's Managing Director attended.

At *the country level,* IMF staff on missions continued to interact with the UN resident coordinators to exchange views on economic and other developments, and IMF resident representatives continued to stay in regular contact with UN resident coordinators, attend heads-of-agency meetings usually chaired by UN resident coordinators, and attend local aid coordination meetings. Collaboration with UN resident coordinators at the local level has been particularly intensive in those countries where the UN Development Programme and the IMF have been engaged in joint funding and implementation of technical assistance projects; the IMF's contribution has been sought in the preparation of Country Strategy Notes and in the United Nations Development Assistance Framework (UNDAF).

Relations with the World Trade Organization

The IMF Office in Geneva is responsible for monitoring and reporting on the activities of the Geneva-based World Trade Organization, and it represents the IMF at meetings of various WTO bodies, including the Balance of Payments Committee. Since a Cooperation Agreement between the IMF and the WTO came into effect in December 1996, implementation of its provisions—which cover institutional and staff consultations (such as the IMF's participation in the WTO Committee on Balance of Payments Restrictions), staff attendance at each other's meetings, and exchange of documents and information—has proceeded smoothly. Under the Agreement's provision on achieving greater coherence in global economic policymaking, a working group of senior staff from the IMF, the WTO, and the World Bank has been actively studying initiatives in that area. The Director-General of the WTO, in a November 1997 report to the General Council, noted that these working relationships had already been fruitful despite the Agreement's having been in effect for less than a year.

A further aspect of IMF-WTO cooperation is the IMF's participation in the Integrated Initiative for Least-Developed Countries' Trade Development, following a declaration at the 1996 Singapore Ministerial Conference of the WTO to promote "an integrated approach to assisting these countries in enhancing their trading opportunities." A subsequent meeting in October 1997, with the IMF among the participating organizations, endorsed guidelines on trade-related technical assistance under the initiative, including for human and institutional capacity-building. The IMF, as one of the six intergovernmental agencies involved in providing an "integrated response," had undertaken or given a commitment in principle to provide technical assistance to 27 countries by the end of the financial year. The IMF's advice on economic policies and technical assistance (particularly in fiscal and statistical areas) is recognized as supporting the establishment of more favorable macroeconomic conditions, thereby enabling these countries to participate more actively in the global trading system.

Relations with the International Labour Organization

Collaboration between the IMF and the ILO has been strengthened in recent years in recognition of the complementarity of the objectives of macroeconomic stability and higher levels of employment over the medium term. Such collaboration intensified in 1997/98 in the context of the Asian financial crisis. During the year, IMF staff attended the ILO-sponsored Asian Regional Conference, held in Bangkok on December 9–11, 1997; the conference dealt with labor market trends and poverty and human development issues in the region. IMF staff also attended the ILO High-Level Tripartite Meeting on the Social Responses to the Financial Crisis in East Asian Countries, in Bangkok on April 22–24, 1998. Contacts between IMF staff and management with ILO officials, as well as with those of labor union organizations, also increased substantially during the year.

Relations with Other Organizations

IMF collaboration with other international and regional organizations is carried out by the IMF's Office in Europe, located in Paris, and the Regional Office for Asia and the Pacific, in Tokyo. The Office in Europe reports on the activities of the Europe-based international and regional institutions, including the Bank for International Settlements, the European Commission, and the Organization for Economic Cooperation and Development (OECD). The Paris Office monitors policies of the European Union, communicates with the OECD Secretariat, and participates in OECD committees. It provides continuing support to the work of the Group of Ten and is also the IMF's principal information office in Europe. The Regional Office for Asia and the Pacific facilitates the IMF's dialogue with regional policymakers by sponsoring various policy forums in the region.

Cooperation with Regional Development Banks

The IMF's close cooperation with such multilateral development banks as the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), and the Inter-American Development Bank (IADB) intensified further in 1997/98, particularly in connection with the HIPC Initiative. Strengthening the institutional partnership with development banks, the IMF Executive Board approved on July 21, 1997, a proposal to allow representatives of multilateral creditors to attend country-specific Board discussions on HIPC Initiative matters. Collaboration with the multilateral development banks includes consultation on structural adjustment programs, including the financing of these programs, coordination of technical assistance, exchange of information, staff visits, and attendance at meetings. IMF staff members regularly attend meetings, seminars, and forums sponsored by other regional, economic, and financial organizations in Africa, Asia and the Pacific, Latin America and the Caribbean, and the Middle East.

Role of IMF Management

The IMF's close ties with other international organizations are enhanced by the Managing Director's attendance at conferences, meetings, and seminars sponsored by the UN, Bank for International Settlements, and other organizations. During the financial year, the Managing Director continued his regular exchanges with the UN Secretary-General, addressed and attended meetings of the UN ECOSOC, participated in meetings of the UN Administrative Committee on Coordination, and in October 1997 delivered an address on the Asian crisis to the Second Committee of the UN General Assembly. Consultations with the OECD in May were followed up by attendance at its Ministerial Meeting in November. And in May 1998 the Managing Director inaugurated the IMF-Singapore Regional Training Institute.

External Relations

The IMF has stepped up its external relations activities in recent years in a number of ways, including through more public appearances and interviews by its management and staff, by expanding its publications and information dissemination, and by encouraging its member countries to release more of their own documentation. The scale of the Asian financial crisis, its global reverberations, and the IMF's role at the center of efforts to manage and resolve the financial turbulence brought these activities into sharp relief in 1997/98. They stimulated unprecedented interest in what the IMF is and does and heightened the degree of scrutiny and debate over the policies advocated by the IMF, the magnitude of its lending, and its role in a globalized economy.

In response, the IMF expanded its media contacts; its management and staff delivered numerous speeches and offered official pronouncements in a wide range of forums; it disseminated more data and information, including through its publications and heavy recourse to the IMF's website, while actively encouraging member countries to do the same; and it engaged more intensively with representatives of the academic, corporate, and civil communities in its member countries.

Purposes

The IMF's external communications activities are aimed at contributing to the effectiveness of the institution's core work. Its external communications work serves three broad purposes:

- *promoting the understanding and pursuit of sound policies and best practices,* through the dissemination of staff analysis and research, advocacy, and consensus building;
- *contributing to public understanding and support for the institution,* by providing information on the IMF's work, policy positions, and processes and meeting a high standard of public accountability; and
- *helping influence economic policy in individual countries* through the communication of IMF views in the context of bilateral surveillance and the provision of financial assistance.

Audiences

The IMF's approach to external communications has evolved in recent years to target a variety of audiences, using a range of instruments. The main audiences are:

- *the public policy community,* which includes government and central bank officials who deal directly with the IMF, as well as parliamentarians who authorize the government's participation in the IMF and are responsible for legislating economic policy, and influential public figures;
- *the media,* both print and broadcast, with the latter assuming a steadily more important role;
- *the academic community* and public policy institutes, which, through their publications and pronouncements, influence the media's and the public's understanding of economic issues and their perception of the work of the IMF;
- *financial markets and the business sector,* whose principal interest lies in information and data about member countries and in the types of policies being implemented with IMF advice and assistance;
- *civil society,* including in particular nongovernmental organizations, labor and religious groups, and women's groups. As civil society has come to acquire more influence in decision making nationally, the need has grown to ensure that these groups have access to reliable information and that there are adequate opportunities for interaction with them; and
- *kindred international organizations.*

Instruments

Each of the audiences is important in itself, but also—to varying degrees—as an intermediary between the IMF and the broader public. External communications initiatives have sought to convey the institution's messages in a number of ways, since audiences differ in the kinds of information they look to the IMF to provide, as well as in their attitudes toward the institution.

Publications and press releases have long been foremost among the IMF's established tools of communication. The IMF publishes reports, periodicals, statistical compilations, books, manuals, pamphlets, and working papers. Collectively, the various publications serve to disseminate information on sound economic policies, topical research, and national, regional, and world economic developments and prospects, thereby complementing the IMF's surveillance activities and fostering international economic cooperation. Publications also inform a broader audience of how the IMF works.

Press releases are the chief vehicle for informing the public in a timely fashion of Executive Board decisions on the use of IMF resources and on other issues of public interest. The Newsbrief series is used principally to make the public aware of management and senior staff views on topical matters. In 1997/98, written contributions to newspapers, for example, op-ed articles and letters to the editors, have allowed the IMF to state its case, and correct serious misconceptions, directly to the public.[1]

Speeches are also a key instrument. They allow management, and in particular the Managing Director as the IMF's principal spokesman, to set out the IMF's views on the major economic and financial issues of the day, to respond to the views of others, and to offer fresh ideas for public consideration.

Two other instruments have a similarly broad reach, yet with the capability of being focused on specific audiences and delivering specific messages: seminars and conferences, and management and staff contacts with nonofficials, including the media. Seminars and conferences provide a means of engaging and bringing the IMF's views to a wide range of interlocutors—professional peers, regional groups of journalists, policymakers, and representatives of civil society. Equally, they provide opportunities for the IMF to listen to and consider alternative views and perceptions. Management and staff contacts with the media range from one-on-one interviews and briefings for small groups to press conferences on events of major interest, such as the release of the *World Economic Outlook*. A feature of increasing importance in the institution's outreach to nonofficials has been the enhanced role of the IMF's resident representatives—and of staff in the IMF's overseas offices—in explaining the work of the institution. Also, heads of missions to member countries increasingly give press briefings at the conclusion of staff visits. IMF missions are also more routinely interacting with contacts in the academic community, the corporate sector, and civil society.

Finally, an innovation that has expanded the potential audience for the IMF has been the introduction, in 1996, of the IMF's external website at http://www.imf.org. "IMF Publications" has fairly consistently been the most frequently visited locale on the site, with much interest also in management speeches and press conferences, transcripts of which are posted routinely. By the end of 1997/98, total visits to the site from outside the IMF averaged about one million a month, nearly five times the level a year earlier. In May 1998, 32 percent of visitors were identified as U.S.-based and 41 percent as outside the United States.

[1]In 1997/98, 58 press releases, 35 Newsbriefs, and 77 Press Information Notices were issued, and nearly a dozen letters to the editor and 10 articles by IMF management and senior staff appeared in major newspapers and journals.

Initiatives in 1997/98

Building further on its expanded external communication efforts of recent years, the IMF responded to demands for greater openness in 1997/98 in the following ways:

- having its management and staff give an unprecedented number of speeches, press conferences, and on-the-record interviews to a broad spectrum of the media;
- conducting an extensive outreach effort—including public information visits and briefings for journalists—in Asia prior to the Hong Kong Annual Meetings;
- establishing an Office for Asia and the Pacific, in Tokyo, whose functions include external communications;
- expanding its program of issue-oriented and regional seminars (e.g., a seminar on Asia and the IMF in Hong Kong prior to the 1997 Annual Meetings) and introducing a program of seminars at the Joint Vienna Institute for parliamentarians from economies in transition;
- publishing the results of an external evaluation of the Enhanced Structural Adjustment Facility, launching a new IMF-sponsored *Finance & Development,* stepping up coverage of topical issues through its *Economic Issues* series, and introducing a new publication, *IMF Economic Reviews,* that is a collection of current Press (now "Public") Information Notices; and
- increasing substantially its recourse to the Internet to disseminate information and publications, which includes, for the first time, making available on line Letters of Intent and Memoranda of Economic and Financial Policies of member countries.

In recognition of the heightened importance of external communications in helping the IMF fulfill its role more effectively, the Executive Board called for a review and assessment of the IMF's communications strategy and performance, to be completed in 1998/99.

Table V.1.

Publications Issued, Financial Year Ended April 30, 1998

Reports and Other Documents

*Annual Report of the Executive Board for the Financial Year Ended April 30, 1997**
(English, French, German, and Spanish). Free.

Exchange Arrangements and Exchange Restrictions, Annual Report 1997
$76.00 ($38.00 to full-time university faculty members and students).

Summary Proceedings of the Fifty-Second Annual Meeting of the Board of Governors (1997). Free.
The IMF Committee on Balance of Payments Statistics, Annual Report, 1997. Free.

Periodic Publications

Balance of Payments Statistics Yearbook
Vol. 48, 1997. A two-part yearbook. $68.00 a year.

Direction of Trade Statistics
Quarterly, with yearbook. $110.00 a year. $55.00 to full-time university faculty members and students. $32.00 for yearbook only.

Government Finance Statistics Yearbook
Vol. 21, 1997 (introduction and titles of lines in English, French, and Spanish). $60.00.

International Financial Statistics
Monthly, with yearbook (English, French, and Spanish). $246.00 a year. $123.00 to full-time university faculty members and students. $65.00 for yearbook only. *International*

Financial Statistics is also available on CD-ROM. Price information is available on request.

Staff Papers
Four times a year. $56.00 a year. $28.00 to full-time university faculty members and students.

*Finance and Development**
Quarterly (English, Arabic, Chinese, French, and Spanish). Free. Airspeed delivery, $20.00.

*IMF Survey**
Twice monthly, but only once in December (English, French, and Spanish). Private firms and individuals are charged at an annual rate of $79.00.

Occasional Papers

No. 151. *Currency Board Arrangements: Issues and Experiences,* by Tómas J.T. Baliño and Charles Enoch.

No. 152. *Hong Kong, China: Growth, Structural Change, and Economic Stability During the Transition,* by John Dodsworth and Dubravko Mihaljek.

No. 153. *Pension Regimes and Saving,* by G.A. Mackenzie, Philip Gerson, and Alfredo Cuevas.

No. 154. *Credibility Without Rules,* by Carlo Cottarelli.

No. 155. *Fiscal Policy Issues During the Transition in Russia,* by Augusto Lopez-Claros and Sergei Alexashenko.

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Press Communiqués of the Interim Committee and the Development Committee

Interim Committee of the Board of Governors of the International Monetary System

PRESS COMMUNIQUÉS

Forty-Ninth Meeting, Hong Kong, China, September 21, 1997

1. The Interim Committee held its forty-ninth meeting in Hong Kong, China on September 21, 1997 under the Chairmanship of Mr. Philippe Maystadt, Deputy Prime Minister and Minister of Finance and Foreign Trade of Belgium.

2. The Committee welcomed the generally favorable prospects for the continued expansion of world output and trade. There are, nevertheless, risks that confront individual countries and that could also affect the world economy, if not decisively addressed.

- In the advanced economies as a group, growth with low inflation is projected to continue. However, sustained fiscal consolidation remains a challenge for many countries, requiring resolute policies over the near and medium term. Exchange rates among the major currencies should reflect economic fundamentals bearing in mind the importance of avoiding large external imbalances. In countries that have reached high levels of resource use, including the United States, monetary policy will need to guard against the reemergence of inflation. In continental Europe, monetary policy should remain consistent with sustained expansion of domestic demand. The challenge for Japan is to achieve the objective of domestic demand-led growth with a supportive stance of monetary policy while proceeding vigorously with its structural reform program and further consolidating its fiscal position over the medium term. High levels of structural unemployment in several European countries point to the pressing need for more determined efforts to increase efficiency and adaptability in labor and product markets and to reform tax, social benefits, and other entitlement systems.
- The growth performance and prospects of developing countries as a group have strengthened in recent years. However, further improvements are needed in many cases to achieve significant reductions in poverty. This highlights the need to maintain macroeconomic discipline and accelerate structural reforms, including "second-generation" reforms aimed at strengthening public administration and financial sector management, developing human capital, promoting basic infrastructure, and fostering a conducive and transparent environment for private investment.
- In some emerging market economies, large external imbalances and fragile banking systems have adversely affected investor confidence and exacerbated the risks emanating from volatile capital movements.
- In the transition countries, growth has resumed following good progress, in most cases, with macroeconomic stabilization and structural reforms. Strengthening growth performance depends on speeding up legal, institutional, and other reforms that encourage private economic activity and investment. To safeguard and build upon the achievements thus far, inflation will in most cases need to be lowered further through disciplined macroeconomic policies.

3. The Committee welcomed progress made toward a successful European Economic and Monetary Union (EMU) that contributes to stability in the international monetary system. The economic convergence achieved in Europe and the strong commitment to start EMU on schedule constitute a sound basis for securing a smooth transition to the euro on January 1, 1999. The best way to ensure a solid and stable EMU will be for its participants to demonstrate not only their commitment to the fiscal requirements of the Stability and Growth Pact, but also their resolve to attack the root causes of Europe's high unemployment.

4. The Committee reaffirmed the vital contribution of globalization to economic growth worldwide. Adherence by all members to the policy guidelines set out in the Committee's "Declaration on Partnership for Sustainable Global Growth" is essential to ensuring that all share in the benefits of globalization. The Committee welcomed the recent adoption by the Fund of guidelines on governance issues as well as the ongoing efforts to enhance the soundness of financial systems, notably the establishment of the "Core Principles of Effective Banking Supervision" developed by the Basle Committee in conjunction with the supervisory authorities in a number of emerging market economies.

5. The Committee noted that recent disturbances in Asian financial markets have again underscored the importance for policymakers in all countries to ensure the internal consistency of macroeconomic policies, strengthen financial systems, and avoid excessive external deficits and reliance on short-term

foreign borrowing. Although the impact of recent financial market turmoil on some of the countries affected is expected to result in a slowdown of growth in the near term, the countries. economic fundamentals remain solid and their longer-term outlook is favorable, provided the required adjustment policies are sustained. The Committee also noted that the recent Asian experience has illustrated that rising capital flows may require some adaptation of exchange rate arrangements to changing circumstances. Regardless of a country's exchange rate arrangement, the maintenance of appropriate macroeconomic and structural policies consistent with the arrangement remains crucial.

6. The Committee commended the Fund for its prompt and effective response to the events in Asia, welcomed the support provided by the region, and invited the Executive Board to examine what further lessons could be drawn for the Fund's work and to report its findings to the next meeting of the Committee. In this context, the Committee recognized that the recent developments raised a number of analytical issues, including on the prevention of crises and contagion effects. The Committee stressed the importance of openness and accountability of economic policymaking, and of transparency, to achieving policy credibility and confidence building in a globalized environment. It would be useful for the Fund to work in this area, including the possibility of developing a code of good practices. Timely and accurate economic information is also needed to improve the functioning of markets. The Committee welcomed the Fund's Special Data Dissemination Standard and the recent voluntary release of Press Information Notices on the conclusions of Fund surveillance in individual members, making an important contribution to transparency. The Committee looked forward to the strengthening of the Fund's Special Data Dissemination Standard.

7. The Committee reiterated its view that an open and liberal system of capital movements, supported by sound macroeconomic policies and strong financial systems, enhances economic welfare and prosperity in the world economy. The Committee adopted the Statement on "The Liberalization of Capital Movements Under an Amendment of the Fund's Articles," and considered that an amendment of the Fund's Articles will provide the most effective means of promoting an orderly liberalization of capital movements consistent with the Fund's role in the international monetary system. The Committee requested the Executive Board to accord high priority to completing its work and submitting a report and a proposed draft amendment to the Board of Governors.

8. The Committee welcomed the agreement reached by the Executive Board on both the size of the increase in quotas under the Eleventh General Review and on the method to be used to distribute the overall increase in quotas. The Committee agreed that:

- The present total of Fund quotas would be increased by 45 percent;
- Seventy-five percent of the overall increase would be distributed in proportion to present quotas;
- Fifteen percent of the overall increase would be distributed in proportion to members' shares in calculated quotas (based on 1994 data), so as to better reflect the relative economic positions of members; and
- The remaining 10 percent of the overall increase would be distributed among those members whose present quotas are out of line with their positions in the world economy (as measured by the excess of their share in calculated quotas over their share in actual quotas), of which 1 percent of the overall increase would be distributed among five members whose current quotas are far out of line with their relative economic positions, and which are in a position to contribute to the Fund's liquidity over the medium term.

The Committee requested the Executive Board to submit before the end of this year a proposed resolution for the approval of the Board of Governors to effect the agreed increases in quotas. The Committee reiterated its view that the formulas used to calculate quotas should be reviewed by the Board promptly after the completion of the Eleventh General Review.

9. The Committee welcomed the agreement reached by the Executive Board on an amendment of the Articles to provide all members with an equitable share of cumulative SDR allocations through a special one-time SDR allocation amounting to SDR 21.4 billion, which will double the amount of SDRs already allocated. Accordingly, it recommends the adoption by the Board of Governors of the proposed Resolution.

10. The Committee welcomed the recent progress made in the implementation of the HIPC Initiative, including the decisions, in principle, of the Executive Boards of the Fund and Bank to provide assistance to Uganda, Bolivia, and Burkina Faso, and the preliminary discussions on Côte d'Ivoire, Guyana, and Mozambique. The Committee encouraged countries that could qualify under the Initiative to expeditiously take the necessary adjustment measures to benefit from this special assistance.

11. The Committee welcomed the continuing efforts to help secure the resources needed to complete the financing of the ESAF and HIPC initiatives. It noted that, in light of the bilateral pledges received or in prospect, and the need to continue making commitments under the HIPC Initiative, further steps to secure the timely funding of these initiatives would have to be considered soon.

The Committee will meet again in Washington, D.C., on April 16, 1998.

Statement of the Interim Committee on the Liberalization of Capital Movements Under an Amendment of the Articles

1. It is time to add a new chapter to the Bretton Woods agreement. Private capital flows have become much more important to the international monetary system, and an increasingly open and liberal system has proved to be highly beneficial to the world economy. By facilitating the flow of savings to their most productive uses, capital movements increase investment, growth, and prosperity. Provided it is introduced in an orderly manner, and backed both by adequate national policies and a solid multilateral system for surveillance and financial support, the liberalization of capital flows is an essential element of an efficient international monetary system in this age of globalization. The IMF's central role in the international monetary system, and its near universal membership, make it uniquely placed to help this process.

The Committee sees the Fund's proposed new mandate as bold in its vision, but cautious in implementation.

2. International capital flows are highly sensitive, inter alia, to the stability of the international monetary system, the quality of macroeconomic policies, and the soundness of domestic financial systems. The recent turmoil in financial markets has demonstrated again the importance of underpinning liberalization with a broad range of structural measures, especially in the monetary and financial sector, and within the framework of a solid mix of macroeconomic and exchange rate policies. Particular importance will need to be attached to establishing an environment conducive to the efficient utilization of capital and to building sound financial systems solid enough to cope with fluctuations in capital flows. This phased but comprehensive approach will tailor capital account liberalization to the circumstances of individual countries, thereby maximizing the chances of success, not only for each country but also for the international monetary system.

3. These efforts should lead to the establishment of a multilateral and nondiscriminatory system to promote the liberalization of capital movements. The Fund will have the task of assisting in the establishment of such a system and stands ready to support members' efforts in this regard. Its role is also key to the adoption of policies that would facilitate properly sequenced liberalization and reduce the likelihood of financial and balance of payments crises.

4. In light of the foregoing, the Committee invites the Executive Board to complete its work on a proposed amendment of the Fund's Articles that would make the liberalization of capital movements one of the purposes of the Fund, and extend, as needed, the Fund's jurisdiction through the establishment of carefully defined and consistently applied obligations regarding the liberalization of such movements. Safeguards and transitional arrangements are necessary for the success of this major endeavor. Flexible approval policies will have to be adopted. In both the preparation of an amendment to its Articles and in its implementation, the members' obligations under other international agreements will be respected. In pursuing this work, the Committee expects the IMF and other institutions to cooperate closely.

5. Sound liberalization and expanded access to capital markets should reduce the frequency of recourse to Fund resources and other exceptional financing. Nevertheless, the Committee recognizes that, in some circumstances, there could be a large need for financing from the Fund and other sources. The Fund will continue to play a critical role in helping to mobilize financial support for members' adjustment programs. In such endeavors, the Fund will continue its central catalytic role while minimizing moral hazard.

6. In view of the importance of moving decisively toward this new worldwide regime of liberalized capital movements, and welcoming the very broad consensus of the membership on these basic guidelines, the Committee invites the Executive Board to give a high priority to the completion of the required amendment of the Fund's Articles of Agreement.

Annex: Interim Committee Attendance
September 21, 1997

Chairman

Philippe Maystadt, Deputy Prime Minister, Minister of Finance and Minister of External Trade of Belgium

Managing Director

Michel Camdessus

Members or Alternates

Ahmad Mohd Don, Governor, Bank Negara Malaysia
Ibrahim A. Al-Assaf, Minister of Finance and National Economy, Saudi Arabia
Erik Åsbrink, Minister of Finance, Sweden
Gordon Brown, Chancellor of the Exchequer, United Kingdom
P. Chidambaram, Minister of Finance, India
Carlo Azeglio Ciampi, Minister of the Treasury, Italy
Peter Costello, Treasurer, Australia
Dai Xianglong, Governor, People's Bank of China
Rodrigo de Rato Figaredo, Second-Vice President and Minister of Economy and Finance, Spain
Marcel Doupamby Matoka, Minister of Finance, Economy, Budget, and Equity Financing, Gabon
Sergei Dubinin, Chairman, Central Bank of the Russian Federation
Roque B. Fernández, Minister of Economy and Public Works and Services, Argentina
Abdelouahab Keramane, Governor, Banque d'Algérie
Sultan Bin Nasser Al-Suwaidi, Governor, United Arab Emirates Central Bank (Alternate for Mohammed K. Khirbash, Minister of State for Finance and Industry, United Arab Emirates)
Pedro Sampaio Malan, Minister of Finance, Brazil
Justin C. Malewezi, Vice President and Minister of Finance, Malawi
Gordon Thiessen, Governor, Bank of Canada (a.m. session) and James A. Judd, Assistant Deputy Minister, International Trade and Finance, Department of Finance, Canada (p.m. session) (Alternate for Paul Martin, Minister of Finance, Canada)
Jean-Claude Juncker, Prime Minister and Minister of Finance, Luxembourg (a.m. session) and Wolfgang Ruttenstorfer, Secretary of State, Federal Ministry of Finance, Austria (p.m. session) (Alternate for Philippe Maystadt, Deputy Prime Minister, Minister of Finance and Minister of External Trade, Belgium)
Hiroshi Mitsuzuka, Minister of Finance, Japan
Robert E. Rubin, Secretary of the Treasury, United States
Dominique Strauss-Kahn, Minister of Economy, Finance and Industry, France
Kaspar Villiger, Minister of Finance, Switzerland
Theo Waigel, Federal Minister of Finance, Germany
Gerrit Zalm, Minister of Finance, Netherlands

Observers

Yilmar Akyuz, Chief, Macroeconomics and Development Policies Branch, UNCTAD
Andrew D. Crockett, General Manager, BIS
Yves-Thibault de Silguy, Commissioner for Economic, Monetary and Financial Affairs, EC
Driss Jettou, Chairman, Joint Development Committee
Donald J. Johnston, Secretary-General, OECD
Rilwanu Lukman, Secretary General, OPEC
Rubens Ricupero, UN
Jesús Seade, Deputy Director-General, WTO
James D. Wolfensohn, President, World Bank

Fiftieth Meeting, Washington, D.C., April 16, 1998

1. The Interim Committee held its fiftieth meeting in Washington, D.C. on April 16, 1998 under the Chairmanship of Mr. Philippe Maystadt, Deputy Prime Minister and Minister of Finance and Foreign Trade of Belgium.

The World Economic Outlook, Including the Causes and Effects of the Asian Crisis

2. The Committee agreed that, while the countries at the center of the crisis will suffer significantly from the recent financial turmoil in Asia, the global outlook for world economic growth can be regarded as cautiously optimistic. This assessment reflects the continued strong performance expected in most industrial countries, sustained corrective policies in emerging market countries that helped avert a wider crisis, and progress in much of the developing world and among the transition countries in improving medium-term fundamentals.

Notwithstanding these positive aspects, there are downside risks, calling for resolute action in a number of areas to support global noninflationary economic growth.

- Among the countries at the center of the crisis, determined implementation of agreed policy programs is essential to restore confidence and sustainable growth. This includes maintenance of appropriately firm monetary policies to underpin the recovery in exchange rates, fiscal discipline, and the implementation, without delay, of structural reforms, especially in the financial sector, which are essential to strengthen medium-term prospects. It is equally important for all countries to keep markets open.
- In Japan, both fiscal and structural measures, including comprehensive regulatory and financial sector reforms, are needed to secure an early and lasting recovery. The Committee welcomed the recent announcement of the economic policy package, as well as steps taken earlier to strengthen the financial system. It will be important now to implement effective fiscal measures and appropriate structural reforms promptly. Decisive and rapid action in the financial sector is important to restore public confidence. Any support to the banking system should be accompanied by appropriate action on closure or consolidation, and undertaken as part of a coherent medium-term policy framework. Such actions are particularly crucial at the current conjuncture, given the importance of the Japanese economy for the region and for the world.
- In those industrial countries operating near capacity, including the United States and the United Kingdom, the authorities need to remain vigilant as always to inflation risks. In the United States, prospective fiscal surpluses should help to address the issue of the low national savings rate.
- In continental Europe, the Committee welcomed the economic convergence of the countries aspiring to initial participation in EMU and looked forward to the historic decisions to be taken shortly. Further progress with fiscal consolidation is desirable in a number of countries, especially to provide for the needed scope for policy flexibility within the Stability and Growth Pact, and there continues to be a strong need for progress in implementing structural reforms, especially in labor markets, to help reduce unemployment and contribute in this regard to the success of EMU. Moreover, it will be important for balanced world growth that growth in continental Europe be led increasingly by domestic demand. The Committee requested the Executive Board to examine further the implications of EMU for Fund operations and for the conduct of Fund surveillance, and to report its findings in time for the next meeting of the Committee.
- For developing countries, the focus should remain on sound macroeconomic policies, open markets, and structural reforms—particularly building soundly managed and supervised market-oriented financial sectors. While those emerging market economies not at the center of the crisis have generally weathered the crisis well thus far, it remains prudent for them to continue to strengthen policies, particularly by containing external balances, avoiding overheating, strengthening the financial system, and enhancing data provision. In Africa, strong structural adjustment policies and continued support from the international community are needed to sustain the progress made by several countries in raising living standards. Although a number of developing countries would benefit, the recent sharp declines in oil and other commodity prices pose considerable challenges for a number of other developing countries, and could temporarily affect growth and investment and slow progress in reducing poverty, especially in some African countries.
- For the transition countries, the move to positive growth with lower inflation in 1997 represents an important achievement, but many countries still need to reduce fiscal deficits by strengthening revenue collection and improving the efficiency of social security and welfare systems and of governmental services more generally.

Strengthening the Architecture of the International Monetary System—Prevention, Management, and Resolution of Crises

3. The Committee discussed emerging lessons from the Asian crisis and steps required for strengthening the architecture of the international monetary system. Such a strengthening was regarded as needed, particularly in light of globalization, which has brought clear benefits, but at the same time has posed challenges. It has reinforced the importance of sound macroeconomic policies and strong financial systems to guard against vulnerability to shifts in market sentiment and to contagion effects from policy weaknesses in other countries. The Committee considered that action to help prevent financial crises, and resolve them when they occur, should center on the following pillars.

a. Strengthened International and Domestic Financial Systems

- Sound and stable macroeconomic policies are critical to financial stability.
- Action is also needed to strengthen domestic financial systems, by developing supervisory and regulatory frameworks consistent with internationally accepted practices and strengthened standards for bank and nonbank financial entities. Work in this area is already in progress in various forums, notably the Basle Committee's Core Principles for strengthening banking regulation and supervision. The Committee noted that such work should be further

advanced in the appropriate forums to cover other important areas, which could include accounting, auditing, disclosure, asset valuation, bankruptcy, and corporate governance. The Committee called on the Fund to work with other concerned institutions and organizations responsible for the development of standards and guidelines in these areas, and in the context of its surveillance activities, to consider how best the Fund could assist in the dissemination of such standards to the membership and to encourage members to adopt them. The Committee welcomes ongoing efforts to facilitate the exchange of information and greater coordination among financial supervisors, to help strengthen domestic financial systems.

b. Strengthened Fund Surveillance and Recommendations

- The Committee agreed that the Fund should intensify its surveillance of financial sector issues and capital flows, give particular attention to policy interdependence and risks of contagion, and ensure that it is fully aware of market views and perspectives.
- The Committee noted that the Fund's enhanced surveillance should include a focus on the risks posed by potentially abrupt reversals of capital flows, particularly those of a short-term nature. It requested the Executive Board to examine ways to strengthen the monitoring of capital flows.
- The Committee encouraged further efforts by the Fund and the Bank to find the most effective way—possibly through new forms of joint collaboration, and drawing on relevant outside expertise—to offer their members the best possible advice on strengthening the financial sector.
- It emphasized the need for the Fund's views to be communicated effectively to members and to be brought to bear in members' policy deliberations. In this context, it requested the Executive Board to develop a "tiered response," whereby countries that are believed to be seriously off course in their policies are given increasingly strong warnings.

c. Greater Availability and Transparency of Information Regarding Economic Data and Policies

- Noting that the effectiveness of surveillance depended critically on the timely availability of accurate information, the Committee underscored members' obligation to provide timely and accurate data to the Fund. If persistent deficiencies in disclosing relevant data to the Fund seriously impede surveillance, conclusion of Article IV consultations should be delayed.
- The Committee welcomed the progress made on implementation of the Special and General Data Dissemination Initiatives. It requested the Fund to expedite its efforts to broaden and strengthen the Special Data Dissemination Standard (SDDS) to cover additional financial data, including net reserves (reserve-related liabilities, central bank derivative transactions and positions); debt, particularly short-term debt; and indicators of the stability of the financial sector. The Committee recognized the importance of encouraging more members to subscribe to the SDDS and of supporting efforts by members to improve compilation and provision of data with technical assistance from the Fund and other agencies. The Committee also emphasized the importance of subscribers being in full observance of the standard by the end of the transition period in December 1998. Consideration should be given to increase its usefulness, accessibility to the public and market participants, and publication of compliance.
- It further requested the Fund to continue its efforts to increase dissemination of information on its policy recommendations and encouraged member countries to increase the transparency of their policies.
- The Committee encouraged more members to release Press Information Notices on the conclusions of Article IV consultations, and it welcomed the upcoming review as a good occasion to take stock of the experience.

d. Central Role of the Fund in Crisis Management

- The Committee welcomed the timely response to the crisis by the international community, including from the Fund. It welcomed the establishment of the Supplemental Reserve Facility and the use of emergency procedures in the Fund's rapid response in support of the countries in crisis.
- The Fund's role in responding to members experiencing a large financing need should remain central, in particular because of the Fund's role, through its conditionality, in supporting the necessary reforms. The Fund cannot be expected to be able to finance whatever large balance of payments deficit. Its role is essential to catalyze other sources of financing and, when needed, to coordinate support from other sources.
- The Committee noted the sharp weakening of the Fund's liquidity position and stressed the need to ensure that the Fund has adequate resources. It called for the rapid implementation of the increase in quotas approved by the Board of Governors in January 1998 and of the New Arrangements to Borrow.

e. More Effective Procedures to Involve the Private Sector in Forestalling or Resolving Financial Crises

- The Committee observed that, while many in the private sector had incurred substantial losses in the recent crises, it was important that all creditors, including short-term creditors, more fully bear the consequences of their actions.
- It noted that, in the first instance, measures to discourage excessive reliance on short-term financing and strengthen countries' capacity to withstand sudden shifts in market sentiment are essential preventive elements.
- The Committee agreed that, when warranted by crisis situations, ways needed to be found to involve private creditors at an early stage, in order to achieve equitable burden sharing vis-à-vis the official sector and to limit moral hazard. While noting the difficult issues involved, the Committee requested the Executive Board to intensify its consideration of possible steps to strengthen private sector involvement.
- Efforts should also be devoted to strengthening incentives for creditors and investors to better use information to analyze risks appropriately and avoid excessive risk taking.
- The Committee suggested that different mechanisms for meeting this objective could be considered:
    - closer contacts with creditors for explaining Fund arrangements and catalyzing private sector financing;
    - studying further the possibility of introducing provisions in bond contracts for bondholders to be repre-

sented, in case of nonpayment, in negotiations on bond contract restructuring;
- extending the Fund's policy of providing financing to members in arrears on their debt payments to some private creditors under appropriate safeguards;
- encouraging the adoption of strong bankruptcy systems for the operation of both domestic and international capital markets;
- advising members to exercise caution with respect to public guarantees to reduce the risk of a private debt problem turning into a sovereign debt problem.

The Committee requested the Executive Board to report on all aspects of its work in these areas at the next meeting of the Committee.

Liberalization of Capital Movements Under an Amendment of the Articles

4. The financial crisis in Asia has given heightened attention to the role of capital flows in economic development. The effects of the crisis have not negated the contribution that capital movements have made to economic progress in the Asian countries before the crisis erupted. Rather, the crisis has underscored the importance of orderly and properly sequenced liberalization of capital movements, the need for appropriate macroeconomic and exchange rate policies, the critical role of sound financial sectors, and effective prudential and supervisory systems. The Committee reaffirmed its view, expressed in the Hong Kong communiqué last September, that it is now time to add a new chapter to the Bretton Woods Agreement by making the liberalization of capital movements one of the purposes of the Fund and extending, as needed, the Fund's jurisdiction for this purpose. The Committee noted the progress made thus far and the provisional agreement reached by the Executive Board on that part of the amendment dealing with the Fund's purposes. It requested the Executive Board to pursue with determination its work on other aspects, including policy issues, with the aim of submitting an appropriate amendment of the Articles for the Committee's consideration as soon as possible.

Code of Good Practices on Fiscal Transparency—Declaration on Principles

5. The Committee adopted the attached "Code of Good Practices on Fiscal Transparency—Declaration on Principles"[1] to serve as a guide for members to increase fiscal transparency, and thereby enhance the accountability and credibility of fiscal policy as a key feature of good governance. The Committee encouraged member countries to adhere to the principles and implement the practices of the Code, recognizing that implementation will be affected by diversity in fiscal institutions, legal systems, and implementation capacity. The Committee requested the IMF to monitor progress in implementing the Code in the context of its surveillance. The Committee also encouraged the Executive Board to examine the desirability of developing a code of good practices with respect to financial and monetary policies, in cooperation with the appropriate institutions.

[1]The Committee noted that a "Code of Good Practices" does not imply a legal obligation on members.

ESAF and HIPC Initiatives—Implementation, Financing, and Evaluation

6. The Committee welcomed the progress made to date in the implementation of the HIPC Initiative, including (i) the release by the Executive Boards of the Fund and the Bank of assistance for Uganda when it reached its completion point in early April; (ii) the decisions, in principle, to provide assistance to Bolivia, Burkina Faso, Côte d'Ivoire, Guyana, and Mozambique; and (iii) the preliminary discussions on Guinea-Bissau and Mali. The Committee encouraged countries that could qualify for assistance under the Initiative to take expeditiously the necessary adjustment measures to qualify for this special assistance.

The Committee noted the need to reactivate the efforts by the Fund to secure the full financing of the ESAF and the HIPC Initiative. In view of the present and expected future commitments under the HIPC Initiative and the significant costs resulting from the delay in mobilizing the necessary financial resources, the Committee urged all members to move quickly to complete the financing of these initiatives as soon as possible. The Committee requested that the Executive Board report back to the Interim Committee on this issue at its next meeting.

The Committee expressed its appreciation for the work of the external evaluators of the ESAF. Their report, which complemented the earlier internal evaluation of the ESAF, reaffirmed the view that the ESAF is a valuable instrument to assist low-income countries. The Committee noted that, together, the internal and external evaluations provided important lessons and a useful basis for public debate. The Committee welcomed the intention of the Executive Board to draw operational conclusions from the issues raised by the evaluations so as to strengthen the ability of the Fund to foster sustained growth and external viability in poor countries.

The next meeting of the Interim Committee will be held in Washington, D.C. on October 4, 1998.

Attachment
Code of Good Practices on Fiscal Transparency—Declaration on Principles

The Interim Committee stressed the importance of good governance when it adopted the Partnership for Sustainable Global Growth in September 1996, and again at its September 1997 meeting in Hong Kong SAR. Fiscal transparency would make a major contribution to the cause of good governance. It should lead to better-informed public debate about the design and results of fiscal policy, make governments more accountable for the implementation of fiscal policy, and thereby strengthen credibility and public understanding of macroeconomic policies and choices. In a globalized environment, fiscal transparency is of considerable importance to achieving macroeconomic stability and high-quality growth. However, it is only one aspect of good fiscal management, and attention has to be paid also to increasing the efficiency of government activity and establishing sound public finances.

Because of its fiscal management expertise and universal membership, the IMF is well placed to take the lead in promoting greater fiscal transparency. The Interim Committee is therefore seeking to encourage IMF member countries to implement the following Code of Good Practices on Fiscal

Transparency. The Code is based around the following key objectives: roles and responsibilities in government should be clear; information on government activities should be provided to the public; budget preparation, execution, and reporting should be undertaken in an open manner; and fiscal information should be subjected to independent assurances of integrity. The Code sets out what governments should do to meet these objectives in terms of principles and practices. These principles and practices are distilled from the IMF's knowledge of fiscal management practices in member countries. The Code will facilitate surveillance of economic policies by country authorities, financial markets, and international institutions.

Guidelines to the implementation of the Code are to be provided in a supporting manual, which is currently being developed. The Code acknowledges diversity across countries in fiscal management systems and in cultural, constitutional, and legal environments, as well as differences across countries in the technical and administrative capacity to improve transparency. While there is scope in all countries for improvement with respect to some aspects of fiscal transparency covered in the Code, diversity and differences across countries inevitably imply that many countries may not be able to move quickly to implement the Code. Moreover, it is recognized that there may be a need for technical assistance if existing fiscal management practices are to be changed, and the IMF must be prepared to provide technical assistance, in cooperation with other international organizations, to those countries that request it in connection with improving fiscal transparency. Modifications to the Code should be considered periodically, in light of the experience with its implementation.

I. Clarity of Roles and Responsibilities

1.1 *The government sector should be clearly distinguished from the rest of the economy, and policy and management roles within government should be well defined.*

1.1.1 The boundary between the government sector and the rest of the economy should be clearly defined and widely understood. The government sector should correspond to the general government, which comprises the central government and lower levels of government, including extrabudgetary operations.

1.1.2 Government involvement in the rest of the economy (e.g., through regulation and equity ownership) should be conducted in an open and public manner on the basis of clear rules and procedures, which are applied in a nondiscriminatory manner.

1.1.3 The allocation of responsibilities between different levels of government, and between the executive branch, the legislative branch, and the judiciary, should be clearly defined.

1.1.4 Clear mechanisms for the coordination and management of budgetary and extrabudgetary activities should be established, and well-defined arrangements vis-à-vis other government entities (e.g., the central bank, and state-controlled financial and nonfinancial enterprises) should be specified.

1.2 *There should be a clear legal and administrative framework for fiscal management.*

1.2.1 Fiscal management should be governed by comprehensive laws and administrative rules applying to budgetary and extrabudgetary activities. Any commitment or expenditure of government funds should have a legal authority.

1.2.2 Taxes, duties, fees, and charges should have an explicit legal basis. Tax laws and regulations should be easily accessible and understandable, and clear criteria should guide any administrative discretion in their application.

1.2.3 Ethical standards of behavior for public servants should be clear and well publicized.

II. Public Availability of Information

2.1 *The public should be provided with full information on the past, current, and projected fiscal activity of government.*

2.1.1 The annual budget should cover all central government operations in detail and should also provide information on central government extrabudgetary operations. In addition, sufficient information should be provided on the revenue and expenditure of lower levels of government to allow a consolidated financial position for the general government to be presented.

2.1.2 Information comparable to that in the annual budget should be provided for the outturns of the two preceding fiscal years, together with forecasts of key budget aggregates for the two years following the budget.

2.1.3 Statements should be published with the annual budget giving a description of the nature and fiscal significance of contingent liabilities, tax expenditures, and quasi-fiscal activities.

2.1.4 The central government should regularly publish information on the level and composition of its debt and financial assets.

2.2 *A public commitment should be made to the timely publication of fiscal information.*

2.2.1 Specific commitments should be made to the publication of fiscal information (e.g., in a budget law).

2.2.2 Advance release date calendars for fiscal reporting to the public should be announced.

III. Open Budget Preparation, Execution, and Reporting

3.1 *Budget documentation should specify fiscal policy objectives, the macroeconomic framework, the policy basis for the budget, and identifiable major fiscal risks.*

3.1.1 A statement of fiscal policy objectives and an assessment of sustainable fiscal policy should provide the framework for the annual budget.

3.1.2 Any fiscal rules that have been adopted (e.g., a balanced budget requirement and borrowing limits for lower levels of governments) should be clearly specified.

3.1.3 The annual budget should be presented within a comprehensive and consistent quantitative macroeconomic framework, and the economic assumptions and key parameters (e.g., effective tax rates) underlying budget estimates should be provided.

3.1.4 Existing commitments should be distinguished from new policies included in the annual budget.

3.1.5 Major risks to the annual budget should be identified and quantified where possible, including variations in economic assumptions and the uncertain costs of specific expenditure commitments (e.g., financial restructuring).

3.2 *Budget estimates should be classified and presented in a way that facilitates policy analysis and promotes accountability.*

3.2.1 Government transactions should be on a gross basis, distinguishing revenue, expenditure, and financing, and classifying expenditures on an economic and functional basis.

In addition, expenditure should be classified by administrative category. Data on extrabudgetary operations should be similarly classified. Budget data should be presented in a way that allows international comparisons.

3.2.2 A statement of objectives to be achieved by major budget programs (e.g., improvement in relevant social indicators) should be provided.

3.2.3 The overall balance of the general government should be a standard summary indicator of the government's financial position. It should be supplemented by other fiscal indicators (e.g., operational balance, structural balance, and primary balance) when economic circumstances make it inappropriate to base judgments about fiscal policy stance on the overall deficit alone.

3.2.4 The annual budget and final accounts should include a statement of the accounting basis (i.e., cash or accrual) and standards used in the preparation and presentation of budget data.

3.3 *Procedures for the execution and monitoring of approved expenditures should be clearly specified.*

3.3.1 A comprehensive, integrated accounting system should be established. It should provide a reliable basis for assessing payments arrears.

3.3.2 Procedures for procurement and employment should be standardized and accessible to all interested parties.

3.3.3 Budget execution should be internally audited, and audit procedures should be open to review.

3.4 *Fiscal reporting should be timely, comprehensive, reliable, and identify deviations from the budget.*

3.4.1 During the year, there should be regular, timely reporting of budget and extrabudgetary outturns, which should be compared with original estimates. In the absence of detailed information on lower levels of government, available indicators of their financial position (e.g., bank borrowing and bond issues) should be provided.

3.4.2 Timely, comprehensive, audited final accounts of budget operations, together with full information on extrabudgetary accounts, should be presented to the legislature.

3.4.3 Results achieved relative to the objectives of major budget programs should be reported to the legislature.

IV. Independent Assurances of Integrity

4.1 *The integrity of fiscal information should be subject to public and independent scrutiny.*

4.1.1 A national audit body, or equivalent organization, should be appointed by the legislature, with the responsibility to provide timely reports to the legislature and public on the financial integrity of government accounts.

4.1.2 Macroeconomic forecasts (including underlying assumptions) should be available for scrutiny by independent experts.

4.1.3 The integrity of fiscal statistics should be enhanced by providing the national statistics office with institutional independence.

Annex: Interim Committee Attendance April 16, 1998

Chairman

Philippe Maystadt, Deputy Prime Minister, Minister of Finance and Minister of External Trade of Belgium

Managing Director

Michel Camdessus

Members or Alternates

Ibrahim A. Al-Assaf, Minister of Finance and National Economy, Saudi Arabia

Gordon Brown, Chancellor of the Exchequer, United Kingdom

Chaiyawat Wibulswasdi, Governor, Bank of Thailand

Cassim Chilumpha, Minister of Finance, Malawi

Carlo Azeglio Ciampi, Minister of the Treasury, Italy

Peter Costello, Treasurer, Australia

Liu Mingkang, Deputy Governor, People's Bank of China (Alternate for Dai Xianglong, Governor, People's Bank of China)

Marcel Doupamby Matoka, Minister of Finance, Economy, Budget, and Equity Financing, in charge of Privatization, Gabon

Sergei Dubinin, Chairman, Central Bank of the Russian Federation

Roque B. Fernández, Minister of Economy and Public Works and Services, Argentina

José Angel Gurria, Secretary of Finance and Public Credit, Mexico

Marianne Jelved, Minister of Economic Affairs, Denmark

Abdelouahab Keramane, Governor, Banque d'Algérie

Sultan Bin Nasser Al-Suwaidi, Governor, United Arab Emirates Central Bank (Alternate for Mohammed K. Khirbash, Minister of State for Finance and Industry, United Arab Emirates)

Pedro Sampaio Malan, Minister of Finance, Brazil

Paul Martin, Minister of Finance, Canada

Wolfgang Ruttenstorfer, Deputy Minister of Finance, Austria (Alternate for Philippe Maystadt, Deputy Prime Minister, Minister of Finance and Minister of External Trade, Belgium)

Shozaburo Nakamura, State Secretary for Finance, Ministry of Finance, Japan

Robert E. Rubin, Secretary of the Treasury, United States

Yashwant Sinha, Minister of Finance, India

Dominique Strauss-Kahn, Minister of Economy, Finance and Industry, France

Kaspar Villiger, Minister of Finance, Switzerland

Theo Waigel, Federal Minister of Finance, Germany

A.H.E.M. Wellink, President, De Nederlandsche Bank (Alternate for Gerrit Zalm, Minister of Finance, Netherlands)

Observers

Yilmar Akyuz, Chief, Macro-Economics and Development Policies Branch, UNCTAD

Anwar Ibrahim, Chairman, Joint Development Committee

Andrew D. Crockett, General Manager, BIS

Yves-Thibault de Silguy, Commissioner for Economic, Monetary and Financial Affairs, CEC

Donald J. Johnston, Secretary-General, OECD

Ian Kinniburgh, Director, Development Policy Analysis Division, Department of Economic and Social Affairs, UN

Renato Ruggiero, Director-General, WTO

James D. Wolfensohn, President, World Bank

Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (Development Committee)

PRESS COMMUNIQUÉS

Fifty-Sixth Meeting, Hong Kong, China, September 22, 1997

1. The fifty-sixth meeting of the Development Committee was held in Hong Kong, China, on September 22, 1997 under the chairmanship of Mr. Driss Jettou, Minister of Finance, Commerce, Industry and Handicrafts of Morocco.[2]

2. *Helping Countries Combat Corruption and Improve Governance.* Ministers agreed that corruption and weak governance undermine macroeconomic stability, private sector activity and sustainable development objectives, and may erode international support for development cooperation. They emphasized that corruption is a global problem that requires complementary actions by all countries. While stressing that member governments have the primary responsibility for combating corruption and strengthening governance, they welcomed the more active involvement of the Bank and the Fund, each within their respective mandate, in responding to member governments requests to strengthen their institutions and performance in these areas, including the introduction of greater transparency in the public sector. They welcomed the relevant strategies and guidelines recently issued by the Bank and the Fund. The Committee stressed the importance of a consistent and evenhanded approach, as well as the need to take governance issues and corruption explicitly into account in lending and other decision making when they significantly affect project or macroeconomic and country performance. The Committee asked that the Bank and Fund report to the Committee in a year's time on the implementation of their respective strategies and guidelines.

3. Ministers invited other Multilateral Development Banks (MDBs) to develop similar strategies and guidelines. The MDBs were encouraged, as a matter of urgency, to establish procurement procedures and oversight mechanisms of the highest standard and as uniform as possible, including antibribery provisions. Ministers noted the ultimate responsibility of borrowers for ensuring fair and effective procurement, and stressed the importance of MDBs increasing their assistance to help build borrower capacity and accountability.

4. Ministers welcomed the efforts under way in other international and regional bodies to coordinate efforts to combat corruption. In particular, the Committee encouraged governments to criminalize international bribery, in an effective and coordinated way.

5. *Multilateral Investment Guarantee Agency (MIGA).* Ministers reiterated their support for MIGA's continued growth in response to the expanding demand for its services. They welcomed the consensus on addressing MIGA's resource constraints by means of a three-part funding package comprising an IBRD grant of $150 million, paid-in capital of $150 million, plus $700 million of callable capital. Ministers urged the IBRD management and Board of Executive Directors to move swiftly to implement the $150 million grant. Ministers urged MIGA's Board to reach agreement on implementation of the remainder of the package. They also urged the MIGA Board to reach clear understandings on core policy issues as soon as possible. These measures would relieve MIGA's short-term financial constraints and provide it with a sustainable capital structure for the medium to long term. Ministers urged the MIGA Board and other relevant parties to come to closure on the capital increase by the time of the Committee's next meeting in April 1998.

6. *Private Involvement in Infrastructure.* Ministers welcomed the World Bank Group Action Program designed to strengthen the Group's ability to increase private participation in infrastructure in the context of its overall objectives to support poverty reduction and sustainable development. While ministers recognized that governments continue to play a significant role in infrastructure investment, they emphasized the important and increasing opportunities for more active private sector involvement. Ministers encouraged the Bank Group to strengthen its catalytic role through early and effective implementation of the Action Program's comprehensive range of assistance in the areas of finance, advisory services, risk mitigation, and knowledge and information. The Committee stressed the importance of coordination among the Bank Group based on agreed country frameworks and strategies.

7. *Implementation of the Debt Initiative for Heavily Indebted Poor Countries.* The Committee welcomed the further progress that had been made in implementing the Initiative to support governments that show strong commitment to reform. The Committee also encouraged eligible countries to undertake the policy actions necessary to put them on the path to securing debt relief. Decisions to provide assistance of about $0.9 billion (in present value terms), which will generate debt-service reduction of about $1.5 billion, have been made for Bolivia, Burkina Faso, and Uganda; decisions on Côte d'Ivoire, Guyana, and Mozambique are expected in the near future. Ministers stressed the importance of adequate interim financing by all creditors. The Committee expressed appreciation for the continuing close collaboration among creditors in implementing the Initiative, including understandings among them on the approach to burden sharing. Ministers also appreciated that bilateral contributions of about $100 million had already been made or pledged to the HIPC Trust Fund (administered by the World Bank), and urged other governments to contribute as well. They also encouraged international financial institutions that have not yet finalized mechanisms for participation in the Initiative to do so as soon as possible. Ministers noted that additional resources will be needed to help finance the African Development Bank's full participation in the Initiative. They also

[2]Mr. Zhu Rongji, Vice Premier of China, Mr. James D. Wolfensohn, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, and Mr. Antonio Casas González, Governor of the Central Bank of Venezuela and Chairman of the Group of Twenty-Four, addressed the plenary session. Observers from a number of international and regional organizations also attended.

noted the need for additional resources to finance the Fund's contribution to the HIPC Initiative for countries beyond those noted above and, more generally, the need to complete the funding of ESAF.

8. *Strategic Compact.* The Committee welcomed the progress made in beginning to meet the Compact's ambitious objectives to strengthen the Bank's effectiveness, as reflected in Management's first semiannual progress report to the Executive Directors.

9. *Bank-Fund Collaboration on Strengthening Financial Sectors.* Ministers noted the importance for macroeconomic stability and growth of strengthening the financial systems of developing countries, as recent events have shown. They welcomed an increased emphasis on this area in Bank and Fund operations. Ministers viewed enhanced cooperation between the Bank and the Fund as an urgent priority and welcomed the recent agreement guiding increased collaboration to help member countries strengthen their financial systems.

10. *Note of Appreciation.* Ministers expressed their deep appreciation for the warm hospitality provided by the Chinese authorities and the Hong Kong Monetary Authority.

11. *Next Meeting.* The Committee's next meeting will be held on April 17, 1998 in Washington, D.C.

Fifty-Seventh Meeting, Washington, D.C., April 17, 1998

1. The fifty-seventh meeting of the Development Committee was held in Washington, D.C. on April 17, 1998 under the chairmanship of Dato' Seri Anwar Ibrahim, Deputy Prime Minister and Minister of Finance of Malaysia.[3]

2. *Implications of the Asian Financial Crisis.* The Committee reviewed, in the context of a globalized economy, the implications of the Asian financial crisis for the World Bank Group. In a wide-ranging discussion, ministers recognized that the crisis risks damaging the region's remarkable development achievements, particularly its especially effective antipoverty performance. Ministers expressed strong support for the active role played by the Bank Group and the International Monetary Fund, together with the Asian Development Bank, in the international effort to restore confidence and sustainable growth, and to help ensure stability in the international financial system. They especially appreciated their rapid and substantial response to the crisis, including significant financial assistance to underpin stabilization measures, programs of structural reform and technical assistance in key sectors in the most affected countries. Ministers also noted that while the region has vast potential for sustained high levels of economic growth through its own efforts, significant external support would still be required for a number of these countries over the foreseeable future.

3. Members welcome the efforts of the World Bank and the IMF to help governments address the social consequences of crises, including shielding targeted public expenditures, improving labor standards, and strengthening social safety nets for the most vulnerable. They expressed strong support for the Bank's actions to help governments protect the poor, enhance the quality of social services, improve the design and financing of social funds, and promote sustainable environmental management. Ministers also welcomed the active support of the Bank and the Fund for design and implementation of financial and corporate restructuring and governance, and enhanced country capacity for better economic management and financial resiliency.

4. Ministers urged the Bank, in implementing the Strategic Compact and maintaining its support for all its members, to strengthen its ability to address rapidly situations of this kind and to help governments avoid such crises in the future. Thus, the Committee urged the Bank to assist countries in strengthening key institutions and structural policies, and to augment its skills and capacities in related areas, including particularly the financial sector, corporate restructuring and governance, and poverty reduction and social sustainability.

5. Given the breadth and depth of the issues involved in helping member governments confront such difficult situations, Ministers urged the Bank and the Fund, building on their long tradition of working together, to review and reinforce their partnership based on their respective mandates. This partnership has become even more important in light of the growing significance of structural factors in assisting member governments, and the increased demands on both institutions.

6. *Implementation of the Debt Initiative for Heavily Indebted Poor Countries (HIPC).* The Committee was pleased by the increasing momentum in the implementation of the HIPC Initiative. Ministers congratulated Uganda on its continued strong economic reform effort and on becoming the first country to reach its completion point under the HIPC Initiative, resulting in savings in nominal debt service of about $650 million (about $350 million in NPV terms). The Committee welcomed decisions made, since its last meeting, by the Executive Boards of the IMF and IDA/IBRD, to add Guyana, Côte d'Ivoire, and Mozambique to the group of countries for which debt-reduction packages have been agreed. In the case of Mozambique, this involved exceptional commitments by members of the Paris Club, and in particular Russia as Mozambique's largest creditor, as well as contributions from other countries and extraordinary assistance by IDA and the Fund to secure the large debt relief required. The six countries that have qualified for assistance under the Initiative would be eligible to receive estimated debt relief amounting to about $5.7 billion (the equivalent of $3 billion in NPV terms).

7. Ministers noted that Mali and Guinea-Bissau are expected to join this group shortly, and that the Boards' consideration of eligibility under the Initiative of other countries will occur as soon as their track records and progress in negotiation of Bank/Fund-supported programs warrant. Ministers encouraged potentially eligible countries to undertake such programs in a timely manner, so that by the year 2000 as many as possible could be included in the Initiative. Ministers welcomed the increasing number of countries that were contributing bilaterally to the HIPC Trust Fund. They also stressed the importance of additional contributions to the HIPC Initiative to assist all multilateral institutions to meet

[3]Mr. James D. Wolfensohn, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, Mr. Abdelkrim Harchaoui, Minister of Finance of Algeria and Chairman of the Group of Twenty-Four, addressed the plenary session. Observers from a number of international and regional organizations also attended.

their share of the cost, including, in particular, the African Development Bank.

8. *Multilateral Investment Guarantee Agency (MIGA)*. Ministers welcomed the successful conclusion of deliberations by the MIGA Board of Directors on MIGA's $850 million general capital increase (including a $150 million paid-in portion), as well as the agreement by IBRD governors to transfer $150 million as a grant to MIGA. These measures, reflecting agreements reached by the Committee at its last meeting, will relieve MIGA's short term financial constraints and provide it with a sustainable capital structure for the medium to long term, thus enabling it to respond to continuing growth in demand for its services. The Committee also welcomed the progress achieved by the MIGA Board on core policy issues, and urged the Board to continue its discussions and to reach clear understandings on the remaining issues as soon as possible.

9. *Report of the Multilateral Development Banks (MDBs)*. Ministers expressed appreciation to the Presidents of the four regional development banks and the World Bank for their comprehensive report on MDB follow-up to the recommendations of the Committee's MDB Task Force. The Committee welcomed the progress made by the MDBs in implementing programs designed to strengthen the effectiveness of each institution. Ministers also welcomed the efforts made by the MDB Presidents to strengthen their collaboration on important areas—such as program evaluation and procurement rules—and their commitment to expand this cooperation, consistent with their respective mandates, in additional areas of high priority—such as governance, corruption, and capacity building; financial sector fundamentals and reform; and infrastructure financing. Members also agreed on the importance of MDBs addressing the considerable challenges that remain in further strengthening this cooperation and suggested in particular that practical objectives be established for the next few years in areas such as evaluation. They urged the MDBs to continue to work closely with member governments to implement practical measures designed to ensure more effective in-country coordination, based on a shared strategic view, and enhanced development impact.

10. Members requested that the World Bank President inform the Committee at the spring 1999 meeting of progress achieved in strengthening World Bank cooperation with the regional development banks.

11. Ministers also noted that the Committee had made notable progress over the last two years on a number of important issues with broad systemic significance for all MDBs and the IMF, such as the HIPC Initiative and governance. This meeting's discussion of the implications of the Asian financial crisis is a further example, and ministers agreed that the Committee should continue to develop this practice, as recommended in the MDB Task Force Report, drawing on contributions where appropriate from other MDBs.

12. *World Bank Net Income Dynamics.* Ministers considered issues raised by a decline in IBRD net income at the same time that potential demands on this income were increasing. They urged the Bank's Board of Directors to review, on an urgent basis, all available options and to make appropriate recommendations and decisions in the next three months.

13. *Next Meeting.* The Committee's next meeting will be held on October 5, 1998 in Washington, D.C.

Executive Directors and Voting Power on April 30, 1998

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Percent of IMF Total[2]
Appointed				
Karin Lissakers	United States	265,518	265,518	17.78
Barry S. Newman				
Bernd Esdar	Germany	82,665	82,665	5.53
Wolf-Dieter Donecker				
Yukio Yoshimura	Japan	82,665	82,665	5.53
Hideaki Ono				
Jean-Claude Milleron	France	74,396	74,396	4.98
Ramon Fernandez				
Gus O'Donnell	United Kingdom	74,396	74,396	4.98
Jon Shields				
Elected				
Willy Kiekens (Belgium)	Austria	12,133		
Johann Prader (Austria)	Belarus	3,054		
	Belgium	31,273		
	Czech Republic	6,146		
	Hungary	7,798		
	Kazakhstan	2,725		
	Luxembourg	1,605		
	Slovak Republic	2,824		
	Slovenia	1,755		
	Turkey	6,670	75,983	5.09
J. de Beaufort Wijnholds (Netherlands)	Armenia	925		
Yuriy G. Yakusha (Ukraine)	Bosnia and Herzegovina	1,462		
	Bulgaria	4,899		
	Croatia	2,866		
	Cyprus	1,250		
	Georgia	1,360		
	Israel	6,912		
	Macedonia, former Yugoslav Republic of	746		
	Moldova	1,150		
	Netherlands	34,692		
	Romania	7,791		
	Ukraine	10,223	74,276	4.97
Juan José Toribio (Spain)	Costa Rica	1,440		
Javier Guzmán-Calafell (Mexico)	El Salvador	1,506		
	Guatemala	1,788		
	Honduras	1,200		
	Mexico	17,783		
	Nicaragua	1,211		
	Spain	19,604		
	Venezuela	19,763	64,295	4.30

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Percent of IMF Total[2]
Elected ***(continued)***				
Enzo R. Grilli (Italy)	Albania	603		
John Spraos (Greece)	Greece	6,126		
	Italy	46,157		
	Malta	925		
	Portugal	5,826		
	San Marino	350	59,987	4.02
Thomas A. Bernes (Canada)	Antigua and Barbuda	335		
Charles X. O'Loghlin (Ireland)	Bahamas, The	1,199		
	Barbados	739		
	Belize	385		
	Canada	43,453		
	Dominica	310		
	Grenada	335		
	Ireland	5,500		
	Jamaica	2,259		
	St. Kitts and Nevis	315		
	St. Lucia	360		
	St. Vincent and the Grenadines	310	55,500	3.72
Kai Aaen Hansen (Denmark)	Denmark	10,949		
Olli-Pekka Lehmussaari (Finland)	Estonia	715		
	Finland	8,868		
	Iceland	1,103		
	Latvia	1,165		
	Lithuania	1,285		
	Norway	11,296		
	Sweden	16,390	51,771	3.47
Abdulrahman A. Al-Tuwaijri (Saudi Arabia)	Saudi Arabia	51,556	51,556	3.45
Sulaiman M. Al-Turki (Saudi Arabia)				
Dinah Z. Guti (Zimbabwe)	Angola	2,323		
José Pedro de Morais, Jr. (Angola)	Botswana	616		
	Burundi	822		
	Eritrea	365		
	Ethiopia	1,233		
	Gambia, The	479		
	Kenya	2,244		
	Lesotho	489		
	Liberia	963		
	Malawi	759		
	Mozambique	1,090		
	Namibia	1,246		
	Nigeria	13,066		
	Sierra Leone	1,022		
	South Africa	13,904		
	Swaziland	615		
	Tanzania	1,719		
	Uganda	1,589		
	Zambia	3,885		
	Zimbabwe	2,863	51,292	3.43
Gregory F. Taylor (Australia)	Australia	23,582		
Okyu Kwon (Korea)	Kiribati	290		
	Korea	8,246		
	Marshall Islands	275		
	Micronesia, Federated States of	285		
	Mongolia	621		
	New Zealand	6,751		
	Papua New Guinea	1,203		
	Philippines	6,584		
	Samoa	335		
	Seychelles	310		
	Solomon Islands	325		
	Vanuatu	375	49,182	3.29

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Percent of IMF Total[2]
Elected ***(continued)***				
A. Shakour Shaalan (Egypt)	Bahrain	1,078		
Mohamad Hassan Elhage (Lebanon)	Egypt	7,034		
	Iraq	5,290		
	Jordan	1,467		
	Kuwait	10,202		
	Lebanon	1,710		
	Libya	8,426		
	Maldives	305		
	Oman	1,444		
	Qatar	2,155		
	Syrian Arab Republic	2,349		
	United Arab Emirates	4,171		
	Yemen, Republic of	2,015	47,646	3.19
ZAMANI Abdul Ghani (Malaysia)	Brunei Darussalam	1,750		
Cyrillus Harinowo (Indonesia)	Cambodia	900		
	Fiji	761		
	Indonesia	15,226		
	Lao People's Democratic Republic	641		
	Malaysia	8,577		
	Myanmar	2,099		
	Nepal	770		
	Singapore	3,826		
	Thailand	5,989		
	Tonga	300		
	Vietnam	2,666	43,505	2.91
Aleksei V. Mozhin (Russia) *Andrei Vernikov (Russia)*	Russia	43,381	43,381	2.90
Roberto F. Cippa (Switzerland)	Azerbaijan	1,420		
Wieslaw Szczuka (Poland)	Kyrgyz Republic	895		
	Poland	10,135		
	Switzerland	24,954		
	Tajikistan	850		
	Turkmenistan	730		
	Uzbekistan	2,245	41,229	2.76
Abbas Mirakhor	Afghanistan, Islamic State of	1,454		
(Islamic Republic of Iran)	Algeria	9,394		
Mohammed Daïri (Morocco)	Ghana	2,990		
	Iran, Islamic Republic of	11,035		
	Morocco	4,527		
	Pakistan	7,832		
	Tunisia	2,310	39,542	2.65
Alexandre Kafka (Brazil)	Brazil	21,958		
Hamid O'Brien (Trinidad and Tobago)	Colombia	5,863		
	Dominican Republic	1,838		
	Ecuador	2,442		
	Guyana	922		
	Haiti	857		
	Panama	1,746		
	Suriname	926		
	Trinidad and Tobago	2,718	39,270	2.63
M. R. Sivaraman (India)	Bangladesh	4,175		
A. G. Karunasena (Sri Lanka)	Bhutan	295		
	India	30,805		
	Sri Lanka	3,286	38,561	2.58
ZHANG Zhixiang (China) *HAN Mingzhi (China)*	China	34,102	34,102	2.28

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Percent of IMF Total[2]
Elected ***(concluded)***				
A. Guillermo Zoccali (Argentina)	Argentina	15,621		
Nicolas Eyzaguirre (*Chile*)	Bolivia	1,512		
	Chile	6,467		
	Paraguay	971		
	Peru	4,911		
	Uruguay	2,503	31,985	2.14
Koffi Yao (Côte d'Ivoire)	Benin	703		
Alexandre Barro Chambrier (Gabon)	Burkina Faso	692		
	Cameroon	1,601		
	Cape Verde	320		
	Central African Republic	662		
	Chad	663		
	Comoros	315		
	Congo, Republic of	829		
	Côte d'Ivoire	2,632		
	Djibouti	365		
	Equatorial Guinea	493		
	Gabon	1,353		
	Guinea	1,037		
	Guinea-Bissau	355		
	Madagascar	1,154		
	Mali	939		
	Mauritania	725		
	Mauritius	983		
	Niger	733		
	Rwanda	845		
	São Tomé and Príncipe	305		
	Senegal	1,439		
	Togo	793	19,936	1.33
			1,0492,639[3]	99.93[4]

[1]Voting power varies on certain matters pertaining to the General Department with use of the IMF's resources in that department.

[2]Percentages of total votes (1,493,603) in the General Department and the SDR Department.

[3]This total does not include the votes of Palau and Somalia, which did not participate in the 1996 Regular Election of Executive Directors. The votes of these member are 964—0.07 percent of those in the General Department and SDR Department. Also, the total does not include the votes of the Democratic Republic of the Congo and Sudan, which were suspended effective June 2, 1994 and August 9, 1993, respectively, pursuant to Article XXVI, Section 2 *(b)* of the Articles of Agreement.

[4]This figure may differ from the sum of the percentages shown for individual Directors because of rounding.