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, the Fund has reviewed the guidelines and the limits for access by members to the Fund's General Resources Account under the credit tranches and the Extended Fund Facility, and the decision to increase the annual limit to 100 percent of quota during a period of three years from October 24, 1994, and decides that they 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, shall be completed by October 31, 1997.

Decision No. 11374-(96/102)
November 13, 1996

B. Operational Budget—Review of Guidelines for Allocation of Currencies

1. Pursuant to Decision No. 10904-(95/13),[3] adopted February 6, 1995, the Fund has reviewed the guidelines for the use of currencies under the Fund's operational budget approved by Decision No. 10279-(93/19),[4] adopted February 10, 1993, and decides that the floor referred to in paragraph (a) of the guidelines, below which the Fund's holdings of a member's currency in terms of quota shall not be reduced as a result of transfer allocations, will be one-half of the average level, expressed as a percent of quota.

2. The guidelines will be reviewed as may be required by developments in the Fund's liquidity and in any case not later than December 31, 1998 or at the time the Eleventh General Review of Quotas becomes effective, whichever is earlier.

Decision No. 11386-(96/107)
December 2, 1996

[1]See *Selected Decisions,* Twenty-First Issue (June 30, 1996), page 219.
[2]Ibid., page 220.
[3]Ibid., page 242.
[4]Ibid., pages 240–41.

C. Fund's Income Position

(a) Net Income Target and Rate of Charge on Use of Fund Resources for FY 1998

1. The target amount of net income for financial year 1998 shall be 5 percent of the Fund's reserves at the beginning of the financial year.

2. Effective May 1, 1997, 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 109.66 percent.

3. Any net income for financial year 1998 in excess of the target amount of net income of 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 1998. If net income for financial year 1998 is below the target amount for that year, the net income target for financial year 1999 shall be increased by the equivalent of that shortfall.

Decision No. 11482-(97/42)
April 21, 1997

(b) Disposition of Net Income for FY 1997

The Fund's net income for financial year 1997, up to SDR 93,793,653, shall be placed to the Special Reserve after the end of the financial year.

Decision No. 11483-(97/42)
April 21, 1997

D. Enhanced Structural Adjustment Facility (ESAF)

(a) ESAF Trust—Reserve Account—Review

Pursuant to 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 that 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 July 1 to December 31, 1996.

Decision No. 11296-(96/62) ESAF
June 28, 1996

Pursuant to Decision No. 10286-(93/23) ESAF, the Fund has reviewed the adequacy of the Reserve Account of

[5]Ibid., pages 331–33.

the ESAF Trust, and determines that amounts held in the account are sufficient to meet all obligations that 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, 1997.

Decision No. 11409-(97/1) ESAF
December 31, 1996

(b) ESAF Trust—Expansion of Eligibility

The list annexed to Decision No. 8240-(86/56) SAF,[6] as amended, shall be further amended by adding Bosnia and Herzegovina for purposes of eligibility under Section II, paragraph 1(a) of the ESAF Trust Instrument.

Decision No. 11325-(96/77) SAF
August 19, 1996

(c) ESAF—Extension of Commitment Period

The Instrument to Establish the Enhanced Structural Adjustment Facility Trust annexed to Decision No. 8759-(87/176) ESAF,[7] as amended, shall be further amended as follows: in Section II, paragraph 1, subparagraph (d), 2000 shall be substituted for 1996, to read as follows: (d) Commitments under three-year arrangements may be made during the period from January 1, 1988 to December 31, 2000.

Decision No. 11395-(96/110) ESAF
December 9, 1996

(d) ESAF—Modalities for Special ESAF Operations in Context of Heavily Indebted Poor Countries (HIPC) Initiative—Transfer of Resources from Reserve Account of the ESAF Trust and Retransfer to Special Disbursement Account for Use in Special ESAF Operations

In the Instrument to Establish the Enhanced Structural Adjustment Facility Trust, annexed to Decision No. 8759-(87/176) ESAF, adopted December 18, 1987, as amended, Section V, paragraph 5 shall be amended to add the following new subparagraph (b) and to redesignate the existing subparagraph (b) as "(c)":

> (b) Notwithstanding (a) above, the equivalent of up to SDR 180 million may be transferred from the Reserve Account to the Special Disbursement Account to be used to provide Trust grants or Trust loans, as defined in the Instrument to Establish a Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations. Transfers will be made only when and to the extent that the Trustee of the Trust established by that Instrument determines that there are no other resources immediately available for this purpose.

Decision No. 11434-(97/10) ESAF
February 4, 1997

(e) ESAF Trust—Amendment

In the Instrument to Establish the Enhanced Structural Adjustment Facility Trust, annexed to Decision No. 8759-(87/176) ESAF, adopted December 18, 1987, as amended, the last sentence of Section II, paragraph 1(b) shall be amended as follows:

> After the expiration of the original three-year commitment period for an eligible member, the Trustee may approve additional three-year commitments for that member in accordance with this Instrument.

Decision No. 11435-(97/10) ESAF
February 4, 1997

(f) A Trust for Special ESAF Operations for Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations—Establishment

1. The Fund adopts the Instrument to Establish a Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations, which is annexed to this decision.

2. The Fund shall conduct semiannual reviews of the financing of the Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations.

Decision No. 11436-(97/10) ESAF
February 4, 1997

Annex: Instrument to Establish a Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations

Introductory Section

To help fulfill its purposes, and in furtherance of the purposes of the Enhanced Structural Adjustment Facility ("ESAF") Trust as described in the Instrument to Establish the Enhanced Structural Adjustment Facility Trust adopted by Decision No. 8759-(87/176) ESAF, December 18, 1987, as amended ("the 1987 ESAF Instrument"), the International Monetary Fund ("the Fund") has adopted this Instrument to Establish a Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and for Interim ESAF Subsidy Operations ("the Trust"), which shall be administered by the Fund as Trustee ("the Trustee"). The Trust shall be governed by and administered in accordance with the provisions of this Instrument.

Section I. General Provisions

Paragraph 1. Definitions

Wherever used in this Instrument, unless the context otherwise requires:

(i) "Initiative" means the program of action endorsed by the Fund, the International Bank for Reconstruction and Development and the International Development Association (hereinafter jointly referred to as "the Bank") in September 1996 for reducing the external debt burden of heavily indebted poor countries to a sustainable level by their respective completion points;

(ii) "DSA" means a debt sustainability analysis jointly prepared by the staffs of the Fund and the Bank and the concerned member to provide the basis for determining the member's qualification for assistance under the Initiative;

(iii) "decision point" means the time when the Trustee decides whether a member qualifies for assistance under the

[6] Ibid., pages 311–14.
[7] Ibid., pages 22–39.

Initiative, that is, normally at the end of the initial three-year performance period;

(iv) "completion point" means the time when a final decision will be taken by the Trustee to approve assistance to a qualifying member, that is, normally at the end of the second three-year performance period;

(v) "debt sustainability" means the achievement of sustainable levels of external debt at the completion point defined on a case-by-case basis within the range of 200–250 percent for the present value of debt-to-exports ratio and 20–25 percent for the debt-service-to-exports ratio, with the specific targets determined in light of country-specific vulnerability factors, such as the concentration and variability of exports and with particular attention to fiscal indicators of the burden of debt service. A target range will be specified of plus or minus 10 percentage points around the agreed target for the present value of debt-to-exports ratio;

(vi) "borderline case" means the case of a member that faces an external debt burden above or in the upper end of the thresholds for debt sustainability at the decision point, and where there is a reasonable degree of uncertainty about whether traditional debt relief mechanisms would achieve debt sustainability by the completion point;

(vii) "traditional debt relief mechanisms" means the application of Naples terms by Paris Club creditors, including the assumption of a stock-of-debt operation, involving a 67 percent present value reduction of the eligible debt of a member at the decision point, and at least comparable treatment by other official bilateral and commercial creditors;

(viii) "interim ESAF subsidy operations" means operations to subsidize the interest rate on interim ESAF financing to be made following full commitment under ESAF arrangements of resources available under borrowing agreements for the current phase of ESAF operations which is expected by about December 31, 2000; interim ESAF operations are expected to take place during the period 2000 / 01–2004; and

(ix) "self-sustained ESAF operations" means ESAF-type operations financed on a revolving basis from Special Disbursement Account (SDA) resources through the retransfer of resources from the ESAF Trust Reserve Account, when they are no longer needed to cover the total liabilities of the 1987 ESAF Trust to lenders.

Paragraph 2. Purposes

The Trust shall assist in fulfilling the purposes of the Fund by providing balance of payments assistance to low-income developing members by:

(a) making grants ("Trust grants") and / or loans ("Trust loans") to eligible members that qualify for assistance under the terms of this Instrument for purposes of the Initiative; and

(b) subsidizing the interest rate on interim ESAF operations to ESAF-eligible members.

Paragraph 3. Trust Account and resources

The operations and transactions of the Trust shall be conducted through an account ("the Account"). Within the Account, the Trustee may establish such sub-accounts as it deems necessary for the administration of the resources in the Account.

The resources held in the Account shall consist of:

(a) grant contributions made to the Trust for the purposes of paragraph 2;

(b) loans, deposits, and other types of investments made by contributors with the Trust to generate income to be used for the purposes of paragraph 2;

(c) transfers from the Special Disbursement Account for the purposes of paragraph 2; and

(d) net earnings from investment of resources held in the Account.

Paragraph 4. Unit of account

The SDR shall be the unit of account for commitments and all other operations and transactions of the Trust, provided that commitments for contributions may also be made in currency.

Paragraph 5. Media of payment of contributions and exchange of resources

(a) Resources provided to the Trust may be received in any currency.

(b) Payments by the Trust shall be made in U.S. dollars or such other media as may be agreed between the Trustee and the payee.

(c) Contributions to the Trust may also be made in or exchanged for SDRs in accordance with such arrangements as may be made by the Trust for the holding and use of SDRs.

(d) The Trustee may exchange any of the resources of the Trust, provided that any balance of a currency held in the Trust may be exchanged only with the consent of the issuer of such currency.

Section II. Contributions to the Trust

The Trustee may accept contributions of resources for the Account on such terms and conditions as may be agreed between the Trustee and the respective contributors, subject to the provisions of this Instrument.

Section III. Trust Grants and Loans

Paragraph 1. Eligibility for assistance

In order to be eligible for assistance from the Trust under Section I, paragraph 2(a) of this Instrument, a member shall meet the following requirements:

(a) the member is ESAF-eligible, i.e., it is included in the list of members annexed to Decision No. 8240-(86 / 56) SAF, as amended;

(b) the member was pursuing a program of adjustment and reform by October 1, 1996, or the member shall have adopted such a program in the two-year period beginning October 1, 1996, supported by the Fund through ESAF or Extended Arrangements, or, on a case-by-case basis as determined by the Trustee, a Stand-By Arrangement, a decision on rights accumulation, or financial support under the Fund's emergency assistance policy in post-conflict countries; and

(c) in support of the member's adjustment and reform program, the member shall have received or is eligible to receive assistance to the full extent available under traditional debt relief mechanisms.

Paragraph 2. Qualification for assistance

The Trustee shall determine whether an eligible member qualifies for assistance under the Initiative in accordance with the criteria set out below:

(a) As projected at the decision point, the DSA shall indicate that the member's external debt situation at the completion point, even after the full application of traditional debt relief mechanisms, would not be sustainable or that the member is a "borderline case."

(b) The member has not agreed on an exit operation with Paris Club creditors on Naples terms after the adoption of this decision.

(c) The member has established a track record of strong policy performance under Fund-supported programs, covering macroeconomic policies and structural and social policy reforms. This requirement shall normally be satisfied by an initial three-year performance period leading up to the decision point, followed by a second three-year performance period leading up to the completion point. In the case of the first three-year period, such programs shall be programs supported by ESAF or Extended Arrangements, or, on a case-by-case basis as determined by the Trustee, Structural Adjustment Facility (SAF) arrangements, Stand-By Arrangements, or decisions on rights accumulations. In the case of the second three-year period, such programs shall be programs supported by ESAF or Extended Arrangements. It is expected that the member shall have a track record of six years or more of strong and sustainable policy performance when the completion point is reached. The required period shall be evaluated flexibly by the Trustee. Members could receive credit toward the decision point for programs that were under way prior to the adoption of the Initiative. A reasonable shortening of the second stage of three years up to the completion point could be considered—on an exceptional basis—for members that have already sustained records of strong performance.

(d) All other creditors (holding debt claims above a de minimis amount) of the member shall have agreed to take action under the Initiative.

Paragraph 3. Amount of assistance

(a) At the decision point, and in consultation with the Bank, the eligible member and its other creditors, the Trustee shall make a preliminary determination of the amount of resources that could be made available from the Trust to achieve a reduction in the present value of debt owed to the Fund by the member. The amount to be committed shall be confirmed by the Trustee in the context of satisfactory assurances regarding the exceptional assistance to be provided under the Initiative by the member's other creditors.

(b) At the decision point, based on the external debt sustainability targets established for the member for the completion point, the Trustee shall commit the amount to be provided from the Trust at the completion point to a member to permit a reduction in the present value of debt owed by it to the Fund. The specific amount of assistance to be committed by the Trustee will be based on (i) the Fund's share in the present value of the multilateral debt of the member at the decision point; and (ii) the assistance to be provided by multilateral creditors, in terms of a reduction in the present value of the debt owed to them by the member sufficient to achieve the debt sustainability targets, taking into account the exceptional assistance to be provided by Paris Club creditors and at least comparable action by other official bilateral and commercial creditors under the Initiative. In the "borderline case," the Trustee may defer its commitment until the completion point.

(c) At the completion point, with due regard to the commitment made at the decision point, the Trustee: (i) will consider, on the basis of the updated DSA, an increase in the amount of assistance committed to the member at the decision point, if it is determined that the present value of debt-to-exports ratio is above the upper end of the agreed country-specific sustainability target range established at the decision point, and that this is due primarily to exogenous and not purely temporary factors; or (ii) may consider, in the event of an extraordinary improvement in a member's economic circumstances as reflected in the updated DSA, a reduction in the amount of assistance committed to the member at the decision point, if it is determined that the present value of debt-to-exports ratio is below the lower end of the agreed country-specific sustainability target range established at the decision point, and that this is due primarily to exogenous and not purely temporary factors. Any such increase or reduction in the amount of assistance would be consistent with achieving the country-specific sustainability target range agreed at the decision point.

(d) At the completion point, the Trustee shall confirm that it would disburse the amount committed to the member at the decision point, subject to any adjustment under (c) above; or, for a "borderline case," the Trustee shall commit and confirm that it would disburse the amount of assistance in accordance with (b) above.

(e) Final approval of the disbursement shall be given in the context of satisfactory assurances regarding the exceptional assistance to be provided under the Initiative by the member's other creditors.

Paragraph 4. Terms of assistance

(a) The assistance to be provided by the Trust to a qualifying member shall be either through a Trust grant or a Trust loan, or both. The choice of a Trust grant, a Trust loan, or a combination thereof, shall be made by the Trustee on a case-by-case basis, taking into account the objective of bringing the debt-service-to-exports ratio (after assistance under the Initiative from the Fund and other creditors) to the debt sustainability target agreed for the member at the decision point. The maturity of a Trust loan shall be determined by the Trustee on a case-by-case basis, subject to paragraph 4(c) below, taking into account the need to smooth the time profile of the member's total external debt service and its debt service to the Fund (after assistance under the Initiative from the Fund and other creditors). The schedule for using the proceeds of the Trust grant or the Trust loan by the member shall be agreed by the Trustee and the member taking into account the same criteria for deciding among a Trust grant, a Trust loan, or a combination thereof and the maturity of such loan.

(b) Trust grants and Trust loans (including any income from investment of their proceeds) shall be used to meet the member's debt-service payments on its existing debt to the Fund as they fall due in accordance with the schedule for using the proceeds of such grants and loans as determined under the provisions of (a) above.

(c) Trust loans shall be provided to members interest-free and shall have a maturity of no less than ten (10) years and up to twenty (20) years, including a grace period of no less than five-and-a-half (5½) years and up to ten-and-a-half (10½) years. The Trustee may not reschedule the repayment of Trust loans.

Paragraph 5. Disbursements

(a) Any disbursement of Trust grants and Trust loans shall be subject to the availability of resources to the Trust.

(b) Following final approval of a Trust grant or Trust loan (or both) at the completion point, the proceeds of such grant or loan (or both) shall be paid in a single disbursement into a separate account for the benefit of the member and administered by the Trustee. The Trustee shall use these proceeds (including any income from investments of such proceeds) in accordance with paragraph 4(b) above. The terms and conditions for the operation of such account shall be determined by the Trustee.

Paragraph 6. Modifications

Any modification of these provisions will affect only Trust grants or Trust loans made after the effective date of the modification, provided that any modification of the interest rate shall apply to interest accruing after the effective date of the modification.

Section IV. Administration of the Trust

Paragraph 1. Trustee

(a) The Trust shall be administered by the Fund as Trustee. Decisions and other actions taken by the Fund as Trustee shall be identified as taken in that capacity.

(b) Subject to the provisions of this Instrument, the Fund in administering the Trust shall apply the same rules as apply to the operation of the General Resources Account of the Fund.

(c) The Trustee, acting through its Managing Director, is authorized:

(i) to make all arrangements, including establishment of accounts in the name of the International Monetary Fund, which shall be accounts of the Fund as Trustee, with such depositories of the Fund as the Trustee deems necessary; and

(ii) to take all other administrative measures that the Trustee deems necessary to implement the provisions of this Instrument.

Paragraph 2. Separation of assets and accounts, audits and reports

(a) The resources of the Trust shall be kept separate from the property and assets of all other accounts of the Fund, including other administered accounts, and shall be used only for the purposes of the Trust in accordance with this Instrument.

(b) The property and assets held in the other accounts of the Fund shall not be used to discharge liabilities or to meet losses arising out of the administration of the Trust. The resources of the Trust shall not be used to discharge liabilities or to meet losses arising out of the administration of the other accounts of the Fund.

(c) The Fund shall maintain separate financial records and prepare separate financial statements for the Trust.

(d) The audit committee selected under Section 20 of the Fund's By-Laws shall audit the financial transactions and records of the Trust. The audit shall relate to the financial year of the Fund.

(e) The Fund shall report on the resources and operations of the Trust in the Annual Report of the Executive Board to the Board of Governors and shall include in the Annual Report the report of the audit committee on the Trust.

Paragraph 3. Investment of resources

(a) Any balance held by the Trust and not immediately needed in operations shall be invested.

(b) Investments may be made in any of the following: (i) marketable obligations issued by international financial organizations and denominated in SDRs or in the currency of a member of the Fund; (ii) marketable obligations issued by a member or by a national official financial institution of a member and denominated in SDRs or in the currency of that member; and (iii) deposits with a commercial bank, a national official financial institution of a member, or an international financial institution that are denominated in SDRs or in the currency of a member. Investment which does not involve an exchange of currency shall be made only after consultation with the member whose currency is to be used, or, when an exchange of currency is involved, with the consent of the issuers of such currencies.

Section V. Period of Operation and Liquidation

Paragraph 1. Period of operation

The Trust established by this Instrument shall remain in effect for as long as is necessary, in the judgment of the Fund, to conduct and to wind up the business of the Trust.

Paragraph 2. Liquidation of the Trust

If the Trustee decides to wind up the operations of the Trust, the resources in the Account shall be used first to discharge all the liabilities of the Trust. Any amount remaining in the Account after the discharge of all the liabilities of the Trust shall be used first to reimburse the SDA for transfers made in accordance with Decision No. 11434-(97/10),[8] adopted February 4, 1997, and any remaining amount shall then be made available for self-sustained ESAF operations, except that at the request of the contributor, its pro rata share in any unused resources contributed to finance the operations referred to in Section I, paragraph 2(a) of this Instrument, after the completion of such operations, shall be distributed to the contributor.

Section VI. Amendment of the Instrument

The Fund may amend the provisions of the Instrument, except that any amendment of Section I, paragraph 2, Section IV, Section V and this Section shall require the consent of all contributors to the Trust.

E. 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—

[8]See Item D(*e*), above.

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, 1996.

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 1,511 days after the later of (a) the date on which it notifies the Fund of its consent, or (b) November 11, 1992.

Decision No. 11286-(96/59)
June 20, 1996

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, 1997.

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 1,692 days after the later of (a) the date on which it notifies the Fund of its consent, or (b) November 11, 1992.

Decision No. 11406-(96/115)
December 18, 1996

F. New Arrangements to Borrow

(a) Establishment

Preamble

In order to enable the Fund to fulfill more effectively its role in the international monetary system, a number of countries with the financial capacity to support the international monetary system have agreed to make available to the Fund resources in the form of loans up to specified amounts when supplementary resources are needed to forestall or cope with an impairment of the international monetary system or to deal with an exceptional situation that poses a threat to the stability of that system. In order to give effect to these intentions, the following terms and conditions are adopted under Article VII, Section 1 of the Articles of Agreement.

Paragraph 1. Definitions

(a) As used in this decision the term:

(i) "amount of a credit arrangement" means the maximum amount expressed in special drawing rights that a participant undertakes to lend to the Fund under a credit arrangement;

(ii) "Articles" means the Articles of Agreement of the Fund;

(iii) "available commitment" means a participant's credit arrangement less any committed or drawn balances;

(iv) "borrowed currency" or "currency borrowed" means currency transferred to the Fund's account under a credit arrangement;

(v) "call" means a notice by the Fund to a participant to make a transfer under its credit arrangement to the Fund's account;

(vi) "credit arrangement" means an undertaking to lend to the Fund on the terms and conditions of this decision;

(vii) "currency actually convertible" means currency included in the Fund's quarterly operational budget for transfers;

(viii) "drawer" means a member that purchases borrowed currency from the Fund in an exchange transaction, including an exchange transaction under a stand-by or extended arrangement;

(ix) "indebtedness" of the Fund means the amount it is committed to repay under a credit arrangement;

(x) "member" means a member of the Fund;

(xi) "participant" means a participating member or a participating institution;

(xii) "participating institution" means an official institution of a member that has entered into a credit arrangement with the Fund with the consent of the member, or an official institution of a nonmember that has entered into a credit arrangement with the Fund;

(xiii) "participating member" means a member that has entered into a credit arrangement with the Fund.

(b) For the purposes of this decision, the Hong Kong Monetary Authority (HKMA) shall be regarded as an official institution of the member whose territories include Hong Kong, provided that:

(i) loans by the HKMA and payments by the Fund to the HKMA under this decision shall be made in principle in the currency of the United States of America, unless the currency of another member is agreed between the Fund and the HKMA;

(ii) the participation of the HKMA shall not give rise to the application of paragraph 6 A to the member whose territories include Hong Kong; and

(iii) the references to the balance of payments and reserve position in paragraphs 7 A(c), 7 B(b) and 11(e) shall be understood to refer to the balance of payments and reserve position of Hong Kong.

Paragraph 2. Credit Arrangements

(a) A member or institution that adheres to this decision undertakes to make loans to the Fund on the terms and conditions of this decision up to the amount in special drawing rights set forth in the Annex to this decision or established in accordance with paragraph 3(b).

(b) Unless otherwise agreed with the Fund, loans under this decision shall be made in the currency of the participant. If the participant is an institution of a nonmember, the Fund and the participant shall agree on which member's currency or members' currencies shall be used for the loans. Agreements under this paragraph shall be subject to the concurrence of any member whose currency shall be used in the loans.

Paragraph 3. Adherence

(a) Any member or institution specified in the Annex may adhere to this decision in accordance with paragraph 3(c).

(b) Any member or institution not specified in the Annex, including an institution of a nonmember, may apply to become a participant at the time of renewal of this decision in accordance with paragraph 19. Any such member or institution that wishes to become a participant shall, after consultation with the Fund, give notice of its willingness to adhere to this decision, and, if the Fund and participants representing 80 percent of total credit arrangements under the renewed decision shall so agree, the member or institution may adhere in accordance with paragraph 3(c). When giving notice of its willingness to adhere under this paragraph 3(b), a member or institution shall specify the amount, expressed in special drawing rights, of the credit arrangement which it is willing to enter into, provided that the amount shall not be less than the credit arrangement of the participant with the smallest credit arrangement. The admission of a new participant shall lead to a proportional reduction in the credit arrangements of all existing participants whose credit arrangements are above that of the participant with the smallest credit arrangement: such proportional reduction in the credit arrangements of participants shall be in an aggregate amount equal to the amount of the new participant's credit arrangement less any increase in total credit arrangements decided in accordance with paragraph 5(a), provided that no participant's credit arrangement shall be reduced below the minimum amount set out in the Annex.

(c) A member or institution shall adhere to this decision by depositing with the Fund an instrument setting forth that it has adhered in accordance with its law and has taken all steps necessary to enable it to carry out the terms and conditions of this decision. On the deposit of the instrument the member or institution shall be a participant as of the date of the deposit or of the effective date of this decision, whichever is later.

Paragraph 4. Entry into Force

This decision shall become effective when it has been adhered to by members or institutions included in the Annex with credit arrangements amounting to not less than SDR 28.9 billion, including the five members or institutions with the largest credit arrangements specified in the Annex.

Paragraph 5. Changes in Amounts of Credit Arrangements

(a) When a member or institution is authorized under paragraph 3(b) to adhere to this decision, the total amount of credit arrangements may be increased by the Fund with the agreement of participants representing 85 percent of total credit arrangements; the increase shall not exceed the amount of the new participant's credit arrangement.

(b) The amounts of participants' individual credit arrangements may be reviewed from time to time in the light of developing circumstances and changed with the agreement of the Fund and of participants representing 85 percent of total credit arrangements, including each participant whose credit arrangement is changed. This provision may be amended only with the consent of all participants.

Paragraph 6. Initiation of Procedure

A. Participants

When a participating member or a member whose institution is a participant approaches the Fund on an exchange transaction or a stand-by or extended arrangement and the Managing Director, after consultation, considers that the exchange transaction or stand-by or extended arrangement is necessary in order to forestall or cope with an impairment of the international monetary system, and that the Fund's resources need to be supplemented for this purpose, the Managing Director may initiate the procedure set out in paragraph 7A.

B. Nonparticipants

The Managing Director may initiate the procedure set out in paragraph 7A for exchange transactions requested by members that are not participants if (a), the exchange transactions are (i) transactions in the upper credit tranches, (ii) transactions under Stand-By Arrangements extending beyond the first credit tranche, (iii) transactions under Extended Arrangements, or (iv) transactions in the first credit tranche in conjunction with a Stand-By Arrangement or an Extended Arrangement, and (b), after consultation, the Managing Director considers that the Fund's resources need to be supplemented to meet actual and expected requests for financing that reflect the existence of an exceptional situation associated with balance of payments problems of members of a character or aggregate size that could threaten the stability of the international monetary system. In making proposals for calls pursuant to paragraph 6B, the Managing Director shall pay due regard to potential calls pursuant to paragraph 6A.

Paragraph 7. Proposals and Calls

A. Proposals

(a) The Managing Director shall make a proposal for calls under this decision only after consultation with Executive Directors and participants.

(b) In making a proposal for resources to be lent to the Fund, the Managing Director shall identify the prospective drawer, the amount, and the period during which the resources requested in the proposal may be called.

(c) If a participant determines that it will not be able to meet calls under a proposal because of its present and prospective balance of payments and reserve position, which would normally be reflected in the member's exclusion from the list of countries that are included in the Fund's quarterly operational budget for transfers of their currencies, it shall so notify the Fund and the other participants. If the participant is an institution of a nonmember, the participant shall consult with the Fund on that nonmember's balance of payments and reserve position before making a determination under this provision. A participant shall exercise restraint and shall take into account the views of the Fund and other participants in making such a determination.

(d) Unless otherwise specified under paragraph 7A(e), a proposal shall be for calls proportional to the amount of each participant's credit arrangement.

(e) The Managing Director may make a proposal for calls that are not proportional to the amount of each participant's credit arrangement under the following circumstances:

(i) If proportional calls sufficient to provide the total amount sought from participants to finance the proposed exchange transactions cannot be made because at least one participant's available commitment is insufficient to meet such a proportional call, the Managing Director may ask every participant whose available commitment would have been sufficient to meet fully such a proportional call to provide the amount under such a proportional call; provided that, if the Managing Director asks every such participant to provide such amount, the Managing Director shall also ask every participant whose available commitment would have been insufficient to meet such a proportional call to provide an amount to the extent of its available commitment. If necessary, the Managing Director may also ask for an amount in addition to that provided under the prior sentence from a participant whose available commitment exceeds the amount it would provide under such a proportional call.

(ii) If proportional calls sufficient to provide the total amount sought from participants to finance the proposed exchange transactions cannot be made because at least one participant lacks sufficient amounts of the type of currency or currencies needed for the proposed exchange transactions, the Managing Director may ask every participant that is in a position to provide the currency or currencies needed to provide the amount under such a proportional call, up to the amount of its available commitment or the amount that it is in a position to provide, whichever is less. If necessary, the Managing Director may also ask a participant whose available commitment exceeds the resources it would provide under such a proportional call and that remains in a position to provide the type of currency or currencies needed to provide an amount of the currency or currencies needed in addition to that provided under the prior sentence.

(f) The concurrence of every participant that would undertake to provide proportionately more resources than at least one other participant shall be required before the proposal can be accepted under Paragraph 7A(g).

(g) If there is not unanimity among the participants, the question whether the participants are prepared to facilitate, by making loans to the Fund, the exchange transactions or Stand-By or Extended Arrangement specified in the proposal will be decided by a poll of the participants. A favorable decision shall require an 80 percent majority of total credit arrangements of participants eligible to vote. The decision shall be notified to the Fund.

(h) Neither the prospective drawer nor its participating institution nor participants that have notified that they will not meet calls under a proposal shall be eligible to vote on the proposal.

(i) A proposal shall become effective only if it is accepted by participants pursuant to paragraph 7A(g) and is then approved by the Executive Board.

(j) After a proposal has been accepted, commitments and drawings shall not be affected by a subsequent change in the amounts of the credit arrangements.

B. Calls

(a) Unless otherwise provided in a proposal for future calls approved under paragraph 7A, each call shall be made in proportion to the amounts in the proposal.

(b) Except with the participant's consent, calls may not be made on a participant, on which calls could otherwise be made pursuant to this paragraph, when, based on its present and prospective balance of payments and reserve position, the member is not included and is not being proposed by the Managing Director to be included in the list of countries in the quarterly operational budget for transfers of its currency. If the participant is an institution of a nonmember, its ability to meet calls under this decision shall be determined by the Fund, after consultation with the participant, on the basis of that nonmember's present and prospective balance of payments and reserve position. In the event that a call is not made on a participant, the Managing Director may propose to the other participants that substitute amounts be made available under their credit arrangements, and this proposal shall be subject to the procedure of paragraph 7A.

(c) When the Fund makes a call pursuant to this paragraph, the participant shall promptly make the transfer in accordance with the call.

Paragraph 8. Evidence of Indebtedness

(a) The Fund shall issue to a participant, on its request, nonnegotiable instruments evidencing the Fund's indebtedness to the participant. The form of the instruments shall be agreed between the Fund and the participant.

(b) Upon repayment of the amount of any instrument issued under paragraph 8(a) and all accrued interest, the instrument shall be returned to the Fund for cancellation. If less than the amount of any such instrument is repaid, the instrument shall be returned to the Fund and a new instrument for the remainder of the amount shall be substituted with the same maturity date as in the old instrument.

Paragraph 9. Interest

(a) The Fund shall pay interest on its indebtedness under this decision at a rate equal to the combined market interest rate computed by the Fund from time to time for the purpose of determining the rate at which it pays interest on holdings of special drawing rights or any such higher rate as may be agreed between the Fund and participants representing 80 percent of the total credit arrangements.

(b) A change in the method of calculating the combined market interest rate shall apply to the Fund's indebtedness under this decision only if the Fund and participants representing 80 percent of the total credit arrangements so agree; provided that, if a participant so requests at the time this agreement is reached, the change shall not apply to the Fund's indebtedness to that participant outstanding at the date the change becomes effective.

(c) Interest shall accrue daily and shall be paid as soon as possible after each July 31, October 31, January 31, and April 30.

(d) Interest due to a participant shall be paid, as determined by the Fund in consultation with the participant, in special drawing rights, in the participant's currency, in the currency borrowed, or in other currencies that are actually convertible.

Paragraph 10. Use of Borrowed Currency

The Fund's policies and practices under Article V, Sections 3 and 7 on the use of its general resources and Stand-By Arrangements and Extended Arrangements, including those relating to the period of use, shall apply to purchases of currency borrowed by the Fund. Nothing in this decision shall affect the authority of the Fund with respect to requests for the use of its resources by individual members, and access to these resources by members shall be determined by the Fund's policies and practices, and shall not depend on whether the Fund can borrow under this decision.

Paragraph 11. Repayment by the Fund

(a) Subject to the other provisions of this paragraph 11, the Fund, five years after a transfer by a participant, shall repay the participant an amount equivalent to the transfer calculated in accordance with paragraph 12. If the drawer for whose purchase participants make transfers is committed to repurchase at a fixed date earlier than five years after its purchase, the Fund shall repay the participants at that date. Repayment under this paragraph 11(a) or under paragraph 11(c) shall be, as determined by the Fund, in the currency borrowed whenever feasible, in the currency of the participant, in special drawing rights in an amount that does not increase the participant's holdings of special drawing rights above the limit under Article XIX, Section 4, of the Articles of Agreement unless the participant agrees to accept special drawing rights above that limit in such repayment, or, after consultation with the participant, in other currencies that are actually convertible. Repayments to a participant under paragraph 11(b) and 11(e) shall be credited against transfers by the participant for a drawer's purchases in the order in which repayment must be made under this paragraph 11(a).

(b) Before the date prescribed in paragraph 11(a), the Fund, after consultation with the participants, may make repayment in part or in full to one or several participants. The Fund shall have the option to make repayment under this paragraph 11(b) in the participant's currency, in the currency borrowed, in special drawing rights in an amount that does not increase the participant's holdings of special drawing rights above the limit under Article XIX, Section 4, of the Articles of Agreement unless the participant agrees to accept special drawing rights above that limit in such repayment, or, with the agreement of the participant, in other currencies that are actually convertible.

(c) Whenever a reduction in the Fund's holdings of a drawer's currency is attributed to a purchase of currency borrowed under this decision, the Fund shall promptly repay an equivalent amount. If the Fund is indebted to a participant as a result of transfers to finance a reserve tranche purchase by a drawer and the Fund's holdings of the drawer's currency that are not subject to repurchase are reduced as a result of net sales of that currency during a quarterly period covered by an operational budget, the Fund shall repay at the beginning of the next quarterly period an amount equivalent to that reduction, up to the amount of the indebtedness to the participant.

(d) Repayment under paragraph 11(c) shall be made in proportion to the Fund's indebtedness to the participants that made transfers in respect of which repayment is being made.

(e) Before the date prescribed in paragraph 11(a), a participant may give notice representing that there is a balance of payments need for repayment of part or all of the Fund's indebtedness and requesting such repayment. If a reversal of its loan may lead to further loans to the Fund by other participants, the participant seeking such reversal shall consult with the Managing Director and with the other participants before giving notice. The Fund shall give the overwhelming benefit of any doubt to the participant's representation. Repayment shall be made after consultation with the participant in the currencies of other members that are actually convertible, or in special drawing rights, as determined by the Fund. If the Fund's holdings of currencies in which repayment should be made are not wholly adequate, individual participants may be requested to provide the necessary balance under their credit arrangements subject to the limit of their available commitments. For all of the purposes of this paragraph 11, transfers under this paragraph 11(e) shall be deemed to have been made at the same time and for the same purchases as the transfers by the participant obtaining repayment under this paragraph 11(e).

(f) When a repayment is made to a participant, the amount that can be called for under its credit arrangement in accordance with this decision shall be restored pro tanto.

(g) The Fund shall be deemed to have discharged its obligations to a participating institution to make repayment in accordance with the provisions of this paragraph or to pay interest in accordance with the provisions of paragraph 9 if the Fund transfers an equivalent amount in special drawing rights to the member in which the institution is established.

Paragraph 12. Rates of Exchange

(a) The value of any transfer shall be calculated as of the date of the dispatch of the instructions for the transfer. The calculation shall be made in terms of the special drawing right in accordance with Article XIX, Section 7(*a*) of the Articles, and the Fund shall be obliged to repay an equivalent value.

(b) For all of the purposes of this decision, the value of a currency in terms of the special drawing right shall be calculated by the Fund in accordance with Rule O-2 of the Fund's Rules and Regulations.

Paragraph 13. Transferability

A participant may not transfer all or part of its claim to repayment under a credit arrangement except with the prior consent of the Fund and on such terms and conditions as the Fund may approve.

Paragraph 14. Notices

Notice to or by a participating member under this decision shall be in writing or by rapid means of communication and shall be given to or by the fiscal agency of the participating member designated in accordance with Article V, Section 1 of the Articles and Rule G-1 of the Rules and Regulations of the Fund. Notice to or by a participating institution shall be in writing or by rapid means of communication and shall be given to or by the participating institution.

Paragraph 15. Amendment

(a) Except as provided in paragraphs 5(b), 15(b) and 16, this decision may be amended during the period prescribed in paragraph 19(a) and any subsequent renewal periods that may be decided pursuant to paragraph 19(b) only by a decision of the Fund and with the concurrence of participants representing 85 percent of total credit arrangements. Such concurrence shall not be necessary for the modification of the decision on its renewal pursuant to paragraph 19(b).

(b) If in its view an amendment materially affects the interest of a participant that voted against the amendment, the participant shall have the right to withdraw its adherence to this decision by giving notice to the Fund and the other participants within 90 days from the date the amendment was adopted. This provision may be amended only with the consent of all participants.

Paragraph 16. Withdrawal of Adherence

Without prejudice to paragraph 15(b), a participant may withdraw its adherence to this decision in accordance with paragraph 19(b) but may not withdraw within the period prescribed in paragraph 19(a) except with the agreement of the Fund and all participants. This provision may be amended only with the consent of all participants.

Paragraph 17. Withdrawal from Membership

If a participating member or a member whose institution is a participant withdraws from membership in the Fund, the participant's credit arrangement shall cease at the same time as the withdrawal takes effect. The Fund's indebtedness under the credit arrangement shall be treated as an amount due from the Fund for the purpose of Article XXVI, Section 3, and Schedule J of the Articles.

Paragraph 18. Suspension of Exchange Transactions and Liquidation

(a) The right of the Fund to make calls under paragraph 7 and the obligation to make repayments under paragraph 11 shall be suspended during any suspension of exchange transactions under Article XXVII of the Articles.

(b) In the event of liquidation of the Fund, credit arrangements shall cease and the Fund's indebtedness shall constitute liabilities under Schedule K of the Articles. For the purpose of paragraph 1(a) of Schedule K, the currency in which the liability of the Fund shall be payable shall be first the currency borrowed, then the participant's currency and finally the currency of the drawer for whose purchases transfers were made by the participants.

Paragraph 19. Period and Renewal

(a) This decision shall continue in existence for five years from its effective date. When considering a renewal of this decision for the period following the five-year period referred to in this paragraph 19(a), the Fund and the participants shall review the functioning of this decision and shall consult on any possible modifications.

(b) This decision may be renewed for such period or periods and with such modifications, subject to paragraphs 5(b), 15(b) and 16, as the Fund may decide. The Fund shall adopt a decision on renewal and modification, if any, not later than twelve months before the end of the period prescribed in paragraph 19(a). Any participant may advise the Fund not less than six months before the end of the period prescribed in paragraph 19(a) that it will withdraw its adherence to the decision as renewed. In the absence of such notice, a participant shall be deemed to continue to adhere to the decision as renewed. Withdrawal of adherence in accordance with this paragraph 19(b) by a participant, whether or not included in the Annex, shall not preclude its subsequent adherence in accordance with paragraph 3(b).

(c) If this decision is terminated or not renewed, paragraphs 8 through 14, 17 and 18(b) shall nevertheless continue to apply in connection with any indebtedness of the Fund under credit arrangements in existence at the date of the termination or expiration of the decision until repayment is completed. If a participant withdraws its adherence to this decision in accordance with paragraph 15(b), paragraph 16, or paragraph 19(b), it shall cease to be a participant under the decision, but paragraphs 8 through 14, 17 and 18(b) of the decision as of the date of the withdrawal shall nevertheless continue to apply to any indebtedness of the Fund under the former credit arrangement until repayment has been completed.

Paragraph 20. Interpretation

Any question of interpretation raised in connection with this decision which does not fall within the purview of Article XXIX of the Articles shall be settled to the mutual satisfaction of the Fund, the participant raising the question, and all other participants. For the purpose of this paragraph 20 participants shall be deemed to include those former participants to which paragraphs 8 through 14, 17 and 18(b) continue to apply pursuant to paragraph 19(c) to the extent that any such former participant is affected by a question of interpretation that is raised.

Paragraph 21. Relationship with the General Arrangements to Borrow and Associated Borrowing Arrangements

(a) When considering whether to activate the New Arrangements to Borrow or the General Arrangements to Borrow, the Fund shall be guided by the following principles: The New Arrangements to Borrow shall be the facility of first and principal recourse except that:

(i) in the event of a request for a drawing on the Fund by a participating member, or a member whose institution is a participant, in both the General Arrangements to Borrow and the New Arrangements to Borrow, a proposal for calls may be made under either of the arrangements; and

(ii) in the event that a proposal for calls under the New Arrangements to Borrow is not accepted under paragraph 7A, a proposal for calls may be made under the General Arrangements to Borrow.

(b) Outstanding drawings and commitments under the New Arrangements to Borrow and the General Arrangements to Borrow shall not exceed SDR 34 billion, or such other amount of total credit arrangements as may be in effect in accordance with this decision. The available commitment of a participant under the New Arrangements to Borrow shall be reduced pro tanto by any outstanding drawings on, and commitments of, the participant under the General Arrangements to Borrow. The available commitment of a participant under the General Arrangements to Borrow shall be reduced pro tanto by the extent to which its credit arrangement under the General Arrangements to Borrow exceeds its available commitment under the New Arrangements to Borrow.

(c) References to drawings and commitments under the General Arrangements to Borrow shall include drawings and commitments under the Associated Borrowing Arrangements referred to in paragraph 23 of the General Arrangements to Borrow.

Paragraph 22. Other Borrowing Arrangements

Nothing in this decision shall preclude the Fund from entering into any other types of borrowing arrangements.

Decision No. 11428-(97/6)
January 27, 1997

Annex:
Participants and Amount
of Credit Arrangements

The size of each participant's credit arrangement listed below has initially been based in principle on its relative economic strength as reflected in its quota in the Fund. Credit arrangements are subject to a minimum of SDR 340 million. Amounts have been adjusted between some participants subject to the condition that the total for the participants involved in an adjustment does not change and the minimum is observed. The amounts, in terms of SDRs of the individual credit arrangements and their total will remain in effect unless and until changed in accordance with this decision.

The size of the Hong Kong Monetary Authority's (HKMA) credit arrangement has not been calculated on the basis of the quota of the member whose territories include Hong Kong. The same principle explains the special provision on activation of the New Arrangements to Borrow to meet requests from such member.

Participant	Amount in Millions of Special Drawing Rights
Australia	810
Austria	412
Belgium	967
Canada	1,396
Denmark	371
Deutsche Bundesbank	3,557
Finland	340
France	2,577
Hong Kong Monetary Authority	340
Italy	1,772
Japan	3,557
Korea	340
Kuwait	345
Luxembourg	340
Malaysia	340
Netherlands	1,316
Norway	383
Saudi Arabia	1,780
Singapore	340
Spain	672
Sveriges Riksbank	859
Swiss National Bank	1,557
Thailand	340
United Kingdom	2,577
United States	6,712

(b) Transferability of Claims

Pursuant to paragraph 13 of the New Arrangements to Borrow (NAB), the Fund consents in advance to the transfer of outstanding claims to repayments under the NAB on the terms and conditions set out below:

1. All or part of any claim under the NAB may be transferred at any time to a participant in the NAB.

2. As from the value date of the transfer, the transferred claim shall be held by the transferee on the same terms and conditions as claims originating under its credit arrangement, except that the transferee shall acquire the right to request early repayment of the transferred claim on balance of payments grounds pursuant to paragraph 11(e) of the NAB only if, at the time of the transfer, (i) the transferee is a member, or the institution of a member, whose balance of payment and reserve position is considered sufficiently strong for its currency to be usable in net transfers in the Fund's operational budget; or (ii) the transferee is the institution of a nonmember, and the balance of payments and reserve position of the nonmember is, in the opinion of the Fund, sufficiently strong to justify such acquisition.

3. The price for the claim transferred shall be as agreed between the transferee and the transferor.

4. The transferor of a claim shall inform the Fund promptly of the claim that is being transferred, the name of the transferee, the amount of the claim that is being transferred, the agreed price for transfer of the claim, and the value date of the transfer.

5. The transfer shall be registered by the Fund if it is in accordance with the terms and conditions of this decision. The transfer shall be effective as of the value date agreed between the transferee and the transferor.

6. If all or part of a claim is transferred during a quarterly period as described in paragraph 9(c) of the NAB, the Fund shall pay interest to the transferee on the amount of the claim transferred for the whole of that period.

7. If requested, the Fund shall assist in seeking to arrange transfers.

8. This decision shall become effective on the date of effectiveness of the NAB.

Decision No. 11429-(97/6)
January 27, 1997

G. Relations with World Trade Organization (WTO)—Fund-WTO Cooperation Agreement

The Executive Board approves the proposed Agreement Between the International Monetary Fund and the World Trade Organization [as set forth in the staff paper] on the understanding that decisions taken by either party for the implementation of this Agreement will not prevent the effective application of this Agreement in accordance with its provisions.

Decision No. 11381-(96/105)
November 25, 1996

H. Press Information Notices—Release

Following the completion of an Article IV consultation for a member, the Fund may release a Press Information Notice reporting on the results of the consultation in accordance with the following terms:

1. Contents of Press Information Notices

The Press Information Notice will be brief (normally 3–4 pages) and will consist of two sections:

(a) A background section with factual information on the economy of a member, including a table of economic indicators. When possible, a draft of this section would be included in the staff report on Article IV consultation discussions to permit an early opportunity for comment.

(b) The Fund's assessment of the member's prospects and policies. This section will correspond closely to the Chairman's summing up of the Executive Board discussion. Editing of the summing up will be minimal, removing only highly market-sensitive information, mainly Fund views on exchange rate and interest rate matters.

2. Member's Consent to the Release of a Press Information Notice

The release of a Press Information Notice shall be subject to the consent of the member concerned, normally to be communicated through its Executive Director, in accordance with the following procedures:

(a) A member may indicate its intention to consent to the release of a Press Information Notice at any time prior to issuance of the Chairman's summing up of the Article IV consultation as a Fund document, but is free not to do so.

(b) The Executive Director concerned will have the opportunity to review the draft Press Information Notice prior to its release.

(c) In case of a serious disagreement between the Managing Director and the Executive Director concerned on the draft, either may request the Executive Board to consider the matter.

(d) A Press Information Notice will be released only upon the written consent of the member, normally communicated through the Executive Director concerned, to the proposed draft. The release of each Press Information Notice will require a separate written consent. A consent can be withdrawn at any time prior to the release of the Press Information Notice.

(e) It is understood that no pressure will be exerted on a member to provide consent for the release of a Press Information Notice by the Managing Director, Fund staff, or other members.

3. Timing of Release

The Press Information Notice will be released shortly following the completion of the Article IV consultation. As an indicative target, the Fund will aim to issue the Press Information Notice five to ten working days following the relevant Executive Board meeting, but in any event not before the end of the working day following the circulation of the summing up as a Fund document.

4. Confirmation of Present Practices

(a) The release of Press Information Notices shall not affect the current Article IV consultation summing up process. In particular, the Chairman's summing up will continue to be provided to the Executive Director concerned for review following the Executive Board meeting.

(b) The possibility of releasing Press Information Notices shall not affect in any way the staff's reporting to the Executive Board on consultation discussions with members.

Decision No. 11493-(97/45)
April 24, 1997

APPENDIX VI

PRESS COMMUNIQUÉS OF THE INTERIM COMMITTEE AND THE DEVELOPMENT COMMITTEE

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

PRESS COMMUNIQUÉS

Forty-Seventh Meeting, Washington, D.C., September 29, 1996

1. The Interim Committee held its forty-seventh meeting in Washington, D.C. on September 29, 1996 under the Chairmanship of Mr. Philippe Maystadt, Deputy Prime Minister and Minister of Finance and of Foreign Trade of Belgium.

2. The Committee welcomed the generally encouraging world economic and financial situation and prospects for a strengthening and broadening of the economic expansion in 1996 and 1997. It noted the progress toward price stability and in reducing fiscal deficits in many countries, the improvement in exchange market conditions among the major currencies, the continuing rapid expansion of trade and financial flows, and the growing reliance on market forces worldwide. The Committee observed that:

• Developing countries are playing an increasingly significant role in generating growth and expanding trade, with many emerging market economies reaping the benefits of consistent implementation of market-oriented policies, supported by capital inflows including sustained foreign direct investment. The performance of many Asian countries remains impressive: in a number of cases, moderating growth is helping to alleviate inflationary pressures. In an increasing number of African countries, per capita incomes and growth prospects are improving as a result of sound policies, although serious problems remain. Many Latin American countries are recovering and experiencing lower inflation, after the difficulties associated with the Mexican crisis. In the Middle East, strengthened adjustment efforts have enhanced growth prospects in several countries.

• In the transition countries, continued implementation of broad-based reforms is expected to lead to a further strengthening of growth performance, and inflation, though still high, is declining.

• In the industrial countries, inflation is subdued: sound expansion of output and employment has continued in the United States and some other countries; Japan's recovery is more firmly established; and in continental western Europe, the standstill in growth has ended and conditions are now in place for a resumption of more satisfactory growth.

3. The Committee noted that favorable developments in the world economy reflect the implementation by many countries of policies consistent with the common strategy set out in the October 1994 Madrid *Declaration on Cooperation to Strengthen the Global Expansion*. It noted that this strategy remained valid. It saw however a need to update and broaden it to take account of new challenges in the changing global environment, in the attached *Declaration on Partnership for Sustainable Global Growth* on September 29, 1996.

4. The Committee welcomed the strengthening of Fund surveillance and the report of the Managing Director on the review of policies in the context of surveillance, which provides valuable lessons for the membership and for the Fund on the conduct of surveillance in the new global environment.

5. The Committee welcomed the Special Data Dissemination Standard and was encouraged by the broad mix of industrial and emerging market countries among its first subscribers; it urged other countries that are in a position to subscribe to do so. It noted the recent initiation of the Data Standards Bulletin Board (DSBB). It looks forward to further enhancement of the DSBB, including the possible establishment of electronic links to country data. It requested the Executive Board to complete work on the general standards for data dissemination, that will apply to all countries, so that they are in place before the Spring 1997 meeting of the Committee.

6. With respect to the Fund's financial resources and assistance to members, the Committee:

• Welcomed the progress made by the Executive Board in its work on the Eleventh General Review of Quotas. In view of the evolution of the Fund's prospective liquidity position, and other factors, the Committee requested the Executive Board to continue its work on the Review and to do its utmost to reach a conclusion as soon as possible.

• Welcomed the progress made in establishing the New Arrangements to Borrow. It noted that these Arrangements would effectively double the resources currently available to the Fund under the General Arrangements to Borrow and improve the Fund's ability to meet requests for balance of payments assistance by members in circumstances that could have systemic implications. It requested the participants in the new Arrangements, and the Executive Board, to complete their work promptly. The Committee urged the participating members to complete the domestic processes needed to bring these new Arrangements into effect as soon as possible.

7. The Committee warmly endorsed the program of action proposed by the Fund and the Bank to ensure that the heavily indebted poor countries (HIPCs) that have shown a sound track record of economic adjustment can attain a sustainable debt situation over the medium term. It endorsed the conclusions by the Executive Board on financing the continuation of ESAF and the Fund's participation in the Initiative to assist the HIPCs, to which all members are committed. It also welcomed the agreement to transfer a portion of the ESAF reserves to support the Fund's participation in the HIPC Initiative with grants or loans on longer maturities. The Committee also welcomed the commitment by the World Bank to the Initiative and the President's willingness to allocate an overall contribution to it. It welcomed the indication that the Paris Club creditors are ready to go beyond Naples terms in providing debt reduction of up to 80 percent for countries qualifying for additional relief within the HIPC Initiative, on a case-by-case basis according to its usual rules, to achieve an exit from an unsustainable debt. It urged other creditors to participate in the Initiative on an equitable basis. It also reaffirmed the importance of the Fund's preferred creditor status. The Committee requested the Executive Board to proceed quickly with implementation and to report on progress to the Committee in Spring 1997.

8. The Committee welcomed the consensus reached in the Executive Board that all members should receive an equitable share of cumulative SDR allocations through an amendment of the Fund's Articles of Agreement providing for a onetime allocation of SDRs, based on a common benchmark ratio of cumulative allocations to present quotas. The Committee endorsed this approach and requested the Executive Board to finalize its work on the amendment by the time of the Committee's next meeting. The Committee emphasized that such an amendment of the Articles would not in any way affect the Fund's existing power to allocate SDRs on the basis of a finding of long-term global need to supplement reserves as and when that need arises.

9. The Committee asked the Executive Board to continue its analysis of capital flows and their implications, to examine possible changes in the Fund Articles, and to report to the Committee at our next meeting.

10. The Committee will meet again in Washington on April 28, 1997.

September 29, 1996
Interim Committee Declaration on Partnership for Sustainable Global Growth

The Interim Committee has reviewed the *Declaration on Cooperation to Strengthen the Global Expansion*, which it adopted two years ago in Madrid. It notes that the strategy set out in the Declaration, which emphasized sound domestic policies, international cooperation, and global integration, remains valid. It reiterates the objective of promoting full participation of all economies, including the low-income countries, in the global economy. Favorable developments in, and prospects for, many industrial, developing, and transition economies owe much to the implementation of sound policies consistent with the common medium-term strategy.

The Interim Committee sees a need to update and broaden the Declaration, in light of the new challenges of a changing global environment, and to strengthen its implementation, in a renewed spirit of partnership. It attaches particular importance to the following:

- Stressing that sound monetary, fiscal, and structural policies are complementary and mutually reinforcing: steady application of consistent policies over the medium term is required to establish the conditions for sustained noninflationary growth and job creation, which are essential for social cohesion.
- Implementing sound macroeconomic policies and avoiding large imbalances are essential to promote financial and exchange rate stability and avoid significant misalignments among currencies.
- Creating a favorable environment for private savings.
- Consolidating the success in bringing inflation down and building on the hard-won credibility of monetary policy.
- Maintaining the impetus of trade liberalization, resisting protectionist pressures, and upholding the multilateral trading system.
- Encouraging current account convertibility and careful progress toward increased freedom of capital movements through efforts to promote stability and financial soundness.
- Achieving budget balance and strengthened fiscal discipline in a multi-year framework. Continued fiscal imbalances and excessive public indebtedness, and the upward pressures they put on global real interest rates, are threats to financial stability and durable growth. It is essential to enhance the transparency of fiscal policy by persevering with efforts to reduce off-budget transactions and quasi-fiscal deficits.
- Improving the quality and composition of fiscal adjustment, by reducing unproductive spending while ensuring adequate basic investment in infrastructure. Because the sustainability of economic growth depends on development of human resources, it is essential to improve education and training; to reform public pension and health systems to ensure their long-term viability and enable the provision of effective health care; and to alleviate poverty and provide well-targeted and affordable social safety nets.
- Tackling structural reforms more boldly, including through labor and product market reforms, with a view to increasing employment and reducing other distortions that impede the efficient allocation of resources, so as to make our economies more dynamic and resilient to adverse developments.
- Promoting good governance in all its aspects, including by ensuring the rule of law, improving the efficiency and accountability of the public sector, and tackling corruption, as essential elements of a framework within which economies can prosper.
- Ensuring the soundness of banking systems through strong prudential regulation and supervision, improved coor-

dination, better assessment of credit risk, stringent capital requirements, timely disclosure of banks' financial conditions, action to prevent money laundering, and improved management of banks.

The Committee encourages the Fund to continue to cooperate with other international organizations in all relevant areas. It welcomes the recent strengthening of Fund surveillance of member countries' policies, which is an integral part of the strategy. It reaffirmed its commitment to strengthen the Fund's capacity to fulfill its mandate. It will keep members' efforts at achieving the common objectives of this strategy under review.

Annex: Interim Committee Attendance September 29, 1996

Chairman

Philippe Maystadt, Minister of Finance, Belgium

Managing Director

Michel Camdessus

Members or Alternates

Ibrahim A. Al-Assaf, Minister of Finance and National Economy, Saudi Arabia
Sultan N. Al-Suwaidi, Governor, United Arab Emirates Central Bank (Alternate for Ahmed Humaid Al-Tayer, Minister of State for Financial and Industrial Affairs, United Arab Emirates)
Jean Arthuis, Minister of Economy and Finance, France
Erik Åsbrink, Minister of Finance, Sweden
Antonio Casas González, President, Banco Central de Venezuela
P. Chidambaram, Minister of Finance, India
M.A.P. Chikaonda, Governor, Reserve Bank of Malawi
Carlo A. Ciampi, Minister of the Treasury, Italy
Kenneth Clarke, Chancellor of the Exchequer, United Kingdom
Peter Costello, Treasurer, Australia
Dai Xianglong, Governor, People's Bank of China
J. Soedradjad Djiwandono, Governor, Bank Indonesia
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
Wataru Kubo, Minister of Finance, Japan
Pedro Sampaio Malan, Minister of Finance, Brazil
Paul Martin, Minister of Finance, Canada
Viktor Klima, Federal Minister of Finance, Austria (Alternate for Philippe Maystadt, Minister of Finance, Belgium)
Robert E. Rubin, Secretary of the Treasury, United States
Kaspar Villiger, Minister of Finance, Switzerland
Theo Waigel, Federal Minister of Finance, Germany
Gerrit Zalm, Minister of Finance, Netherlands

Observers

Y. Akyuz, Chief, Macroeconomic Unit, Global Interdependence Division, UNCTAD
Andrew D. Crockett, General Manager, BIS
Yves-Thibault de Silguy, Commissioner for Economic, Monetary and Financial Affairs, EC
Donald J. Johnston, Secretary-General, OECD
Mohamed Kabbaj, Chairman, Joint Development Committee
Jean-Claude Milleron, Under-Secretary-General for Economic and Social Information and Policy Analysis, UN
Renato Ruggiero, Director-General, WTO
James D. Wolfensohn, President, World Bank

Forty-Eighth Meeting, Washington, D.C., April 28, 1997

1. The Interim Committee held its forty-eighth meeting in Washington, D.C. on April 28, 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 expansion of world output and trade. Improved discipline in fiscal and monetary policies in many countries has contributed to subdued or declining inflation and relatively low long-term interest rates. Substantial misalignments among major currency exchange rates have been corrected. The Committee agreed that exchange rates should reflect economic fundamentals and that the reemergence of large external imbalances should be avoided; excess volatility and significant deviations from fundamentals are undesirable. The Committee recognized the importance of cooperation in exchange markets as appropriate. Widespread structural reforms are enhancing the role of market forces and deepening globalization through trade and financial flows. Yet, policy challenges remain:

• Among the advanced economies, countries where growth has been relatively strong face the challenge of sustaining the expansion while preventing an upturn in inflation, and policies should continue to be directed toward these objectives. In Japan, prospects for continued recovery appear more favorable; rigorous implementation of the authorities' deregulation program as well as appropriate fiscal reforms are important over the medium term, to enhance growth. In continental Europe, the outlook for growth has improved, but high structural unemployment points to the urgency of tackling labor market rigidities. The Committee also agreed that continued efforts to meet the convergence criteria and to proceed with comprehensive structural reforms in factor and product markets are needed for both the longer-term prosperity of the participating countries and to ensure a successful EMU that would contribute to the stability of the international monetary system.

• Robust growth is continuing in many developing countries. Growth in the Asian economies has remained strong for several years. The recent abatement of overheating pressures in many of the emerging market economies, especially in Asia, will help to sustain their expansions, although some large current account deficits need to be reduced. With the sustained implementation of sound policies, growth in the Western Hemisphere and in the Middle East region is expected to strengthen further. The Committee was particularly heartened by the improved growth performance and prospects in Africa. It emphasized, however, that many developing countries have to raise substantially their growth rates of per capita incomes to achieve a significant reduction of poverty, indicating the need to accelerate structural reforms and for the increased support of the international community.

• In the transition countries, further progress in the control of inflation and continued advances in structural reform are laying the ground for stronger growth. However, sharp contrasts in performance persist among these countries, highlighting the benefits of steadfast commitment to stabilization and structural reforms.

3. The Committee agreed that the increasing globalization of markets is an important force driving world growth and providing opportunities to all countries. While globalization, as with other structural change, may adversely affect some segments of society in the short run, the declining share of manufacturing employment—deindustrialization—in advanced economies is primarily the consequence of technological change rather than globalization. The challenge for policies is to take advantage of the forces of globalization so as to ensure that its benefits are fully realized. The Committee reaffirmed that implementation by all members of the guidelines set out in its *Declaration on Partnership for Sustainable Global Growth* would be essential to ensure that all share in an increasingly prosperous world economy. It stressed in particular the importance of sound macroeconomic policies, market-oriented reforms, sound banking systems, trade and investment liberalization, and good governance.

4. The Committee welcomed the strengthening of Fund surveillance to meet the new challenges of globalization. It supported the Fund's increasing attention to banking and financial sector problems that could have significant macroeconomic implications. In this context, it emphasized the importance of close collaboration with the World Bank and other international organizations and groups. The Committee welcomed the Board's decision allowing the release, on a voluntary basis, of Press Information Notices following the conclusion of Article IV consultations, which would further improve the transparency of surveillance. It looked forward to a further report on members' policies in the context of surveillance at its next meeting.

5. The Committee was encouraged by the large number of subscriptions—presently numbering 42—to the Special Data Dissemination Standard. It noted the progress achieved on the General Data Dissemination System, and welcomed the General System's emphasis on improving data quality across the membership, which would require a broad cooperative effort of the Fund and its members. The Committee looked forward to the establishment of the General System.

6. The Committee welcomed the progress made toward establishing conditions for EMU, the creation of which is one of the most important international monetary developments in the post–Bretton Woods period. The Executive Board will undertake a broad program to assess the implications of EMU for the international monetary system and for the Fund.

7. The Committee emphasized that an open and liberal system of capital movements was beneficial to the world economy. It considered the Fund uniquely placed to promote the orderly liberalization of capital movements and to play a central role in this effort. It, therefore, agreed that the Fund's Articles should be amended to make the promotion of capital account liberalization a specific purpose of the Fund and to give the Fund appropriate jurisdiction over capital movements; the scope of such jurisdiction would need to be carefully defined, and sufficient flexibility should be allowed through transitional provisions and approval policies. The Committee asked the Executive Board to continue its work in this area with a view to making specific recommendations on key elements of an amendment by the time of the Committee's next meeting.

8. The Committee commended the Executive Board for its work on the Eleventh General Review of Quotas. It 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 proposed distribution should be predominantly equiproportional while contributing to a correction of the most important 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.

9. The Committee welcomed the adoption of the Executive Board decision on New Arrangements to Borrow (NAB) and encouraged potential participants that have not yet adhered to the decision to do so as soon as feasible.

10. The Committee welcomed the progress achieved in the Executive Board toward a proposed amendment of the Articles of Agreement to provide for a special one-time allocation of SDRs and requested the Executive Board to finalize its work as soon as possible and to report to the Committee in time for the Hong Kong meeting.

11. The Committee welcomed the actions taken by the Executive Board to implement the Fund's participation in the HIPC Initiative through special ESAF operations. It noted with satisfaction the Board's decision in principle to provide assistance to Uganda under the HIPC Initiative and encouraged all other creditors to take equivalent action as soon as possible. It also welcomed the preliminary consideration by the Board of three other country cases under the Initiative and encouraged the Board to implement the Initiative in a manner that would ensure a robust exit from the rescheduling process. It stressed the importance of the provision of adequate interim financing by all creditors. The Committee noted the importance of strong adjustment and reform policies, as well as social policies, on the part of the countries benefiting from assistance under this Initiative. It called on the Fund, in collaboration with the World Bank, to help these and other developing countries accelerate the process of structural reform. The Committee urged all members to work expeditiously to help secure the resources needed to complete the funding of the Fund's participation in the HIPC Initiative as well as the continuation of ESAF.

12. The Committee will meet again in Hong Kong on September 21, 1997.

Annex: Interim Committee Attendance
April 28, 1997

Chairman

Philippe Maystadt, Deputy Prime Minister and Minister of Finance and Foreign 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
Jean Arthuis, Minister of Economy and Finance, France
Erik Åsbrink, Minister of Finance, Sweden
Aleke K. Banda, Minister of Finance, Malawi
Carlo A. Ciampi, Minister of the Treasury, Italy
E.A.J. George, Governor, Bank of England (Alternate for Kenneth Clarke, Chancellor of the Exchequer, United Kingdom)
Rod Kemp, Assistant Treasurer, Australia (Alternate for Peter Costello, Treasurer, Australia)
Chen Yuan, Deputy Governor, People's Bank of China (Alternate for 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
Pablo Guidotti, Secretary of Finance, Argentina (Alternate for Roque B. Fernández, Minister of Economy and Public Works and Services, Argentina)
Abdelouahab Keramane, Governor, Banque d'Algérie
Sultan N. Al-Suwaidi, Governor, United Arab Emirates Central Bank (Alternate for Mohamed Khalfan Bin Kharbash, Minister of State for Financial and Industrial Affairs, United Arab Emirates)
Pedro Sampaio Malan, Minister of Finance, Brazil
James A. Judd, Assistant Deputy Minister, Department of Finance, Canada (Alternate for Paul Martin, Minister of Finance, Canada)
Wolfgang Ruttenstorfer, Deputy Minister of Finance, Austria (Alternate for Philippe Maystadt, Minister of Finance, Belgium)
Hiroshi Mitsuzuka, Minister of Finance, Japan
C. Rangarajan, Governor, Reserve Bank of India
Robert E. Rubin, Secretary of the Treasury, United States
Kaspar Villiger, Minister of Finance, Switzerland
Theo Waigel, Federal Minister of Finance, Germany
Gerrit Zalm, Minister of Finance, Netherlands

Observers

A. Cornford, Senior Economic Affairs Officer for Banking and Financial Markets, Division on Globalization and Development Strategies, UNCTAD
Andrew D. Crockett, General Manager, BIS
Nitin Desai, Under-Secretary-General for Policy Coordination and Sustainable Development, UN
Yves-Thibault de Silguy, Commissioner for Economic, Monetary and Financial Affairs, EC
Mohamed Kabbaj, Chairman, Joint Development Committee
S. Balabanoff, Acting Head, Economics and Finance Department, OPEC
Jesus Seade, Deputy Director-General, WTO
Kumiharu Shigehara, Head of Economics Department, OECD
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-Third Meeting, Washington, D.C., September 30, 1996

1. The fifty-third Meeting of the Development Committee was held in Washington, D.C. on September 30, 1996 under the chairmanship of Mr. Mohamed Kabbaj, Minister of Finance and Foreign Investment of Morocco.[1]

Resolving Debt Problems of the Heavily Indebted Poor Countries (HIPCs)

2. The Committee expressed its appreciation to the Bank and Fund for the progress made since its last meeting and endorsed the Action Program for the HIPC Initiative. It urged the Bank and Fund, working closely with donors and other creditors, to move swiftly to implement the Initiative.

3. Members reiterated their support for the Initiative's basic objective—ensuring that HIPCs demonstrating a track record of sustained strong policy performance are able to achieve overall external debt sustainability, enabling them to exit from the rescheduling process and to strengthen their poverty reduction programs. They recognized that the HIPC Initiative commits the international financial community to take additional action to reduce eligible countries' debt burdens to sustainable levels where full use of existing debt-relief mechanisms is unlikely to be sufficient.

4. Members agreed that coordinated action by all creditors was critical to the Initiative's success. The assistance to be provided by each group of creditors should be consistent with the guiding principles agreed at the Committee's April 1996 meeting, and would be based on the need to: (a) deliver debt sustainability; (b) share broadly and equitably the cost of the Initiative; and (c) preserve the preferred creditor status of the multilateral financial institutions. Ministers stressed that the Initiative should be implemented flexibly, on a case-by-case basis, and with full participation by debtor governments.

5. Ministers also welcomed the commitment of the IMF, reflected in the statement of the Interim Committee on September 29, to participate in the enhanced assistance to be provided under the HIPC Initiative through special ESAF operations, including long-maturity loans or grants.

[1] Mr. James D. Wolfensohn, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, and Mr. Qazi Alimullah, Deputy Chairman of the Planning Commission of Pakistan for Finance and Economic Affairs and Chairman of the Group of Twenty-Four addressed the plenary session. Observers from a number of international and regional organizations also attended.

6. Members supported the World Bank's proposed $500 million initial contribution, and noted President Wolfensohn's announced readiness to recommend to the Board of Executive Directors additional contributions, provided future net income of the Bank would so permit, that there is equitable burden sharing by creditors, and these funds are needed to meet the Bank's own share of the burden. Members supported as well the enhanced assistance (including IDA grants) the Bank intends to provide in selected cases when needed.

7. Given the significant share of debt owed by the poorest and most indebted countries to bilateral creditors, Ministers welcomed the indication from the Paris Club that it was ready to go beyond Naples Terms to provide debt reduction of up to 80 percent for countries qualifying for additional relief within the HIPC Initiative, and that its decisions will be made on a case-by-case basis according to its usual rules, to achieve an exit from unsustainable debt. They suggested the Paris Club, the international financial institutions, and all involved creditors coordinate their actions to deliver needed debt relief consistent with the Initiative's basic principles noted in paragraphs 3 and 4 above.

8. Ministers welcomed the readiness to participate in the Initiative indicated by several multilateral agencies, and urged other multilaterals to define their participation as soon as possible. The Committee agreed that the proposed multilateral HIPC Trust Fund, to be administered by IDA, would make an effective contribution to the success of the Initiative. Members expressed appreciation to those bilateral donors which had indicated at this early stage their intention to contribute to the Trust Fund and encouraged others to do so as well.

9. Ministers requested the IMF and World Bank to begin implementation of the Initiative for the first potentially eligible countries before the end of 1996 and to report back to the Committee at its next meeting on progress achieved in implementing the Initiative.

International Development Association (IDA)

10. Ministers reiterated their strong support for IDA and its central importance to the global effort to reduce poverty; therefore, it is important that all donors ensure the success of IDA 11 by fully respecting their commitments on time. The Committee welcomed the increased IBRD grant to IDA of $600 million this year.

11. Ministers recognized that the IDA 11 agreement reflects a significant reduction in donor contributions from previous levels. They asked IDA management and donor representatives to work together in the next several months to help ensure adequate and secure future funding for IDA. Ministers will discuss these and related matters as they consider the prospects for IDA funding at their next meeting.

Multilateral Investment Guarantee Agency (MIGA)

12. Ministers noted that MIGA's activities had grown appreciably along with the expansion of foreign private investment in developing countries. They welcomed the recent rapid expansion in demand for MIGA services and recognized that, as a result, MIGA is quickly approaching the limits of its financial capacity. Ministers requested that the MIGA management and Executive Board address MIGA's resource constraints soon and report on this subject at the Committee's next meeting.

World Trade Organization (WTO)

13. The Committee expressed its appreciation to WTO Director-General Renato Ruggiero for his valuable briefing on key issues likely to be addressed at the First WTO Ministerial Meeting in December. Ministers agreed with Mr. Ruggiero on the importance of trade as a formidable engine of economic growth for all nations and on the opportunities and challenges offered by globalization. They requested the Bank and Fund to assist those countries not yet members of the WTO to join the organization, and to assist all members, particularly the poorest, to become more fully integrated into the multilateral trading system. Ministers expressed their support for closer collaboration between the WTO, the Fund, and the Bank and offered the Director-General and the WTO best wishes for a successful Ministerial Meeting.

Next Meeting

14. The Committee's next meeting will be held on April 29, 1997 in Washington, D.C.

Fifty-Fourth Meeting, Washington, D.C., October 3, 1996

1. The fifty-fourth meeting of the Development Committee was held in Washington, D.C. on October 3, 1996. The Committee unanimously reselected Minister Mohamed Kabbaj as Chairman of the Committee for a second two-year term. Chairman Kabbaj, Morocco's Minister of Finance and Foreign Investment, has presided over the Committee since its April 1995 meeting.

Fifty-Fifth Meeting, Washington, D.C., April 29, 1997

1. The fifty-fifth meeting of the Development Committee was held in Washington, D.C. on April 29, 1997 under the chairmanship of Mr. Mohamed Kabbaj, Minister of Finance and Foreign Investment of Morocco.[2]

Implementation of the Debt Initiative for Heavily Indebted Poor Countries

2. The Committee welcomed the substantial progress made since its last meeting in implementing the HIPC Initiative: the Bank and the Fund Executive Boards have taken a decision on Uganda that would, subject to satisfactory assurances on the participation of other creditors and following a review of Uganda's further progress on adjustment and reform, have an effect on its debt service of a reduction in its multilateral and bilateral debt by about 20 percent—or about $700 million—in April 1998; there is also a preliminary agreement on the eligibility of three other countries (Bolivia, Burkina Faso, and Côte d'Ivoire); and the necessary analysis for several other countries is well under way.

3. Ministers reaffirmed the importance of implementing the Initiative in accordance with the guiding principles and

[2]Mr. James D. Wolfensohn, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, Mr. Antonio Casas Gonzalez, Governor of the Central Bank of Venezuela and Chairman of the Group of Twenty-Four, and Mr. Richard H. Kaijuka, Minister of Planning and Economic Development of Uganda, addressed the plenary session. Observers from a number of international and regional organizations also attended.

the Program of Action agreed upon by the Committee in 1996. Ministers stressed the importance of adequate interim financing by all creditors. They welcomed the recent Bank and Fund Board decisions on implementing the Initiative, which demonstrate that, with determination and close collaboration by all partners, governments that show strong commitment to reform and economic and social development can be placed on a track to achieve a sustainable external debt position.

4. Ministers expressed appreciation for the close working relationships between the Bretton Woods institutions, other multilaterals, the Paris Club, and other bilateral creditors. They also expressed appreciation to the governments that have made voluntary contributions to the HIPC Trust Fund, and to those that have indicated their readiness to contribute to the IMF ESAF-HIPC Trust; they urged other governments to do so as well.

Multilateral Investment Guarantee Agency (MIGA)

5. Ministers noted the progress made by MIGA's Board and Management in addressing MIGA's resource constraints. The Committee expressed broad support for MIGA's continued growth in response to expanding demand for its services. As MIGA is rapidly approaching the limits of its financial capacity, ministers urged the MIGA Board, together with other parties involved, to resolve in an expeditious manner the remaining issues on how best to obtain adequate resources, and report to the Committee at its next meeting.

Partnership for Capacity Building in Africa

6. Africa's future economic and social progress will depend heavily on today's investments in human capital and institutional capabilities. Past efforts in capacity building have not had wide success in fostering effective institutions and sustainable transfer of skills, in part because they did not foster local ownership. Thus, the Committee welcomed the initiative taken by African governments to identify and address this fundamental requirement. The Committee appreciated the high degree of African ownership and commitment to take their own actions on capacity building, which are reflected in this effort. Ministers encouraged the World Bank to continue to provide strong support for this African initiative, and to help build support from others in the international community as the Partnership's program develops.

Strengthening Support for Development Cooperation

7. Developing countries have made progress in reducing poverty in recent years, but in the poorest countries it remains pervasive and deep. Further advances depend primarily on domestic efforts, but integration into the international trading system, and access to adequate external resource flows, are also essential. Ministers stressed the central importance of improving the enabling environment for private investment; moreover, the need to ensure adequate access to official development assistance (ODA), notwithstanding donor's increasing budgetary pressures and competing demands, is a matter of great concern.

8. To strengthen support for development cooperation and help generate necessary ODA flows, ministers agreed to redouble their efforts to ensure that aid resources are effectively mobilized, delivered, and used. The Committee agreed that improved coordination, and strengthened partnerships between developing countries, the private sector, and bilateral and multilateral agencies, are essential to improving aid effectiveness.

9. Ministers urged the World Bank to continue to work closely with its partners on realistic and monitorable development goals, adapted to specific country conditions and with full ownership by the countries themselves. In this respect, generally accepted goals such as those focused on poverty reduction, human welfare, and the environment help demonstrate development achievements and lessons learned. Ministers welcomed the recent endorsement by OECD donors of such goals.

10. Ministers agreed that the primary beneficiaries of development aid should be those poor countries committed to economic growth and the reduction of poverty through sound policies and effective use of domestic and external resources. The Committee encouraged IDA and other multilateral agencies to strengthen further the role of policy performance in the allocation of their resources, bearing in mind factors beyond the control of governments, while continuing to help build the capacity of all countries to improve performance. Bilateral donors were encouraged to move further in this direction as well.

11. Ministers welcomed the IMF's support for adjustment and reform programs under the ESAF, and emphasized the importance of continuing ESAF operations to assist low-income countries.

12. Ministers emphasized the great importance they attach to successful implementation of the IDA 11 agreement. The Committee was encouraged by recently concluded agreements for several other multilateral development bank (MDB) replenishments, and reiterated that continued strong support for MDBs by all shareholders, on a fair burden-sharing basis, is essential to preserve their multilateral character and to meet the key challenges of sustainable development.

Strategic Compact

13. The Committee welcomed the World Bank's Strategic Compact, which aims to improve the level and quality of front-line services and strengthen overall development effectiveness by enhancing project quality and by making the Bank more cost-effective, participatory, flexible, and responsive to client needs. Members invited the World Bank Board to monitor closely the implementation of the Strategic Compact and requested periodic reports on progress achieved.

Facilitating Private Involvement in Infrastructure

14. Ministers welcomed the work under way in the World Bank Group to promote private sector investment in infrastructure, and they asked the Bank Group to prepare an Action Program on this subject for the Committee's next meeting.

Next Meeting

15. The Committee's next meeting will be held on September 22, 1997 in Hong Kong, China.