

KEBIJAKAN INTERNATIONAL MONETARY FUND (IMF)
MENANGGULANGI KRISIS MONETER DAN KRISIS
EKONOMI DI INDONESIA
STUDI KASUS : LETTER OF INTENT



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menyelesaikan studi pada Jurusan Internasional
Fakultas Hukum Universitas Hasanuddin
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Penulis

ABSTRAK

Krisis Moneter dan krisis Ekonomi yang melanda Indonesia merupakan krisis yang tergolong terbesar sepanjang pemerintahan Orde Baru. Krisis ini langsung menggoyahkan sistim keuangan dan perbankan nasional, kemudian memacu kenaikan harga barang, masalah likuiditas dana Investasi, keb'angkrutan sejumlah perusahaan, utang luar negeri yang semakin membengkak serta krisis kepercayaan. Baik kepercayaan masyarakat dalam negeri maupun kepercayaan masyarakat Internasional.

Internasional Montary Fund (IMF) dibentuk pada tahun 1944 sebagai perwujudan dari usaha-usaha yang dilakukan untuk menjamin sistim moneter Internasional. Lembaga ini bertujuan untuk menetapkan suatu standar tingkah laku dalam pelaksanaan hubungan-hubungan moneter Internasional dan secara aktif membantu memecahkan masalah-masalah moneter internasional, khususnya dalam rangka memperbaiki neraca pembayaran internasional suatu negara.

Dengan berlakunya Articles Of Agreement maka timbul tiga hal dalam sistim Moneter Internasional, yaitu :

1. Secara Yuridis terbentuk sebuah badan Internasional.
2. Negara-negara anggota harus tunduk dibawah ketentuan Articles Of Agreement.
3. Negara-negara anggota wajib memberikan asset kepada IMF, yang jumlahnya akan ditetapkan oleh IMF dan akan dipergunakan untuk membantu negara-negara anggota.

Nota kesepakatan yang disebut Letter Of Intent yang terdiri dari 50 butir adalah sebuah bentuk kerja sama antara pemerintah Indonesia dengan International Monetary Fund yang ditandatangani oleh Presiden RI pada tanggal 15 Januari 1988.

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BAB I PENDAHULUAN

1.1. Latar Belakang Masalah

Di dalam kehidupan ekonomi di dunia ini terdapat dua kelompok besar, yaitu negara maju dan negara-negara berkembang/sedang berkembang. Pada umumnya, negara-negara industri maju memperoleh bahan mentah, yang merupakan bahan baku bagi kegiatan industrinya, dari negara-negara berkembang/sedang berkembang dalam bentuk barang jadi atau setengah jadi, yang sangat diperlukan bagi kehidupan ekonomi dan pembangunan di negara-negara berkembang tersebut.¹

Tidak dapat dipungkiri bahwa tidak satu pun negara di dunia ini yang tidak mempunyai ketergantungan (*interdependensi*) dengan negara lain, meskipun ukuran ketergantungan tersebut berbeda-beda. Kenyataan dari saling ketergantungan tersebut, adalah banyaknya hubungan-hubungan kerjasama internasional yang diwujudkan dalam berbagai bentuk dan coraknya. Diantara seluruh hubungan kerja sama itu, hubungan dalam lapangan ekonomi merupakan salah satu sektor yang menonjol dalam merealisasikan keadaan ketergantungan tersebut.

Hubungan perdagangan dan lalu lintas modal merupakan landasan yang penting bagi pelaksanaan hubungan ekonomi antar bangsa-bangsa dan antar bangsa dengan lembaga-lembaga internasional. Salah satu syarat untuk menjamin kelangsungan hubungan-hubungan perdagangan dan lalu lintas modal secara teratur adalah adanya tata tertib di bidang hubungan moneter internasional. Untuk keperluan tersebut, maka

¹. Sulkarnain Djarain, *Masalah Utang Luar Negeri, Bagi Negara-negara Berkembang dan Bagaimana Indonesia Mengatasinya*, Lembaga Penerbit, Fakultas Ekonomi Universitas Indonesia, Jakarta 1995, Hal. 1

sepanjang masa para ahli berusaha untuk menemukan suatu sistim moneter yang dapat menjamin ketertiban itu.

Sebagai perwujudan dari usaha-usaha yang dilakukan untuk menjamin sistim moneter Internasional, maka pada tahun 1944 dibentuklah sebuah lembaga keuangan yang bersifat internasional, yakni International Monetary Fund (IMF). Lembaga tersebut berusaha untuk mewujudkan kedua tujuan daripada pendiri-pendirinya yaitu menetapkan suatu standar tingkah laku dalam pelaksanaan hubungan-hubungan moneter internasional dan secara aktif membantu memecahkan masalah-masalah moneter internasional, khususnya dalam rangka memperbaiki neraca pembayaran internasional suatu negara.

Negara-negara yang telah diterima dan resmi menjadi anggota IMF, mengikatkan diri untuk melaksanakan peraturan-peraturan praktek moneter secara fair khususnya dalam menerapkan sistim nilai tukar (kurs) mata uang yang telah disetujui bersama dan sekali kali tidak melakukan perubahan terhadap sistim kurs yang telah disetujui itu secara sewenang-wenang. Selain itu, negara-negara anggota juga mengikatkan diri kepada suatu sistim peraturan pembayaran internasional yang bersifat liberal. Negara-negara anggota juga harus secara aktif bekerjasama dengan IMF untuk menyediakan likuiditas internasional dalam bentuk emas atau mata uang asing konvertibel yang dapat digunakan oleh lembaga dana tersebut, untuk membantu negara-negara anggota yang mengalami kesulitan-kesulitan di bidang moneter internasional.

Dalam pasal-pasal persetujuan (Articles of Agreement) IMF yang ditetapkan pada konperensi Bretton Woods (Bretton Woods Conference) tahun 1944, telah ditetapkan sejumlah tujuan -tujuan yang ingin diwujudkan oleh lembaga tersebut, yang berintikan pemberian bantuan kepada negara-negara anggota yang mengalami kesulitan -

kesulitan neraca pembayaran dan secara aktif berusaha untuk mencegah terjadinya praktek-praktek yang dapat membahayakan kondisi moneter dan perekonomian dunia.²

Meskipun IMF merupakan lembaga keuangan yang mempunyai beberapa tugas antara lain, menyediakan bantuan-bantuan keuangan bagi negara-negara anggota, tetapi IMF harus membatasi hak setiap negara anggota untuk menarik mata uang asing secara terus menerus dari pool (kas) mata uangnya, kecuali jika anggota yang menarik dana tersebut dapat melakukan pembayaran kembali dalam waktu singkat, Persyaratan tersebut dapat dipenuhi apabila sistim perekonomian negara anggota tersebut mengalami kemajuan -kemajuan dan mereka sanggup mengatasi kesulitan-kesulitan neraca pembayaran yang telah membuat mereka berutang.

IMF dalam memberikan bantuan terhadap negara-negara anggotanya, mengutamakan peningkatan pertumbuhan ekonomi negara anggota, untuk kemudian menjadi negara yang kuat perekonomiannya. IMF berusaha untuk mewujudkan seluruh tujuan-tujuan yang telah ditetapkan dengan menempuh seluruh cara-cara yang memungkinkan, misalnya dengan memberikan nasehat dan bantuan teknis di bidang keuangan, disamping menyediakan mata uang asing yang diperlukan.

Krisis moneter yang melanda negara Indonesia seperti juga yang dialami oleh Korea Selatan, Thailand , Philipina dan Malaysia serta Kawasan Asia Timur, menimbulkan pertanyaan yang kontekstual yakni : "Apa yang menyebabkan krisis ini dan sampai kapan akan berakhir".

² . *Articles of Agreement of International Monetary Fund, International Monetary Fund, Washington D.C. 1997*

menggoyahkan sistim keuangan dan perbankan nasional , kemudian memacu kenaikan harga barang, masalah likuiditas dana investasi, kebangkrutan sejumlah perusahaan, utang luar negeri yang semakin membengkak serta krisis kepercayaan yang timbul di masyarakat. Baik itu masyarakat dalam negeri maupun masyarakat Internasional.

Melihat kondisi yang sedemikian rupa pemerintah dituntut untuk secepatnya mengambil langkah-langkah yang tepat guna penyelesaian krisis. Pemerintah dituntut untuk secepatnya melaksanakan reformasi di berbagai bidang yang diyakini sebagai penyebab timbulnya krisis moneter dan krisis ekonomi di Indonesia.

Salah satu upaya pemerintah untuk menanggulangi krisis tersebut adalah melaksanakan program reformasi ekonomi yang merupakan kebijakan International Monetary Fund mengatasi krisis moneter dan krisis ekonomi di Indonesia. Program reformasi ekonomi ini dituangkan kedalam Nota Kesepakatan (Letter of Intent).

1.2. Rumusan Masalah

Dalam pembahasan mengenai Kebijakan International Monetary Fund mengatasi Krisis Moneter dan Krisis Ekonomi di Indonesia, penulis merumuskan beberapa masalah yakni :

1. Bagaimana Struktur Organisasi, Efektifitas dan Aspek Hukum IMF sebagai suatu lembaga keuangan Internasional yang berfungsi sebagai sarana untuk mengadakan konsultasi di bidang moneter, penyedia bantuan keuangan jangka pendek dan jangka panjang dan penyedia bantuan teknis bagi seluruh negara-negara anggotanya.

2. Faktor apakah yang menyebabkan krisis moneter dan krisis ekonomi di Indonesia.
3. Sejauh mana peranan IMF menerapkan kebijakan-kebijakannya untuk membantu Indonesia mengatasi krisis moneter dan krisis ekonomi di Indonesia.
4. Bagaimanakah implementasi program reformasi ekonomi yang merupakan kebijakan IMF yang disebut sebagai Nota Kesepakatan (*Letter of Intent*)

1.3. Tujuan Penelitian

Berdasarkan latar belakang permasalahan yang telah diuraikan sebelumnya maka tujuan dari penulisan ini adalah, untuk memberikan gambaran mengenai keberadaan IMF sebagai suatu lembaga keuangan internasional yang mempunyai fungsi untuk membantu negara-negara anggota yang mengalami kesulitan-kesulitan di bidang moneter dan ekonomi.

Dengan demikian skripsi ini juga dapat memberikan gambaran dan pemahaman sebagai berikut :

1. Sejauh mana peranan yang dimainkan IMF sebagai suatu lembaga keuangan internasional dalam membangun perekonomian dunia pada umumnya dan dalam memberikan bantuan terhadap Indonesia untuk mengatasi krisis moneter dan krisis ekonomi.
2. Mencari gambaran yang jelas mengenai faktor penyebab krisis moneter dan krisis ekonomi di Indonesia.
3. Bagaimana tentang proses penyelesaian krisis moneter dan krisis ekonomi di Indonesia berdasarkan Nota Kesepakatan (*Letter of Intent*) yang merupakan kebijakan dari International Monetary Fund.

Selain dari tujuan-tujuan tersebut diatas skripsi ini bertujuan pula untuk memenuhi salah satu syarat akademik menyelesaikan study pada Fakultas Hukum Universitas Hasanuddin.

1.4. Kegunaan Penelitian

Kegunaan dari skripsi ini antara lain memberikan masukan kepada pemerintah tentang pentingnya kehadiran IMF sebagai suatu lembaga keuangan internasional, untuk membantu memperbaiki kondisi ekonomi Indonesia yang semakin terpuruk diakibatkan oleh krisis moneter dan krisis ekonomi yang berkepanjangan. Sehingga pemerintah diharapkan dapat menetapkan langkah konkrit kearah perbaikan ekonomi nasional.

Dengan mengetahui faktor penyebab munculnya krisis moneter dan krisis ekonomi, maka reformasi di berbagai bidang yang diyakini sebagai penyebab timbulnya krisis, penerapannya dapat dilaksanakan dengan sebaik -baiknya agar pada masa-masa yang akan datang perekonomian Indonesia semakin kuat dan hal-hal yang menyebabkan penderitaan sebahagian rakyat selama ini tidak akan terulang.

Paket reformasi ekonomi yang sudah disepakati dengan International Monetary Fund (IMF) melalui Nota Kesepakatan (Letter of Intent) harus diterapkan dengan sebaik-baiknya agar dunia Internasional kembali memberikan kepercayaan kepada bangsa Indonesia. Dengan demikian para investor asing tidak akan ragu lagi untuk menanamkan modalnya di Indonesia, dan hal ini akan semakin memperkuat rodz perekonomian bangsa Indonesia.

BAB II TINJAUAN PUSTAKA

2.1. Pengertian Hukum Ekonomi

Menurut Gustav Radbruch ada tiga aspek yang berbeda yang diperlukan untuk sampai kepada pengertian hukum yang memadai. Ketiga aspek tersebut adalah :

1. Keadilan dalam arti yang sempit, yaitu adanya persamaan hak bagi semua orang di muka pengadilan.
2. Tujuan keadilan atau finalitas, aspek ini menentukan isi hukum karena isi hukum harus sesuai dengan tujuan yang hendak dicapai.
3. Kepastian hukum atau legalitas, aspek ini menjamin bahwa hukum dapat berfungsi sebagai peraturan yang harus ditaati.¹

Berdasarkan pandangan tersebut diatas dapat dijelaskan bahwa hukum itu merupakan instrumen yang utama untuk mewujudkan suatu nilai dalam kehidupan manusia. Nilai tersebut adalah nilai keadilan.

Mengenai pengertian hukum ekonomi Internasional masih terdapat perbedaan, baik tentang artinya maupun tentang luas lingkungannya. Seperti Schwarzenberger dan Verloren Van Themaat yang memasukkan hukum ekonomi Internasional sebagai bagian

¹. Gustav Radbruch dalam Theo Huljbers, *Filsafat Hukum dalam Lintasan Sejarah*, Cetakan ketiga, Kanisius, Yogyakarta, 1986, hal 163

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¹. Gustav Radbruch dalam Theo Huljbers, *Filsafat Hukum dalam Lintasan Sejarah*, Cetakan ketiga, Kanisius, Yogyakarta, 1986, hal 163

dari Hukum Internasional Publik.² serta Degenkamp yang memasukkan hukum ekonomi Internasional sebagai bagian dari hukum ekonomi.³

Kaedah-kaedah hukum ekonomi juga mempunyai perbedaan-perbedaan mengenai luas lingkungannya. D.Vagts, Schmitthoff dan Sunaryati Hartono berpendapat bahwa hukum ekonomi tidak hanya meliputi kaedah-kaedah hukum Tata Usaha Negara atau hukum Administrasi Negara dan hukum Pidana tetapi juga meliputi kaedah-kaedah hukum Perdata, hukum Dagang, hukum Agraria, hukum Konsumen, hukum Perburuhan, hukum Internasional Publik dan kaedah-kaedah hukum Perdata Internasional.⁴

Demikian pula dengan paham Mochtar Kusumaatmadja, bahwa hukum harus merupakan sarana pembangunan.⁵ Sebaliknya Rochmat Soemito dan Sri Soemantri menyatakan bahwa hukum ekonomi adalah merupakan bidang hukum yang terdiri dari kaedah-kaedah hukum Tata Usaha Negara yang mengatur kehidupan ekonomi.⁶

Paul A. Samuelson, seorang ahli ekonomi berpendapat :

"Economics (or political economy) is the study of how people and societies and up choosing, with or without the use of money, to employ scarce productive resources that could have alternative uses, to produce various commodities and distribute them for consumption, now or in the future among various persons and groups in society. It analyzes the costs and benefits of improving patterns of resources allocation."⁷

Pendapat tersebut diatas menyatakan bahwa, Ilmu Ekonomi (Ekonomi Politik) adalah ilmu tentang bagaimana orang dan masyarakat memilih/memutuskan dengan atau tanpa

². Georg Scharzenkerger, *Economic International Law*, Verloren Van Themaat, *The Changing Structure Of International Economic Law*, Dalam Sunaryati Hartono, *Manfaat Penguasaan Dan Pendalaman Hukum Ekonomi Internasional*, 1989, hal. 1

³. Degenkam, *Inleiding Ekonomisch Recht* dalam Sunaryati Hartono, *Ibid*, Hal 1.

⁴. D. Vagts dan Schmittoff dalam Sunaryati Hartono, *Ibid*, hal.2

⁵. Mochtar Kusumaatmadja dalam Sunaryati Hartono, *Ibid*, hal.2

⁶. Rochmat Soemito dan Sri Soemantri dalam Sunaryati Hartono, *Ibid*, hal 1-2.

⁷. Paul.A.Samuelson, *Economics*. MC Graw-Hill, 1976.

menggunakan uang, untuk menggunakan sumber-sumber penghasilan yang telah langkah digunakan yang memiliki kegunaan-kegunaan alternatif guna menghasilkan beragam komoditi dan memberi sumbangan bagi mereka sebagai konsumsi pada saat ini dan pada masa yang akan datang di kalangan beragam manusia dan beragam kelompok dalam masyarakat. Ilmu ekonomi menganalisa biaya-biaya dan keuntungan-keuntungan dari pola pembagian sumber-sumber penghasilan.

Tentang hukum yang mengatur hubungan-hubungan ekonomi Internasional, Fikentscher memberikan pengertian :

" International economic law is an aggregats of rules designed to regulate the freedom of allocation and exchange of goods which are significant for the world economy in general principles with global or limited intervention aimed at a just balance of development supply " ⁸

Artinya :

" Hukum ekonomi Internasional adalah sekumpulan peraturan-peraturan yang ditujukan untuk mengatur kebebasan alokasi dan pertukaran barang-barang yang penting bagi perekonomian dunia, berdasarkan prinsip-prinsip umum dengan campur tangan yang luas atau terbatas untuk menjaga keseimbangan antara permintaan dan penawaran " ⁹.

Pengertian yang lain mengenai hukum ekonomi International dikemukakan oleh Peter Behrens, yaitu :

" International Economic Law is the area of the law which brings together into a single system based on the rules of various legal Subjects regulating economic transaction which cross national frontiers " ⁹

⁸ . W. Fikentscher, *Wirtschaft rechf Weltwirts Chafts Recht, Europoisches Wirtschafts Recht*
Dan Peter Behrens, op cit hal 9.

⁹ . Peter Behrens, op cit, hal 10

Artinya :

“ Hukum Ekonomi Internasional adalah bidang hukum yang berdiri sendiri yang terdiri dari berbagai peraturan yang bertujuan untuk mengatur transaksi-transaksi ekonomi yang melintasi batas-batas negara.”

Dari seluruh pengertian di atas dapat disimpulkan bahwa hukum ekonomi Internasional adalah bidang hukum yang berdiri sendiri yang berusaha untuk mewujudkan pemerataan dan keadilan dalam hubungan - hubungan ekonomi antar bangsa dengan jalan mengatur seluruh aktifitas perekonomian internasional.

2.2. Sumber - sumber Hukum Ekonomi Internasional

Sumber - sumber Hukum Ekonomi Internasional yang utama meliputi perjanjian - perjanjian Internasional baik bilateral maupun multilateral. Perjanjian tersebut terdiri dari perjanjian yang diadakan oleh negara dengan negara, dari perjanjian antara negara dengan organisasi Internasional serta antar organisasi Internasional dengan sesamanya organisasi Internasional.¹⁰

Beberapa perjanjian Internasional yang dimaksud adalah :

1. Piagam Perserikatan Bangsa - Bangsa (U N Charter).

Salah satu tujuan PBB seperti yang tertera dalam piagam adalah untuk menyelesaikan masalah - masalah Internasional dalam lapangan ekonomi dan sosial. Untuk jelasnya dapat dilihat pada kalimat yang tercantum dalam Piagam PBB pasal 1 :

“ Mewujudkan kerjasama Internasional di lapangan, ekonomi, sosial, kebudayaan, atau yang bersifat kemanusiaan..”¹¹

¹⁰. Frans E. Likadja, Pokok Bahasan : Hukum Ekonomi Internasional, 1989, hal 6

¹¹. Lihat Piagam Perserikatan Bangsa - Bangsa



2. General Agreement on Tariffs and Trade (GATT).

GATT adalah suatu bentuk persetujuan dalam bidang perdagangan Internasional, yang bertujuan untuk menghapuskan berbagai macam tindakan yang dapat menghambat perdagangan dunia, misalnya restriksi - restriksi dan subsidi yang tidak sah.

3. Persetujuan Bretton Woods (Bretten Woods Agreement)

Persetujuan ini merupakan dasar pembentukan dua lembaga International yaitu : International Monetary Fund(IMF) dan International Bank for Reconstuction and Development (IBCD).

Kedua lembaga ini merupakan badan khusus PBB, yang bertugas untuk menopang dan mengarahkan pembangunan Ekonomi dunia yang telah mengalami kehancuran akibat kedua Perang Dunia.

2.3. Sejarah Pembentukan IMF

Sebelum terjadinya Perang Dunia I, sistim moneter internasional tunduk dibawah mekanisme standar emas.

D.H. Rebertson dalam bukunya "Money" menulis :

" A Gold Standard will be used to denote a state of affairs in which a country keeps the value of it's monetary unit and the value of defined weight of gold at an equality with one another."¹²

Berdasarkan pengertian di atas bahwa yang dimaksud dengan standard Emas adalah sistem moneter di mana sebuah negara harus memelihara suatu perbandingan yang pasti dan tidak berubah - ubah antara nilai kesatuan mata uangnya dengan nilai seberat emas tertentu.

¹². D.H. Robertson, Money dalam M. Manullang, Ekonomi Moneter, Cetakan Kesembilan, Ghalia Indonesia, 1983, hal 113

Syarat - syarat bagi sebuah negara untuk menjadi peserta dalam standar Emas Internasional adalah :

1. Unit perhitungan mata uang harus dikaitkan dengan seberat emas tertentu Emas murni.
2. Mata uang emas harus disirkulasikan secara domestik dan mata uang kertas harus dapat ditukarkan dengan emas murni atas permintaan.
3. Nilai mata uang logam yang lain harus lebih rendah daripada nilai mata uang emas.
4. Tidak terdapat larangan secara hukum untuk mencairkan uang emas menjadi batangan/lempengan Emas (bullion).
5. Tidak mempersulit ekspor mata uang emas maupun bullion.¹³

Setelah Amerika Serikat meninggalkan standar emas maka berakhirilah sistem moneter Internasional berdasarkan standar emas. Kemudian muncullah sistem moneter berdasarkan mata uang regional yang terdiri atas:

1. Daerah pounsterling yang berpusat di Inggris.
2. Daerah dollar yang dipimpin oleh Amerika Serikat yang wilayahnya meliputi Eropah Tengah dan Tenggara serta Amerika Selatan.
3. Daerah Yen yang didominasi oleh Jepang di Timur Jauh.

¹³. **Asas-asas Hukum International yang Mendukung Tata Ekonomi International Baru, Proyek Penelitian dan Pengembangan Politik Luar Negeri Badan LITBANG Masalah Luar Negeri DEPLU dan Pusat Penelitian Perkembangan Hukum Lembaga Penelitian UNPAD, Bandung, 1986, hal 138.**

4. Beberapa negara Eropah Barat yang masih menggunakan standar emas (tetapi tidak berumur panjang)¹⁴

Untuk memperbaiki sistem moneter Internasional menjelang berakhirnya Perang dunia II, beberapa proposal - proposal telah diajukan untuk membentuk suatu sistem moneter yang diatur dan diawasi oleh sebuah lembaga International yang permanen.

Proposal - proposal tersebut adalah :

1. Keyngnes Plan
2. White Plan
3. French Plan
4. Canadian Plan
5. Professor William's key Currency Plan.¹⁵

Dua plan yang dikemukakan pertama, yaitu Keynes Plan dan White Plan merupakan dasar yang utama untuk mendirikan International Monetary Fund (IMF).

2.4. Anatomi Krisis Moneter

Pada setiap peristiwa pergeseran dan peralihan kekuatan ekonomi selalu terbukti bahwa nilai mata uang berkaitan erat dengan kinerja sektor riilnya. Besarnya volume dan mata uang yang beredar, bila tidak diimbangi dengan sektor riil yang solid dan konkret maka nilai mata uang dari negara manapun akan terkoreksi. . Karena itu neraca perdagangan dan neraca transaksi berjalan mengalami defisit kronis dan tidak ada jalan

¹⁴. Op Cit, UNPAD, Bandung, 1986, hal 143-144.

¹⁵. Bagian ini diangkat dari The IMF 1945-1965 Twenty Years of International Monetary Cooperation vol III Edited J. Keith Horsefield, International Monetary Fund, Washington D. C. 1969.

lain bagi suatu negara kecuali mendepresiasi nilai mata uangnya agar daya saingnya bisa meningkat lagi dengan menjual produknya lebih murah ke pasar global.¹⁶

Prof. Paul Kennedy dalam buku *The Rise and Fall of the Great Powers* menganalisa kemerosotan AS sebagai super power ekonomi karena melakukan overstretch, pembiayaan berlebihan di sektor militer.

Kemerosotan yang sama dialami oleh Uni Soviet yang membelanjakan uang di sektor Militer, sehingga walaupun Khrushchev mampu mengorbitkan satelit pertama sputnik tahun 1957 dan menjadikan Yuri Gagarin sebagai kosmonout pertama pada tahun 1961, ia digeser oleh rekan - rekan dari politbiro pada tahun 1964.¹⁷

Tentang keajaiban ekonomi Asia mayoritas pakar sangat terpukau dengan kinerja pertumbuhan dan peningkatan Ekspor. Tapi pada tahun 1994 Paul Krugmen dari MIT menulis Artikel di Majalah *Foreign Affairs* No/Dec 94 berjudul *The Myth of Asia's Miracle*". Krugmen membandingkan posisi Eropa Timur mirip dengan kemajuan yang dialami oleh Uni Soviet di Zaman Sputnik. Kemajuan yang ditunjang oleh utang luar negeri yang massit, arus Investasi yang membengkak, tenaga kerja murah, hasil peralihan dari sektor pertanian ke Industrialisasi dan kerja keras yang meningkatkan output karena pelipatgandaan input.¹⁸

¹⁶. Cristianto Wibisono, *Anatom! krisis Moneter*, Bina Darma No. 58-59, Maret-Juni, 1988, hal 12-13

¹⁷. Proff, Paul Kennedy, *The rise and Fall of the Great power*, dalam Cristianto Wibisono, *Anatom! Krisis Moneter*, Bina Darma no 58-59, Maret-Juni 1998, hal.13.

¹⁸. Paul Krugmen, *The Myth of Asia's Miracle*, dalam Cristianto Wibisono, *Anatom! Crisis Moneter*, Bina Darma, No. 58-59, Maret-Juni 1998, hal 13.

Proteksi ketat terhadap struktur bisnis financial Jepang telah mengakibatkan kredit macet akibat kolusi antar birokrat, Yakuza dan dunia bisnis yang segera menjerumuskan Jepang ke resesi sejak 1994.

Di Korea kebangkrutan beberapa Chaebol juga menyeret pada krisis sektor perbankan dan industri yang harus ditutup seperti Hanto, KIA, dan Jinro.

Krisis moneter Asia Timur yang diawali dengan Thailand bulan Juli 1997 langsung merembet ke Philipina, Malaysia dan Indonesia hanya dalam waktu dua bulan. Akibatnya pada bulan September 1997, Indonesia mulai melakukan kebijakan uang ketat (Tight Money Policy) untuk menghentikan aksi spekulasi sampai pasar menemukan equilibrium baru, yakni nilai tukar rupiah yang disesuaikan dengan fluktuasi regional dan global.

2.5. Fundamental Ekonomi Indonesia

Fundamental ekonomi dapat dijelaskan dari dua sudut kebijakan ekonomi, yakni kebijakan ekonomi makro dan kebijakan ekonomi mikro.

Kebijakan ekonomi makro yaitu penetapan tujuan-tujuan umum oleh pemerintah untuk keseluruhan ekonomi dan penggunaan alat pengawasan untuk mencapai tujuan-tujuan tersebut. Tujuan-tujuan ekonomi makro mencakup :

1. Kesempatan Kerja Penuh (Full Employment)
2. Pencegahan Inflasi (Inflation)
3. Pertumbuhan Ekonomi (Economic Growth)

Sedangkan kebijakan ekonomi mikro adalah penetapan tujuan-tujuan khusus oleh pemerintah untuk pasar atau industri tertentu dan penggunaan instrumen tertentu untuk

mencapai tujuan-tujuan tersebut. Tujuan-tujuan ekonomi mikro terpusat pada efisiensi yang digunakan untuk mengalokasikan sumber-sumber daya dan cara dalam mengatasi segala rintangan terhadap alokasi sumber daya yang efisien misalnya distorsi monopoli atau penyesuaian pasar melalui kebijakan persaingan dan kebijakan industri.

Pada awal terjadinya gejolak Moneter di Indonesia banyak kalangan berpendapat bahwa fundamental ekonomi nasional kita kuat. Tidak seorangpun membayangkan bahwa kondisi sosial ekonomi serta bisnis nasional akan terpuruk mencapai titik nadir terendah. Gejolak yang mengejutkan ini adalah bukti bahwa perkembangan ekonomi dan bisnis tidak senantiasa mulus tetapi juga menciptakan diskontinuitas. Kecenderungan ini diulas oleh guru manajemen Peter Drucker (1968) dalam bukunya *The Age of Discontinuity* yang pada dasarnya menekankan kepada beberapa aspek perubahan dalam lingkungan dunia bisnis seperti kita saksikan mengakhiri abad ke-20 :¹⁹

1. Ledakan perkembangan teknologi baru dalam dunia industri Modern.
2. Perubahan dari Ekonomi Internasional menjadi ekonomi dunia atau Ekonomi global yang dikenal dewasa ini.
3. Realitas sosial politik baru dari institusi - institusi yang pluralistik yang memperlihatkan tantangan - tantangan drastik dalam bidang politik, filosofis dan spiritual.
4. Dunia baru yang bertumpu pada pendidikan yang mempunyai Implikasi pada kerja, kehidupan, waktu senggang dan kepemimpinan.

¹⁹ Peter Drucker, *The Age of Discontinuity*, 1968, dalam Stephen Kakisino, *Mempertanyakan Fundamental Ekonomi Indonesia*, Bina Darma, No.58-59, Maret-Juli 1988, hal 19.

2.6. Krisis Ekonomi dan Moneter di Asia Tenggara

Asia Tenggara yang sebelumnya terkenal sebagai kawasan dengan pertumbuhan Ekonomi paling tinggi di antara kawasan lainnya di dunia. Selama tiga tahun terakhir(1994-1996) rata - rata pertumbuhan ekonomi dunia hanya mencapai 4 %, sedangkan kawasan Asia Tenggara telah mencapai 6,5%. Malaysia, Indonesia dan Thailand pada periode yang sama pertumbuhan ekonominya telah mencapai 8 % lebih sedangkan negara - negara yang tergolong Newly Industrial Countries(NICS) yaitu Singapura, Korea Selatan, Hongkong dan Taiwan, rata - rata pertumbuhannya di atas 5 % pertahun.²⁰

Krisis yang melanda Asia Tenggara datang secara tiba - tiba bagaikan badai yang memporak-porandakan berbagai sektor. Krisis tersebut bermula dari krisis yang dialami Thailand.

Ada yang berpendapat bahwa krisis yang melanda Asia Tenggara pada dasarnya dipicu oleh melemahnya mata uang Jepang Yen terhadap dollar AS, karena kedua mata uang tersebut adalah mata uang negara - negara Asia menjadi Overvalued (berlebihan) terhadap dollar AS, kemudian ditambah lagi dengan tindakan Thailand untuk menaikkan suku bunga baht dan memperketat likuiditas pasar. Hal ini mengundang para spekulan untuk lebih giat bermain Valas, sehingga Thailand dijadikan ajang permainan para spekulan.

Indonesia yang sebelumnya telah diramalkan akan menjadi salah satu macan ekonomi Asia mendampingi keempat negara NIC dengan pendapatan perkapita mendekati

²⁰. Jully Tambunan, *Kesepakatan Akhir Indonesia-IMF, Apakah Ada Unsur Paksaan*, *Business News* 6167, Juni 1998, hal 1C.

US\$ 1.200, ternyata kini sedang menghadapi perekonomian yang terburuk sepanjang Orde Baru. Kondisi perekonomian sedang diambang kehancuran menyusul melemahnya nilai tukar mata uang rupaiah terhadap dollar AS.

Seperti langkah yang diambil Thailand dan Korea, dalam menghadapi krisis Ekonomi dan Moneter pada bulan Oktober 1997, Indonesia mendatangi IMF agar dapat membantu problema yang dihadapi.

BAB III METODE PENELITIAN



3.1. Lokasi Penelitian

Penulis dalam melaksanakan penelitian, menentukan lokasi yang dapat memberikan data dan informasi sehubungan dengan objek penelitian.

Lokasi penelitian tersebut adalah :

1. CSIS

(Centre For Strategic And International Studies)

Jln. Tanah Abang III/23-27

Jakarta 10160

2. BANK INDONESIA

Kantor Pusat

Jln. M.H. Thamrin No.2

Jakarta 10010

3. LIPI

(Lembaga Ilmu Pengetahuan Indonesia)

Jln. Jend. Gatot Subroto No. 10

Jakarta 12190

3.2. Jenis Dan Sumber Data

Data yang penulis gunakan dalam penelitian ini adalah sepenuhnya Data Sekunder, yaitu data yang diperoleh dari berbagai literatur yang sangat relevan dengan objek penelitian.

3.3. Teknik Pengumpulan Data

Data yang digunakan dalam penelitian ini diperoleh melalui studi kepustakaan. Studi kepustakaan yang dimaksud adalah dilakukan dengan teknik sebagai berikut :

1. Telaah terhadap berbagai sumber tertulis.

Telaah terhadap sumber tertulis yang dimaksud adalah berupa buku dan artikel, baik dari surat kabar maupun dari majalah, laporan-laporan hasil perundingan dan beberapa makalah atau naskah-naskah pertemuan ilmiah serta berbagai dokumen.

2. Telaah terhadap ketentuan-ketentuan Hukum Ekonomi Internasional dan ketentuan-ketentuan lainnya yang berhubungan langsung dengan penelitian penulis.

3.4. Analisis Data

Untuk mengolah data sekunder seperti yang tersebut di atas menjadi sebuah karya ilmiah yang sistematis dan terpadu, diperlukan suatu sistem analisis data.

Penulis dalam melakukan penulisan skripsi ini menggunakan analisis deskriptif, yaitu menggambarkan keadaan nyata mengenai keberadaan IMF (International Monetary Fund) dan Kesepakatannya dengan Indonesia untuk mengatasi krisis Moneter dan krisis Ekonomi di Indonesia, berdasarkan study kepustakaan dari berbagai buku dan artikel yang berisi tentang IMF dan kesepakatannya dengan Indonesia.

BAB IV PEMBAHASAN

4.1. Struktur Organisasi IMF

4.1.1. Keanggotaan

Berdasarkan Article II Anggaran Dasar IMF, keanggotaan IMF dibedakan antara Original members yaitu negara - negara yang telah menjadi anggota sebelumnya tanggal 31 Desember 1945 dan Other members yaitu negara-negara yang menjadi anggota setelah tanggal tersebut.

Di samping itu keanggotaan di IMF juga dapat dibedakan antara negara - negara yang tunduk kepada Article VIII yaitu negara-negara yang perekonomiannya dipandang telah maju dan karena itu tidak diperbolehkan mengadakan restriksi dalam transaksi-transaksi berjalan dan melaksanakan sistem devisa yang diskriminatif, dan negara-negara yang tunduk kepada Article XIV yaitu negara-negara yang dianggap masih berada dalam masa transisi dan oleh karena itu diperbolehkan mengadakan restriksi dalam transaksi - transaksi berjalan dan sistem devisa yang diskriminatif.

Indonesia menjadi anggota pada tahun 1954 tetapi keluar pada tahun 1965 dan menjadi anggota kembali sejak tahun 1967.

4.1.2. Kuota dan Hak Suara

Setelah berlakunya amandemen ke dua daripada Articles of Agreement IMF pada tanggal 1 April 1978, pembayaran kuota masing - masing negara anggota dapat dilakukan dengan ketentuan sebagai berikut :

Setiap negara anggota harus membayar subscription yang besarnya sama dengan kuotanya. Besarnya kuota ditentukan oleh penghasilan nasional, cadangan, ekspor-impor, variable ekspor, pembayaran dan penerimaan berjalan, dan sebagainya. Setiap negara anggota mempunyai hak suara 250 ditambah 1 suara untuk setiap subscription yang besarnya SDR 100.000. Setiap 5 tahun sekali IMF meninjau kembali besarnya kuota (General Review of Quotas), tetapi dapat juga kuota sesuatu negara mengalami kenaikan khusus berdasarkan usul negara tersebut. Biasanya kuota tersebut dibayar 25% dan SDR atau valuta asing yang disetujui IMF dan 75% dalam mata uang nasional negara yang bersangkutan, kecuali kenaikan kuota dalam rangka General Increase of Quotas ke-VI yang seluruhnya dibayar dalam domestic currencies. Besarnya kuota disamping menentukan hak suara juga menentukan besarnya alokasi SDR yang diterima oleh negara anggota.

4.1.3. Voting Power

Voting Power diatur pada Article XII section 5. Articles of Agreement IMF. Voting Power merupakan dasar untuk menetapkan suatu keputusan yang diambil oleh IMF.

Voting Power setiap negara anggota akan berubah sesuai dengan perubahan jumlah kuotanya. Negara yang memiliki jumlah kuota yang terbesar dengan sendirinya mempunyai voting power yang terbesar pula. Sebaliknya negara yang memiliki jumlah kuota yang kecil mempunyai Voting Power yang kecil pula.

4.1.4. Dewan Gubernur (Board of Governors)

Board of Governors diatur pada Article XII section 2 Articles of Agreement IMF.

Dewan gubernur memegang kekuasaan tertinggi di IMF. Dewan Gubernur mendelegasikan kekuasaannya kepada Dewan Eksekutif, kecuali tentang hal-hal yang berdasarkan Anggaran Dasar IMF harus diputuskan sendiri oleh Dewan Gubernur, misalnya dalam pengambilan keputusan tentang keanggotaan negara baru, perubahan Anggaran Dasar/By-Laws/Rules and Regulations, kenaikan kuota, alokasi SDR, kenaikan gaji Direktur Eksekutif dan Managing Director, dan sebagainya.

4.1.5. Dewan Eksekutif (Executive Board)

Executive Board diatur pada article XII section 3 Articles of Agreement. Dewan Eksekutif bertanggung jawab atas jalannya tugas-tugas IMF sehari-hari dan untuk ini mereka melaksanakan kekuasaan yang didelegasikan oleh Dewan Gubernur kepada mereka. Dewan Eksekutif terdiri dari para Direktur Eksekutif dan managing Director sebagai Ketua Dewan Eksekutif. Direktur Eksekutif dipilih setiap 2 tahun sekali. Setiap Direktur Eksekutif menunjuk seorang pengganti (Alternate) yang bertindak penuh jika Direktur Eksekutif berhalangan hadir. Jika kursi Direktur Eksekutif kosong lebih dari 90 hari sebelum berakhir masa jabatan, harus dipilih Direktur Eksekutif baru yang bertugas sampai saat berakhirnya masa jabatan, untuk pemilihan Direktur Eksekutif yang baru tersebut diperlukan persetujuan mayoritas suara.

4.1.6. Managing Director dan Staff

Managing Director dan Staff diatur pada Article XII section 4 Articles of Agreement.

Managing Director dipilih oleh Dewan Eksekutif. Managing Director tidak boleh merangkap sebagai Gubernur ataupun sebagai Direktur Eksekutif. Managing Director memimpin Dewan Eksekutif dan merupakan kepala dari staff operasional IMF.

Untuk membantu melaksanakan tugas-tugasnya, Managing Director mengangkat sejumlah staff yang berasal dari berbagai negara anggota. Adapun tugas-tugas mereka adalah :

1. Memberikan nasehat di bidang ekonomi, khususnya pengambilan kebijaksanaan ekonomi negara - negara anggota.
2. Membantu IMF dalam merumuskan kebijaksanaan yang akan diterapkan terhadap negara-negara anggota.
3. Melaksanakan seluruh kebijaksanaan-kebijaksanaan yang telah dirumuskan oleh IMF.

4.1.7. Interim Committee

Interim Committee adalah salah satu dari 2 committee yang dibentuk oleh IMF untuk meneruskan tugas-tugas committee XX. Interim Committee dibentuk pada tanggal 2 Oktober 1974. Interim Committee bertugas menyampaikan nasehat dan laporan kepada Board of Governors sesuai dengan fungsi Board of Governors dalam bidang :

1. Pengawasan dan pelaksanaan sistem moneter internasional termasuk masalah penyesuaian likuiditas internasional dan transfer dana-dana ke negara berkembang.
2. Mempertimbangkan usul Dewan Eksekutif tentang perubahan Anggaran Dasar IMF.

3. Mengatasi gangguan - gangguan yang menghambat bekerjanya sistem moneter internasional.

4.1.8. Development Committee

Development committee juga dibentuk IMF untuk melanjutkan tugas-tugas Committee XX. Development Committee yang disebut juga Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries, bertugas mempelajari dan menyampaikan usul-usul mengenai cara-cara meningkatkan transfer dana-dana riil ke negara-negara berkembang dengan memperhatikan masalah khusus yang dihadapi oleh negara-negara berkembang. Dalam perkembangannya sekarang, committee ini membahas masalah-masalah pembangunan seperti World Development Report, permodalan Bank Dunia, masalah-masalah perdagangan dan kaitannya dengan pembangunan, dan sebagainya. Anggota-anggota Development Committee adalah Gubernur-gubernur Bank Dunia, Gubernur-gubernur IMF dan Menteri-menteri atau Pejabat-pejabat yang setingkat dengan itu. Sidang Development Committee biasanya diadakan pada saat dan tempat yang sama dengan sidang committee.

4.2. Efektifitas Keberadaan IMF

Perekonomian dunia beberapa tahun menjelang Perang dunia II berada dalam keadaan yang lasim disebut "The Great Depression" (Depresi Besar). Tingkat pengangguran yang tinggi, penurunan tingkat pendapatan, merosotnya perdagangan internasional dan kegoncangan moneter merupakan gejala umum dalam masa tersebut. Dalam mengatasi masalah - masalah ini kebanyakan negara - negara mengambil tindakan sendiri yang

bersifat sepihak, umpamanya devaluasi mata uang pembatasan dan pelanggaran Impor barang - barang tertentu dan lain sebagainya. Tindakan sepihak ini dalam banyak hal merugikan kepentingan negara - negara lain, sehingga negara - negara yang merasa dirugikan dapat mengambil tindakan balasan. Hal ini justru menambah buruk situasi di masa itu. Keadaan yang serba kacau tersebut mendorong timbulnya pemikiran mengenai perlunya diciptakan sistem ekonomi Internasional yang baik dan dipatuhi oleh semua negara. Pada konperensi keuangan dan moneter internasional di Bretton Woods, New Hampshire tanggal 1-22 Juli 1944 ditetapkan suatu sistem moneter internasional yang dikenal dengan Bretton Woods System. Untuk menjalankan dan mengawasi sistem moneter internasional yang baru tersebut, kemudian dibentuklah Dana Moneter International (International Monetary Fund) pada tanggal 27 Desember 1945. Lembaga ini mulai beroperasi pada tanggal 1 Maret 1947.

Tujuan pembentukan dana moneter internasional antara lain untuk :

- a. Memajukan kerja sama internasional di bidang moneter melalui pembentukan suatu lembaga untuk konsultasi dan kerja sama dalam mengatasi masalah - masalah moneter.
- b. Mendorong perluasan dan pertumbuhan perdagangan internasional yang seimbang.
- c. Memajukan kestabilan kurs mata uang, memelihara pengaturan kurs mata uang yang teratur di antara negara - negara anggota dan menghindarkan depresi kurs mata uang yang kompetitif.
- d. Memberikan bantuan jangka pendek kepada negara - negara anggota untuk mengatasi kesulitan dalam neraca pembayaran.

Untuk mencapai tujuan tersebut IMF antara lain melaksanakan :

- a. Pengawasan terhadap sistem kurs mata uang yang dilaksanakan negara - negara anggota.
- b. Membantu negara - negara anggota dalam penyusunan program keuangan, melalui konsultasi yang diadakan setiap tahun dengan tiap - tiap negara anggota.
- c. Mengadakan kursus - kursus di bidang moneter internasional, neraca pembayaran dan keuangan negara.
- d. Memberikan bantuan jangka pendek dalam rangka fasilitas - fasilitas kepada negara - negara anggota yang mengalami kesulitan neraca pembayaran.

4.3. Aspek-aspek Hukum Praktek IMF : Timbulnya Hukum Moneter Internasional.

International Monetary Fund telah dibentuk pada tahun 1944 berdasarkan kerangka persetujuan Bretton Woods. IMF mempunyai wewenang yang luas untuk mengatur hubungan-hubungan moneter internasional dan dalam konteks tersebut dilengkapi dengan Articles Of Agreement. Sebagai standar untuk melaksanakan wewenangnya IMF merupakan sebuah lembaga Internasional antar pemerintah, tetapi meskipun demikian fungsinya bukan hanya sebagai organisasi yang menampung berbagai negara. Demikian pula Articles of Agreementnya bukan hanya sebagai instrumen hukum dalam mengawasi sistem moneter internasional, tetapi lebih dari itu IMF merupakan sebuah lembaga sentral di bidang moneter dengan ruang lingkup Yurisdiksi, anggota dan sumber dana yang lebih luas daripada lembaga-lembaga keuangan yang lain.

Di bawah kerangka persetujuan Bretton Woods, IMF menjalankan seluruh kegiatannya berdasarkan Article-article persetujuannya. Article-article ini merupakan ketentuan hukum yang baru yang mengatur hubungan-hubungan moneter antar negara. Dengan demikian dimulailah era pertumbuhan hukum moneter Internasional yang modern. Dengan berlakunya Articles of Agreement tersebut, maka timbul tiga hal dalam sistem Moneter Internasional, yaitu :

1. Secara Yuridis terbentuk sebuah badan Internasional.
2. Negara-negara Anggota harus tunduk di bawah ketentuan Articles of Agreement.
3. Negara-negara Anggota wajib memberikan asset kepada IMF, yang jumlahnya akan ditetapkan oleh IMF dan akan dipergunakan untuk membantu negara-negara Anggota.

Hingga saat ini belum terdapat suatu pengertian yang pasti mengenai hukum Moneter International, tetapi dari berbagai literatur dapat dirumuskan suatu pengertian mengenai hukum Moneter Internasional, yakni hukum Moneter International merupakan sekumpulan peraturan-peraturan yang dirumuskan berdasarkan praktek-praktek perbankan dan perdagangan yang bertujuan untuk menjamin keadilan dan efisiensi dalam transaksi-transaksi keuangan internasional, serta berusaha untuk meningkatkan kerjasama moneter antar bangsa.

Menurut Verloren van Themaat ada 4 subjek kajian Hukum Moneter Internasional, yaitu :

1. Pengaturan nilai mata uang khususnya nilai kurs mata uang.
2. Restriksi-restriksi terhadap pertukaran mata uang Asing

3. Neraca pembayaran.

4. Likuiditas Internasional.¹

Masalah neraca pembayaran dan likuiditas Internasional ditentukan oleh kebijaksanaan moneter yang dirumuskan dan dilaksanakan oleh sebuah negara. Kebijakan tersebut tidak boleh bertentangan dengan norma-norma hukum Moneter Internasional yang sumber-sumbernya dapat ditemukan pada Articles of Agreement IMF dan General Agreement on Tariff and Trade (GATT). Dengan demikian hukum Moneter Internasional meliputi kebijaksanaan yang dirumuskan dan dilaksanakan oleh sebuah negara dalam kaitannya dengan masalah - masalah moneter dan perdagangan internasional.

Seluruh tujuan-tujuan IMF dalam prakteknya menimbulkan tiga aspek hukum yang penting yaitu : Par Value, Konvertabilitas dan Pembiayaan Neraca Pembayaran.

Par Value yaitu nilai dasar atau nilai pokok mata uang yang harus ditetapkan oleh setiap negara anggota berdasarkan nilai emas atas persetujuan IMF. Emas dipilih sebagai dasar perhitungan par value, karena logam ini telah dijadikan sebagai cadangan oleh setiap Bank Sentral untuk menyokong mata uang yang beredar. Par Value berfungsi untuk menjaga keseimbangan nilai antara mata uang setiap anggota. Jika terjadi disequilibrium dalam posisi neraca pembayarannya, sebuah negara anggota dapat mengajukan proposal perubahan par value.

Aspek hukum yang kedua dari tujuan IMF adalah konvertabilitas. Dalam rangka membentuk dan memperkokoh sistem pembayaran multilateral untuk menyelesaikan transaksi-transaksi Internasional yang sedang berjalan, maka setiap negara Anggota harus

¹ . Pieter Verloren van Themaat, *The Changing Structure of International Economic Law*, The Hague, 1981, Hal 93.



menjaga agar mata uangnya tetap konvertibel. Jika sebuah negara anggota telah sanggup untuk menjaga konvertibilitas mata uangnya maka negara tersebut harus menghapuskan kebijaksanaan-kebijaksanaan restriksi yang diberlakukannya terhadap pembayaran-pembayaran dan transfer-transfer dalam transaksi Internasional yang sedang berjalan . Selain itu negara tersebut harus menghapuskan praktek diskriminasi mata uang.

Aspek hukum yang ketiga adalah pembiayaan neraca pembayaran. Dalam menghadapi keadaan Ekonomi dunia yang sedang berubah, terdapat beberapa negara yang mengalami kemajuan perekonomiannya, sementara itu terdapat pula negara yang mengalami kesulitan ekonomi. Pada umumnya negara yang mengalami kesulitan ekonomi adalah mereka yang berasal dari dunia ketiga. Kesulitan tersebut dapat dilihat dari posisi neraca pembayaran mereka yang tidak seimbang. Ketidakseimbangan neraca pembayaran di antara negara-negara berkembang berbeda-beda karena dari negara ini terdapat negara berkembang pengekspor minyak dan negara berkembang bukan pengekspor minyak.

Terlepas dari perbedaan tersebut, IMF dibebani tanggung jawab untuk menyediakan likuiditas yang cukup yang akan diberikan melalui berbagai fasilitas bantuan kepada negara-negara anggotanya yang mengalami kesulitan neraca pembayaran selain fasilitas tersebut IMF dapat memberikan persetujuan kepada sebuah negara anggota untuk mendevaluasi nilai mata uangnya.

4.4. Krisis Moneter dan Krisis Ekonomi di Indonesia

4.4.1. Kronologis Krisis

Krisis keuangan yang terjadi di Thailand pada awal Juli 1997, tampaknya membawa dampak yang besar terhadap Ekonomi Indonesia. Dampak yang ditimbulkan adalah adanya contagion effect di kawasan Asia Tenggara sehingga investor Asing kemudian melakukan penilaian ulang terhadap prospek investasinya di kawasan Asia Tenggara. Jatuhnya investasi-investasi tersebut mengakibatkan jatuhnya pula sistem perbankan sehingga memperburuk krisis yang terjadi.

Pada periode awal, perusahaan yang mengalami hutang dalam dollar dan tidak melakukan hedging, mencoba untuk mengurangi resiko hutangnya mengingat bahwa nilai tukar mengambang akan membuat nilai tukar sukar diprediksi. Tekanan ini mengakibatkan semakin melemahnya nilai rupiah. Lalu kemudian tindakan memborong dollar itu diikuti oleh pelaku pasar lainnya mulai dari Investor besar sampai ibu-ibu rumah tangga. Reaksi di pasar modal pun berjalan seiring dimana investor asing kemudian melepas portfolionya karena mereka beranggapan bahwa pemerintah tidak mampu mengendalikan krisis ini.

Pada tanggal 11 Juli 1997, Bank Indonesia melakukan pelebaran kurs investasinya dari 8% menjadi 12%. Tetapi tekanan terhadap rupiah tidak berhenti sampai di sana. Pada tanggal 2 Juli 1997 rupiah terdepresiasi sebesar 7% dalam beberapa jam perdagangan saja. Bank Indonesia kembali lagi melakukan intervensi sebesar US\$ 500 juta. Tindakan ini berdampak pada membaiknya nilai tukar rupiah dalam beberapa waktu.²

². Muhammad Chalib Basri, *Prospek Pemulihan Ekonomi 1988*; *Jurnal Pasar Modal Indonesia*, No.12/VIII, Desember, 1997, hal.32.

Tetapi Contagian Effect yang terjadi tetap menimbulkan tekanan yang besar terhadap rupiah. Intervensi tambahan sebesar 500 juta US \$ ternyata juga tetap tidak efektif. Itulah sebabnya pada tanggal 14 Agustus 1997 Bank Indonesia akhirnya mengumumkan keputusan untuk memberlakukan nilai tukar mengambang. Tindakan ini tampaknya memang didasari kepada keputusan rasional bahwa intervensi yang terus menerus pun tidak akan mampu menahan nilai tukar rupiah terhadap dollar. Nilai tukar rupiah kemudian terus melemah dan sebagai tindakan antisipasi Bank Indonesia kemudian memberlakukan kebijakan uang ketat. Tingkat bunga SBI dinaikkan 6% menjadi 15% dan pada akhir bulan Agustus mencapai 30%. Uang beredar mengalami kontraksi dengan cepat, sehingga tingkat bunga pinjaman melompat menjadi 40% dan overnight rate dalam pinjaman antar bank meningkat menjadi 125%.

Kenyataan menunjukkan, tindakan pengetatan uang ini pun hanya mampu menahan rupiah untuk beberapa waktu. Setelah itu nilai tukar tetap tidak dapat dikendalikan. Di sisi lain, pada awal Oktober 1997 Indeks di Bursa Efek Jakarta telah turun sebesar 44%. Krisis yang berkepanjangan akhirnya mendorong pemerintah Indonesia untuk meminta bantuan IMF.

4.4.2. Faktor Penyebab Krisis

Sebagian pengamat menganggap bahwa krisis disebabkan oleh kondisi fundamental ekonomi Indonesia yang buruk. Perdebatan mengenai fundamental Ekonomi ini memang masih banyak mengandung pertanyaan, terutama tentang apa yang dimaksud dengan fundamental ekonomi. Jika kita menggunakan defenisi fundamental ekonomi dalam pengertian konvensional serta pertumbuhan, inflasi dan ekspor serta neraca pembayaran,

maka kita akan mendapatkan bahwa indikator-indikator tersebut tidaklah mengalami perubahan yang cukup signifikan untuk kemudian menjadi acuan bahwa telah terjadi perubahan dalam fundamental Ekonomi Indonesia.

Pandangan yang mengatakan bahwa fundamental ekonomi Indonesia buruk menganggap bahwa Indikator konvensional tidaklah cukup. Kondisi sistem perbankan misalnya haruslah diperhitungkan. Jika sistem perbankan masuk dalam kategori fundamental ekonomi, memang kita akan melihat betapa rapuhnya sistem perbankan dan lembaga keuangan Indonesia. Oleh karena itu, jika penjelasan dari indikator fundamental yang "konvensional", maka sulit rasanya untuk mengambil kesimpulan hanya dari angka-angka tersebut.³

Faktor lain yang paling penting dari penyebab krisis adalah tidak adanya penegakan hukum dalam perekonomian Indonesia. Hal ini memungkinkan ekonomi di Indonesia dimonopoli oleh sebagian golongan, sehingga pemberdayaan ekonomi rakyat yakni koperasi yang merupakan soko guru perekonomian Indonesia tidak lagi diperhatikan. Kenyataan ini tidak sesuai lagi dengan pasal 33 UUD 1945 yang merupakan landasan hukum sistem ekonomi Indonesia.

Menurut pakar Ekonomi Indonesia, Kwik Kian Gie Indonesia mengalami penyakit yang disebut sebagai paradox karena sebagian pakar termasuk pemerintah selalu menggembar-gemborkan bahwa fundamental ekonomi makro kita yang kuat, yang lemah yang mikro yang bersifat kasuistis, jadi kalau ada skandal Bapindo atau kredit macet lain semua itu hanya dianggap sekedar animoli distorsi yang merupakan kekecualian dan bukan arus utama, sedang arus utama atau mainstreamnya adalah minat investor asing yang tetap

³. Jurnal Pasar Modal Indonesia, No.12/VIII, Desember 1997, hal.32

menggebu walaupun menghadapi pungli, kolusi dan korupsi serta nepotisme. Sebagian malah dengan sadar memanfaatkan nepotisme untuk memperoleh lisensi istimewa dan menikmati keuntungan mikro bisnis, tanpa menghiraukan kepentingan efisiensi makro sosial apalagi kepentingan nasional yang semakin abstrak.⁴

4.5. Kesepakatan Indonesia dan IMF (Letter Of Intent)

4.5.1. Lima puluh butir Kesepakatan Indonesia-IMF

Nota kesepakatan Indonesia dan IMF yang disebut sebagai Letter of Intent ditandatangani oleh Presiden RI pada tanggal 15 Januari 1988 yang terdiri dari lima puluh butir.

Bagi masyarakat yang tidak membaca secara menyeluruh nota kesepakatan tersebut, timbul kesan bahwa kesepakatan terdiri dari 50 butir adalah tindakan yang harus dilaksanakan oleh Indonesia.

Kenyataan sebenarnya tidak demikian karena beberapa butir nota kesepakatan tersebut hanya merupakan pengantar dan atau penjelasan mengenai keadaan ekonomi Indonesia. Lima puluh butir kesepakatan tersebut adalah sebagai berikut :

⁴. Kwik Kian Gie, dalam Cristianto Wibisono, *Latar Belakang Krisis Moneter Global*, Informasi PDBI, 11 Desember 1997, hal.5.

50 Butir Paket Reformasi IMF

Latar Belakang

1. Selama beberapa dekade terakhir ini, kebijakan makro ekonomi dan reformasi struktural berkelanjutan, telah membawa Indonesia pada pesatnya pertumbuhan ekonomi.
2. Di tengah kuatnya kinerja makro ekonomi, sejumlah kelemahan telah menyebabkan Indonesia rawan terhadap guncangan dari luar. Kekakuan dari sejumlah aturan dalam perdagangan domestik dan monopoli impor, telah merintangangi efisiensi dan daya saing ekonomi.
3. Dalam gejolak mata uang regional nilai tukar rupiah terhadap dollar Amerika, sejak pertengahan Juli tahun lalu hingga awal Januari ini telah terdepresiasi lebih dari 70%, di mana separuh dari penurunan tersebut terjadi sejak akhir November lalu. Sementara merosotnya indeks di Bursa Efek Jakarta mencapai 50%. Semuanya itu mencerminkan hilangnya kepercayaan terhadap rupiah, sektor finansial dan keseluruhan perekonomian.
4. Merosotnya nilai tukar rupiah telah meningkatkan beban utang sejumlah bank dan perusahaan nasional kepada pihak asing, yang sebagian besar tanpa hedging, dan juga menyebabkan naiknya suku bunga dalam negeri. Itu semua melemahkan posisi dunia usaha nasional.
5. Guna mengantisipasi krisis mata uang, Pemerintah Indonesia telah mengambil beberapa tindakan koreksi, seperti pelepasan bank intervensi, mengambangkan nilai tukar rupiah, kebijakan uang ketat dan paket deregulasi.

Kerangka kerja kebijakan.

6. November tahun lalu, dalam kaitan dengan program bantuan IMF, pemerintah telah mengambil paket kebijakan guna memulihkan kepercayaan dan menahan laju anjloknya rupiah.
7. Makin merosotnya rupiah yang merupakan kombinasi dari Contagion Effect dari kejadian serupa di kawasan Asia, perkembangan politik dan ketidakpastian lainnya, secara jelas menunjukkan bahwa target yang sesungguhnya dari makro ekonomi tidak terealisasi.

Kebijakan Makro Ekonomi

8. Pemerintah sepenuhnya pada komitmen untuk memelihara kebijakan fiskal, sehingga dalam situasi krisis ini sulit untuk meraih surplus 1% dari GDP pada tahun anggaran 1998/1999. Pemerintah tetap pada prinsip anggaran berimbang, yang oleh IMF diperkirakan defisit sekitar 1% dari GDP.
9. Untuk mengurangi distorsi ekonomi dan memperkuat posisi fiskal, pemerintah secara intensif melakukan penyesuaian aturan harga dengan tujuan untuk menghapus subsidi secara bertahap terhadap BBM dan listrik. Terhitung mulai 1 April 1998, akan dilakukan penyesuaian terhadap harga BBM dan listrik, kecuali untuk minyak tanah dan solar, di mana kenaikan akan ditekan untuk melindungi masyarakat lemah.
10. Di bidang penerimaan, pemerintah akan menaikkan cukai alkohol dan tembakau, yang secara efektif akan meraih penerimaan sekitar 80% dan 10%. Kenaikan cukai akan dimulai pada 1 Juli 1998. Sebagai tambahan, terhitung sejak 1 April pemerintah juga akan menghapus semua pembebasan Pajak Pertambahan Nilai. Pengaturan pembebasan PPN akan dikaji ulang secara bertahap. Mengenai pajak yang lainnya,

pemerintah mulai 1 April juga akan memberlakukan pajak penjualan lokal untuk bensin sebesar 5%, dan sejumlah pajak penjualan barang mewah juga akan ditingkatkan.

11. Guna meningkatkan administrasi perpajakan dan struktur dari sistem perpajakan, pemerintah akan memperkenalkan nomor pembayaran tunggal bagi pembayar pajak mulai 1 April nanti.
12. Untuk menjamin kualitas dan daya tahan dalam perbaikan masalah keuangan, pemerintah akan melaporkan posisi keuangan sektor publik secara komprehensif dan sistem yang transparan.

Kebijakan Nilai Tukar

14. Sejak krisis dimulai, strategi moneter Bank Indonesia adalah mendukung menguatnya nilai tukar rupiah, dan membatasi angka inflasi, diantaranya dengan membenahi perusahaan moneter.
15. Pergerakan simpanan sangat melingkupi tugas yang sulit dari kebijakan moneter, karena mereka mempunyai peranan penting untuk membagi sistem perbankan. Pada pertengahan November sejumlah besar bank menunjukkan pertumbuhan likuiditas, dan suku bunga naik hingga 75%. Dalam waktu yang sama, tidak ada bank dari grup kecil yang likuiditasnya meningkat, dan perdagangan mereka relatif di bawah JIBOR (Jakarta Interbank Offered Rate), sekitar 15%.
16. Meskipun terjadi penguatan nilai suku bunga ke level yang lebih tinggi dibandingkan negara-negara tetangga, permasalahan rupiah hanya mengintensifkan. Melemahnya rupiah terjadi karena krisis yang terjadi di negara-negara tetangga. Faktor lainnya

adalah kondisi pasar yang terpengaruh oleh situasi ekonomi Indonesia, sehingga memperlambat kesehatan keuangan dan sistem perbankan dan sektor lainnya.

17. Dengan semua paket kebijakan yang baru saja diadopsi, dan dituangkan dalam Memorandum, pemerintah meyakinkan bahwa kepercayaan terhadap ekonomi negara akan secepatnya pulih.
18. Sikap pengetatan moneter ini tidak dapat dielakkan, selanjutnya untuk waktu-waktu mendatang, jumlah kredit yang didapatkan untuk meminjamkan ke sektor usaha akan tetap mendesak dan biaya kredit akan tetap sangat tinggi. Untuk itu pemerintah akan memasukkan program temporer untuk memperbaiki perusahaan skala kecil.
19. Program keuangan Bank Indonesia diformulasikan dalam konteks kondisi keuangan yang meragukan secara luar biasa, termasuk dalam hal permintaan untuk uang beredar secara keseluruhan. Dalam tahun 1977, pertumbuhan peredaran uang secara menyeluruh menunjukkan penarunan, dengan pertumbuhan M2 yang menurun dari tahun ke tahun rata-rata 25,5 % pada Juni menjadi 23% pada November.
20. Bank Indonesia menetapkan, sesudah mengadakan konsultasi dengan Dana Moneter Internasional (IMF), program keuangan untuk tahun anggaran 1998, memberikan jaminan kebijakan moneter akan terus disertakan dalam kerangka kerja, dengan inflasi yang jelas. Program ini bertujuan untuk menekan inflasi hingga sasaran ambisius ini, Bank Indonesia berencana membatasi peredaran uang hingga 16 % pada tahun 1998.
21. Strategi moneter ini akan diimbangi dengan intervensi mata uang asing demi menstabilkan dan mendukung nilai tukar mata uang. Skala intervensi ini akan

ditetapkan dalam konsultasi dengan staf IMF dan akan diserahkan kepada Bank Indonesia.

22. Bank Indonesia dalam waktu dekat akan diberikan otonomi untuk merumuskan dan melaksanakan kebijakan moneter. Untuk meyakinkan bahwa bank sentral masih bertanggung jawab, sasaran inflasi akan diputuskan oleh pemerintah, tetapi kebijakan dalam perolehan kebijakan ini seperti perubahan nilai suku bunga, sepenuhnya akan dilaksanakan oleh bank sentral.

Restrukturisasi Sektor Finansial

23. Pemerintah sudah mengambil tindakan untuk melaksanakan program restrukturisasi perbankan yang ditujukan untuk memulihkan sistem perbankan. Pada 1 November 1997, sejumlah 16 bank telah dilikuidasi. Sejumlah bank lainnya, termasuk beberapa bank pembangunan daerah, sudah berada di bawah pengawasan bank sentral dan beberapa di antaranya sedang dalam proses pelaksanaan sementara lainnya berada dalam tahap persiapan.
24. Depresiasi rupiah yang terus berlanjut, lambatnya pertumbuhan dan tingginya nilai suku bunga telah memperburuk perekonomian sektor perbankan. Situasi ini semakin diperburuk oleh deposit run dan capital flight, sehingga mendorong sebagian besar bank meningkatkan dukungan likuiditas kepada bank sentral. Depresiasi dalam jumlah besar terhadap nilai mata uang jumlah besar terhadap nilai mata uang rupiah dalam beberapa pekan terakhir telah menimbulkan kekhawatiran bahwa masalah ini hanya akan semakin memburuk.

25. Dalam kondisi ini, pemerintah yakin bahwa memulihkan kembali kepercayaan atas kemampuan sistem perbankan untuk memenuhi komitmennya dan memainkan peran intermediasinya merupakan hal terpenting.

Untuk itu Bank Indonesia akan bekerja sama dengan para staf ADB (Bank Pembangunan Asia), IMF (Dana Moneter Internasional), World Bank (Bank Dunia) untuk menetapkan dan melaksanakan secara tepat peraturan dan transportasi untuk memulihkan likuiditas dan penyelesaian masalah yang dihadapi bank-bank swasta. Peraturan ini akan diumumkan dalam waktu dekat.

26. Dengan bantuan teknis Bank Dunia, pemerintah juga telah mengambil langkah-langkah untuk menyelesaikan masalah yang dihadapi bank-bank pemerintah dan meyakinkan keamanan dan kesehatan bank-bank tersebut. Tujuan program ini, pemerintah pada bulan Desember 1997 telah mengumumkan bahwa BTN akan menjadi anak perusahaan BNI dan empat bank pemerintah, Bapindo, Bank Bumi Daya, BDN dan Bank Exim akan dimerger. Pemerintah menjamin bahwa proses merger akan dimanfaatkan untuk merampingkan operasional bank-bank yang dimerger, menjual fasilitas dan kantor cabang yang berlebihan, mengurangi sumber daya manusia, mengekonomiskan sistem otomatis, memaksimalkan keuntungan dari kekuatan berimbang serta mempersiapkan institusi-institusi itu untuk diswastakan. Pemerintah menjamin bahwa sampai proses swastanisasi, bank pemerintah akan beroperasi sesuai kriteria dalam kontrak-kontrak yang diajukan, yang dipersiapkan oleh Departemen Keuangan (Direktorat Jenderal Badan Usaha Milik Negara) dengan bantuan dari Bank Dunia hingga akhir Maret 1998.

27. Sebagai dukungan terhadap swastanisasi seluruh saham perbankan, pemerintah pada akhir Juni 1998 akan mengeluarkan peraturan untuk merubah peraturan perbankan yang untuk mengurangi batasan pemilikan swasta. Bank baru hasil merger empat bank pemerintah akan dipimpin oleh Managing Director baru.

Manajemen baru ini akan mulai bertugas akhir Februari 1998 dan akan merumuskan dan melaksanakan rencana operasional keempat bank yang dimerger, termasuk jadwal merger akhir. Jadwal swastanisasi seluruh bank pemerintah akan ditentukan setelah berkonsultasi dengan IMF dan Bank Dunia.

28. Sebagai persiapan proses merger dan akuisi, serta swastanisasi seluruh bank pemerintah (termasuk bank-bank yang tidak dimerger) akan dilakukan pemeriksaan dokumen, sistem dan keuangan sehingga memenuhi standar internasional dengan menggunakan tim audit dari perusahaan internasional yang telah ditentukan.

Memperkokoh Pengawasan Bank

29. Pemerintah akan meningkatkan pengawasan sistem perbankan.

30. Dalam rangka memperkuat kebijakan dan infrastruktur institusional perbankan, pemerintah mengambil langkah-langkah berikut :

a. Meninjau kembali kerangka (frame work) hukum operasional perbankan. setelah melalui pertimbangan bank sentral dan undang-undang perbankan serta peraturan perusahaan dan likuidasi, yang akan rampung akhir September 1998.

b. Meningkatkan transparansi dan keterbukaan di sektor perbankan sehingga untuk itu pemerintah dalam waktu dekat akan mewajibkan seluruh bank mengeluarkan hasil audit tahunan.

- c. Sebagai bagian dari negoisasi WTO untuk liberalisasi perdagangan di sektor pelayanan keuangan, pemerintah memutuskan, mulai Februari 1998 akan mencabut berbagai larangan pembatasan atas kantor cabang bank asing. Pemerintah juga akan mengajukan Rancangan UU kepada DPR, UU bagi penghapusan berbagai larangan atas investasi asing bank-bank terdaftar mulai Juni 1998.

Reformasi Struktural

31. Pada November lalu, pemerintah melaksanakan strategi ambisius menyangkut reformasi struktural, yang ditujukan untuk mengembalikan percepatan pertumbuhan ekonomi, dengan cara mentransformasikan ekonomi biaya tinggi menjadi lebih terbuka, kompetitif, dan efisien.
32. Pemerintah berhasil melakukan peningkatan yang mengarah pada sasaran strategi. Pada bulan November telah ditempuh langkah yang mengarah pada keterbukaan ekonomi dan peningkatan kompetisi, di saat monopoli Bulog terhadap tepung terigu, kacang kedele, dan bawang putih ditiadakan. Untuk meyakinkan konsumen mendapatkan keuntungan dari reformasi ini, para importir diizinkan memasakan semua produk ini secara domestik, kecuali tepung terigu.
33. Dua peraturan struktural penting lainnya yang telah ditempuh berdasarkan program tersebut. Pertama, pada bulan November biaya administratif eceran semen ditiadakan, hal ini dimaksudkan untuk meningkatkan persaingan di kalangan industri tersebut serta segera menurunkan harga untuk penjualan kepada perusahaan konstruksi dan konsumen.

Kedua, peningkatan program penurunan tarif jangka menengah yang mencakup dua sektor utama, produk kimia dan logam. Tarif sebagian besar produk kimia sudah diturunkan hingga 5 %, yang mulai berlaku 1 Januari 1998 sedangkan baja/logam dimulai pada 1 Januari 1999. Mulai 2003, tarif maksimum produk-produk ini akan diturunkan hingga target jangka menengah 10 %.

34. Krisis ekonomi yang terus memburuk selama bulan Desember dan awal Januari memperjelas, reformasi yang berani dan cepat diperlukan untuk mengatasi kemelut ekonomi. Oleh karena itu, pemerintah memutuskan untuk memperkuat program reformasi struktural dengan mengakselerasi beberapa peraturan yang telah direncanakan dan melakukan tindakan tambahan.

Investasi dan Perdagangan Asing

35. Untuk meyakinkan pasokan pangan dijual dengan harga pantas kepada penduduk, pemerintah melaksanakan strategi program dan memasukkan bahan pertanian ke dalam program umum mengenai penurunan harga. Harga untuk seluruh bahan pangan telah dikurangi hingga maksimum 5%, sedangkan peraturan mengenai bahan kebutuhan sehari-hari telah ditiadakan mulai 1 Februari 1998. Pada waktu yang sama, harga produk non-pertanian akan dikurangi hingga 5% dan secara bertahap akan dikurangi hingga 10% sampai pada tahun 2003.
36. Mulai 1 Februari 1998, seluruh larangan mengenai kapal baru dan bekas juga dihapuskan. Semua larangan impor kuantitatif, selain untuk alasan kesehatan, keamanan, lingkungan dan serta larangan non tarif yang melindungi produksi dalam negeri akan ditiadakan mulai berakhirnya program.

37. Pemerintah juga bermaksud menghapus pajak ekspor karena peraturan ini dianggap tidak layak lagi. Dengan demikian, mulai 1 Februari 1998, pajak ekspor atas sejumlah besar barang termasuk dalamnya kulit, gabus, biji besi, dan limbah aluminium akan dihapuskan.
- Sedangkan untuk produk lainnya, pajak ekspor tidak dihapuskan. Sebagai langkah pertama, pada Maret 1998, pajak ekspor untuk kayu bulat, gergaji kayu, rotan dan mineral akan diturunkan hingga maksimum 10% ad Valorem. Pada waktu bersamaan, langkah-langkah serupa akan diambil untuk produk lainnya.
38. Pemerintah juga akan menghapuskan beberapa jenis larangan ekspor seperti kuota, selama kurun waktu tiga tahun berjalan. Satu-satunya pengecualian adalah untuk alasan kesehatan dan keamanan serta kepentingan nasional seperti CPO. Larangan ekspor CPO hingga triwulan pertama 1998, guna menahan kenaikan harga. Setelah Maret 1998, larangan ekspor CPO tidak akan diteruskan lagi.
39. Upaya-upaya keras dibutuhkan mendorong masuknya investasi asing. Maka mulai Juni 1998 pemerintah akan merevisi hal yang bisa menghambat investor asing, antara lain dengan mencabut larangan investasi asing pada minyak kelapa sawit mulai 1 Februari 1998.
40. Langkah penting dalam reformasi adalah deregulasi dan privatisasi ekonomi, sehingga bisa mendongkrak tingkat daya saing domestik dan meluaskan skala dari sektor swasta.
41. Terhitung sejak 1 Februari 1998, para pedagang produk-produk pertanian seperti cengkeh, jeruk dan vanili akan memiliki kebebasan membeli, menjual komoditinya

tanpa ada batasan wilayah. Cengkeh, para pedagang bisa membeli dan menjualnya dengan harga bebas, dan BPPC akan dibubarkan Juni 1998.

42. Untuk mendukung ekspor, pemerintah berupaya membatasi penarikan retribusi. Untuk memperkuat daya saing dan penetrasi pasar, pemerintah juga akan mengembangkan dan mengimplementasikan program setahun untuk menghapuskan pajak antar daerah.
43. Monopoli Bulog akan dibatasi pada beras. Efektif sejak 1 Februari 1998, semua pedagang akan diizinkan untuk mengimpor gula dan memasarkan pada pasar domestik, dan petani akan dibebaskan dari ketentuan formal dan informasi untuk menanam tebu.
44. Sejalan dengan niat meningkatkan produktivitas sektor swasta, pemerintah sedang berusaha meninjau ulang investasi dan pengeluaran di sektor umum demi mengefisienkan penggunaan sumber-sumber daya pemerintah. Peninjauan ulang ini dilakukan bekerja sama dengan Bank Dunia dan direncanakan selesai Juni 1998.
45. Peninjauan ulang itu juga akan menjadi dasar untuk akselerasi program swastanisasi. Dalam kaitan itu, sebuah kerangka kerja yang jelas akan dibentuk untuk manajemen dan swastanisasi aset-aset pemerintah pada April 1998.
46. Dengan adanya kerangka kerja tersebut, pemerintah dapat mengakselerasi swastanisasi dan mengambil langkah-langkah nyata untuk melakukan restrukturisasi atau menutup perusahaan-perusahaan yang berkinerja buruk.
47. Perusahaan-perusahaan yang tak sehat di audit menjelang akhir tahun 1998 dan yang jelas-jelas tak sehat akan ditutup.

48. Dalam kaitan dengan pengentasan kemiskinan, pemerintah berencana untuk mengenalkan program-program kerja yang berbasis pada komunitas.
49. Pengentasan kemiskinan dan distribusi pendapatan yang merata merupakan tema utama dalam perencanaan pembangunan lima tahun ke depan, yang dimulai tahun 1999. Anggaran untuk pengeluaran sosial akan ditingkatkan, agar semua orang bisa mendapat program belajar 9 tahun dan pelayanan dasar kesehatan yang memadai.
50. Di bidang lingkungan hidup, pemerintah akan menyusun dan mengimplementasikan UULH yang baru pada Maret 1998. Untuk meningkatkan kualitas udara, pemerintah akan mendorong program konversi energi bersih, termasuk bensin tanpa timbal untuk memenuhi batas waktu yang ditentukan Presiden 1999.

4.5.2. Rincian Program Letter of Intent

Gejolak Moneter yang dialami Indonesia diharapkan berangsur-angsur dapat pulih setelah ditandatanganinya Letter of Intent oleh Presiden Soeharto dengan direktur pelaksana IMF.

Letter of Intent tersebut menyangkut perombakan secara total berbagai sektor, baik sektor finansial, fiskal maupun sektor riil. Tujuan yang diharapkan adalah memulihkan kepercayaan atas mata uang dan Ekonomi di mana pemerintah mengakui keberadaan masalah dan menyiapkan berbagai langkah untuk mengatasinya, meski hal itu sulit dan berat.

Rincian program yang disepakati dalam Letter of Intent adalah :

I. Soal Kerangka Makro Ekonomi yang Luas



Program ini dirancang untuk menghindari penurunan produksi dan mengupayakan inflasi di bawah 20% tahun ini dengan tujuan membawa inflasi ke tingkat satu digit tahun depan kendati terjadi depreasi rupiah.

II. Menyangkut RAPBN

RAPBN 1998/1999 akan direvisi sehingga sesuai dengan kerangka makro ekonomi yang baru disepakati, sementara prinsip anggaran berimbang tidak akan diutamakan.

III. Transparansi Fiskal

Untuk menjamin masyarakat selalu mendapatkan informasi mengenai aktivitas pemerintah, Rekening dana Reboisasi akan dimasukkan ke dalam RAPBN 1998/1999.

IV. Proyek Sektor Publik

Berdasarkan kondisi Ekonomi sekarang, belanja pemerintah harus dibatasi dan hanya untuk keperluan yang mendesak. Untuk itu program mempertimbangkan belanja pembangunan akan dibatasi, termasuk pembatalan ke 12 proyek infrastruktur yang ditunda atau dikaji ulang. Karena itu kredit istimewa kepada IPTN akan dicabut secepatnya. Semua pajak, cukai dan hak istimewa untuk proyek Mobil Nasional Timor segera dibatalkan.

V. Kebijakan Moneter

Kebijakan Moneter harus tetap ketat sampai kepercayaan terhadap mata uang rupiah pulih. Untuk menunjukkan komitmen pemerintah terhadap posisi ini, Bank Indonesia (BI) akan diberi otonomi penuh untuk melaksanakan kebijakan moneter dan bisa memulai secara sepihak memutuskan tingkat suku Bunga SBI (Sertifikat Bank Indonesia).

VI. Rekonstruksi sektor Korporat dan Bank

Penting untuk menyetatkan sistem keuangan Perbankan dan melonggarkan kesulitan sektor korporat.

VII. Reformasi Struktural

Program ini menekankan bahwa semua hambatan yang diberlakukan akan segera dicabut misalnya :

- ~ Mulai 1 Februari 1998 monopoli Bulog hanya sebatas untuk beras. Berarti monopolinya sekarang atas impor dan distribusi gula serta terigu akan dihapus.
- ~ Melengkapi aksi ini, perdagangan produk pertanian dalam negeri akan dideregulasi sepenuhnya. Dengan begitu pedagang bebas menjual barang kapan pun dan kepada siapa pun. Penyangga pelaksana cengkeh akan dihapus mulai Juni 1998.
- ~ Mulai 1 Februari 1998, semua aturan perdagangan yang restriktif akan dihapus, sehingga perusahaan bebas untuk memproduksi dan mengekspor produk mereka. Kartel semen, kertas dan kayu dibubarkan.
- ~ Hal lain yang juga perlu diperhatikan dalam situasi saat ini adalah upaya memancing arus masuk investasi Asing. Untuk itu terhitung sejak 1 Februari 1998 semua kendala resmi dan yang tidak resmi dalam investasi perkebunan sawit dicabut, begitu juga Restriksi investasi dalam perdagangan besar dan eceran.
- ~ Juga perlu berbagai langkah meringankan penderitaan akibat kemarau yang panjang. Program kerja kemasyarakatan akan segera diperkenalkan dalam upaya mempertahankan daya beli rakyat miskin. Untuk menjamin tersedianya pasok makanan akan dipangkas menjadi hanya sebesar 5% sedang tingkat tarif non-food agricultural product akan dikurangi sebesar 5 poin persen.
- ~ Perhatian khusus perlu diberikan pada pembiayaan perusahaan dan eksportir skala kecil / menengah. Penyediaan dananya melalui sistem perbankan di mana Bank pembangunan Asia (ADB) bertindak sebagai pelaksana.

4.6. Dana Moneter International (IMF) dan Implikasi Perundingan dengan Indonesia.

Masalah ekonomi yang dihadapi Indonesia pada pertengahan tahun 1997 memaksa pemerintah Indonesia untuk meminta bantuan pada Dana Moneter Internasional di bulan Oktober 1997.

Pada bulan Januari 1998 IMF menunda bantuannya kepada Indonesia karena gagal dalam pertemuannya dengan pemerintah Indonesia. IMF mengajukan syarat-syarat seperti penghapusan korupsi, sentralisasi bank, pemantauan tingkat inflasi dan memperbaiki krisis nilai mata uang. IMF menganggap Presiden Soeharto dan pemerintah Indonesia sangat lamban, sehingga IMF menunda paket bantuannya sebesar 43 Milliar dollar US pada Januari 1998.

Sejak PBB memegang hak defakto dalam IMF tuntutan PBB dan negara-negara barat semakin meluas dalam perundingan sehingga PBB memiliki pengaruh dan bargaining (tawar-menawar) power yang besar dengan negara-negara penerima (Sanger, Maret 1998).

Dalam pertemuannya dengan Ali Alatas dan sejumlah pejabat IMF tetap mengharapkan tuntutan sebelum mencairkan paket bantuannya.

Moran dan Stripp 1991 mengatakan :

Perundingan sebagai proses dimana dua pihak saling berebut untuk mencapai persetujuan yang saling menguntungkan kedua belah pihak. Namun perundingan IMF dengan Indonesia dianggap bukan suatu perundingan yang saling memburu keuntungan tetapi syarat-syarat yang diajukan oleh IMF adalah suatu lelucon yang tidak masuk akal untuk dilaksanakan

dalam waktu yang singkat dan hal tersebut terjadi saat Indonesia tidak akan mungkin memenuhinya malahan semakin memperparah krisis ekonomi Indonesia.⁵

Hal tersebut membuat semakin banyak literatur yang membahas pokok permasalahan IMF dibanding pentingnya proses negosiasi dengan Indonesia dan model negosiasi telah diabaikan.

4.6.1. Dampak Nota Kesepakatan Indonesia Dengan IMF

Hari Kamis, 15 Januari 1998 merupakan hari bersejarah bagi Indonesia. Pada hari itu Presiden Republik Indonesia menandatangani Nota Kesepakatan dengan International Monetary Fund (IMF), mengenai reformasi ekonomi.

Siapa pun yang menyaksikan penandatanganan nota kesepakatan itu akan merasa trenyuh. Betapa tidak, sebelumnya banyak orang yang beranggapan bahwa IMF dan pemerintah Indonesia tidak akan mencapai kata sepakat dalam cara mengatasi gejolak moneter dan krisis ekonomi yang tengah melanda Indonesia. Dan kalau hal ini menjadi kenyataan, ekonomi Indonesia diperkirakan akan semakin terpuruk dan sebagai akibatnya akan terjadi kekacauan. Tetapi diluar dugaan orang, Presiden Soeharto dengan tegar menerima kenyataan perlunya melakukan berbagai tindakan sesuai saran IMF untuk memulihkan ekonomi Indonesia.

Ketika pemerintah RI memutuskan meminta bantuan IMF untuk mengatasi gejolak moneter di penghujung tahun 1997, terbersit harapan bahwa bangsa Indonesia akan dapat keluar dari kemelut moneter yang kian hari kian mencekam, walaupun untuk itu harus menelan Pil pahit yang akan ditawarkan oleh IMF. Namun kenyataan menunjukkan lain.

⁵. Moran Dan Stripp, 1991, Dalam Stacey Sowards, *The Indonesian Quarterly*, Vol. XXVI/1998, No. 3, Hal. 235.

Tindakan-tindakan yang disarankan oleh IMF tidak dilaksanakan secara konsisten, bahkan reformasi ekonomi terkesan semakin kabur, sehingga masyarakat kian dilanda perasaan ketidakpastian.

Sehari sebelum Presiden menyampaikan Nota Keuangan dan RAPBN 1998/1999 kepada DPR, rasa ketidakpastian itu melanda pasar, dan ini tercermin dari merosotnya nilai tukar rupiah terhadap valuta asing. Pada dasarnya masyarakat atau peserta pasar sangat mengharapkan agar RAPBN 1998/1999 yang akan disampaikan oleh pemerintah dapat memberi jawaban yang lebih jelas mengenai arah reformasi ekonomi yang akan dilaksanakan.

Namun diluar dugaan, RAPBN 1998/1999 yang diajukan oleh pemerintah tidak memberi jawaban yang lebih pasti, bahkan asumsi yang digunakan pemerintah dalam penyusunan RAPBN tersebut meragukan masyarakat. Di samping itu, terlihat jelas bahwa Indonesia tidak mengindahkan komitmen sebelumnya dengan IMF yaitu menjadikan RAPBN 1998/1999 surplus 1% dari PDB.

Keraguan masyarakat terhadap RAPBN 1998/1999 segera bermuara dalam gejolak pasar. Nilai tukar rupiah merosot tajam, dan bahkan dua hari setelah pemerintah menyampaikan RAPBN tersebut, kepanikan melanda masyarakat khususnya di daerah perkotaan. Tanpa berpikir panjang mereka memborong barang kebutuhan sehari-hari. Kepanikan itu rupanya tidak terhindarkan lagi terutama karena sehari setelah penyampaian RAPBN 1998/1999 kepada DPR, IMF melontarkan kritik kepada Indonesia. Bahkan lembaga tersebut menyatakan akan menangguhkan bantuan yang akan diberikan bila Indonesia tidak melakukan perbaikan.

Likuidasi 16 bank umum swasta nasional pada tanggal 1 November 1997 ternyata sampai saat ini tidak berhasil menstabilkan sektor perbankan. Yang terjadi malah sebaliknya, dengan berbagai peristiwa yang terjadi sejak 1 November 1997, keadaan perbankan nasional semakin terseok-seok dan kepercayaan masyarakat terhadap bank-bank swasta nasional, terutama bank-bank kecil semakin sirna.

Setelah Presiden Soeharto menandatangani Nota Kesepakatan dengan IMF, berbagai pihak menunggu implementasi dari kesepakatan tersebut. Dan dengan adanya pengumuman pemerintah mengenai langkah-langkah penjabaran nota kesepakatan melalui berbagai surat, terbersit harapan bahwa usaha pemulihan ekonomi akan dapat membuahkan hasil. Dengan langkah-langkah konkrit tersebut besar kemungkinan para investor, khususnya investor asing akan semakin yakin bahwa Indonesia akan melaksanakan kesepakatan secara konsisten, dan bila mereka sudah benar-benar yakin mereka akan tertarik untuk kembali menanamkan modalnya di Indonesia.

4.6.2. Sejarah Kegagalan Negosiasi International Monetary Fund (IMF)

Negosiasi memegang peranan yang sangat besar dalam kebijakan-kebijakan IMF, karena IMF pada umumnya melakukan pembicaraan tentang kondisi dan implementasi kebijakan dengan negara penerima bantuan. Selanjutnya bila negara penerima gagal dalam pertemuan dengan IMF, maka akan diadakan negosiasi ulang untuk menghindarkan penundaan bantuan.

Berdasarkan literatur yang ada, 4 kegagalan utama IMF yang muncul dari negosiasi perspektif adalah :

- Ketidakesesuaian dan ketidakefektifan dari kondisi yang ada
- Sikap pilih kasih
- Kurang pelaksanaan
- Kurang peka terhadap kondisi setempat

Semua kegagalan adalah memiliki hubungan dengan kondisi yang tidak efektif .

Killick (1995) menggambarkan 3 tujuan utama persiapan struktur bantuan yaitu :

- Untuk mengembangkan akan peranan pasar dan perusahaan swasta yang akan berhubungan dengan sektor umum dengan memperbaiki struktur insentif.
- Untuk memperbaiki efisiensi pada sektor umum
- Untuk memobilisasi tambahan sumber-sumber penghasilan domestik

Bandow dan Grossman (1996) juga berpendapat bahwa hak-hak asasi manusia yang diinjak-injak menjadi salah satu faktor terhambatnya bantuan dari negara pemasok individu seperti Amerika. Penghapusan korupsi mungkin juga menjadi salah satu faktor pendukung.

Killick mencatat bahwa perbaikan-perbaikan pada proses persiapan telah memberikan hasil berupa adanya penambahan paket-paket bantuan. IMF sering tidak menepati janji berdasarkan data ini yang mana sering mengakibatkan kerugian dan boleh dikata bahwa ini dipersulit oleh pimpinan IMF karena dialah yang memegang peranan atau menentukan kebijakan-kebijakan⁶.

Di dalam analisisnya dia juga menggambarkan argumen Nichans (1995) dimana dia juga berpendapat bahwa negara akan mengalami krisis ekonomi karena berharap pada bantuan IMF walaupun ini mungkin suatu skenario yang buruk. Menurut Bird (1995) Anggota IMF segan untuk meminjam dan bila memungkinkan mereka

⁶ .Bandow, 1994, Dalam Stacy Sowards, *The Indonesian Quarterly*, Vol. XXVI/1998 No. 3 Hal. 238

menghindarinya dan mereka lebih memilih untuk melirik kepada lembaga-lembaga komersil yang lain.

Menurut Killick dan Bird, conditioning proses dari IMF seperti singa yang tidak bergigi dan efeknya sangat kecil, kecuali bila pemerintah negara penerima bantuan menginginkan adanya reformasi dan bisa memenuhi permintaan IMF. Selanjutnya apabila negara penerima memiliki hubungan baik dengan IMF, kemungkinan urusannya akan lancar. Bird menggarisbawahi kerugian yang terjadi dari hal-hal tersebut di atas yaitu :

- Kondisi ini mungkin tidak akan diterima kecuali bila negara penerima bantuan nekat.
- Ini akan merusak fleksibilitas IMF

Tindakan pilih kasih seperti yang baru saja diungkapkan di atas memberi akibat pada negara penerima. Killick dalam tinjauannya pada 17 negara mencatat bahwa 2/3 dari negara penerima adalah negara pilihan dari negara-negara Barat yang ikut mempengaruhi kebijakan-kebijakan bantuan. Killick secara spesipik melihat peranan Amerika pada negara Mexico, Sudan dan Piliphina. Dalam setiap kasus ini pemerintah Amerika menjadi negara penyokong. Begitu pula pada kasus Sudan, negara yang mengalami krisis ekonomi yang sudah parah dan orang-orang dalam pemerintahnya tidak berniat melakukan reform (perbaikan).

Bird (1995) mengamati bahwa Amerika meminta agar IMF menyediakan bantuan walaupun kepada negara yang punya banyak utang sehingga negara penerima bantuan tidak akan gagal dalam mendapatkan bantuan dan dari bank pinjaman (Lending institutional). Sama dengan Francis yang mendukung bantuan untuk Cote d'Ivoire walaupun sebelumnya mengalami Slippages. Sayangnya Indonesia tidak mendapatkan perlindungan, berupa

keberuntungan mendapatkan bantuan pilih kasih. Amerika dalam kebersamaanya dengan IMF telah mengambil sikap keras terhadap paket bantuan untuk Indonesia (Sager 12 januari 1998, 25 Maret). Setelah Mexico mendapat perlakuan yang fleksibel selama mengalami masa krisis ekonomi kebijakan-kebijakan yang ada semuanya seperti munafik.

Kurangnya pelaksanaan kebijakan pada bantuan yang mengakibatkan negosiasi menjadi tidak efektif. Bandow (1994) berpendapat bahwa IMF sering memberikan waivers atau menunda bantuan, bahkan sering mengubah kesepakatan atau mengusulkan negosiasi selanjutnya. Inilah yang terjadi pada kasus Indonesia. Menurut Bandow dalam 40 tahun terakhir ini, negara berkembang yang menerima bantuan terbesar adalah Indonesia, Brasil, Argentina, Mexsiko dan Yugoslavia. Bandow berpendapat kesuksesan IMF ditentukan oleh pinjamannya dan hal ini mungkin terjadi setelah ikut campurnya Camdessus. Bird (1995) dan Killick (1995) mengamati sejumlah negara berkembang semakin mengalami masalah dalam usahanya mendapatkan bantuan dari IMF. Dalam kasus Indonesia, IMF telah banyak dikecam.

Akhirnya IMF telah dikritik dari sisi insentifitas kondisi lokalnya. Helleiner (1986) melaporkan bahwa keuangan IMF tidak cukup. Feldstein (1998) menggarisbawahi bahwa dalam kasus Indonesia, Thailand dan Korsel kondisi dan perbaikan adalah sama dengan yang ada dinegara-negara Eropa Timur, Rusia dan Mexsiko yang tidak diterapkan karena perbedaan struktur ekonomi. Fleksibilitas yang diajukan sebagai perbaikan juga masih menjadi tanda tanya, khususnya dalam kasus Indonesia.

BAB V

PENUTUP

5.1. Kesimpulan

1. Hubungan perdagangan dan lalu lintas modal merupakan landasan yang penting bagi pelaksanaan hubungan ekonomi antar bangsa-bangsa dan antar bangsa dengan lembaga-lembaga internasional. Salah satu syarat untuk menjamin kelangsungan hubungan-hubungan perdagangan dan lalu lintas modal secara teratur adalah adanya tata tertib di bidang hubungan moneter internasional.

Untuk menjamin sistim moneter internasional maka pada tahun 1944 dibentuklah sebuah lembaga keuangan yang bersifat internasional yakni International Monetary Fund (IMF). Lembaga ini bertujuan untuk menetapkan suatu standar tingkah laku dalam pelaksanaan hubungan-hubungan moneter internasional dan secara aktif membantu memecahkan masalah-masalah moneter internasional.

IMF dalam menjalankan seluruh kegiatannya berdasar kepada article-article of agreement (pasal-pasal persetujuannya). Article-article ini merupakan ketentuan hukum yang baru yang mengatur hubungan-hubungan moneter antara negara.

Dengan berlakunya Articles of Agreement, maka timbul tiga hal yakni :

- Secara yuridis terbentuk sebuah badan internasional
- Negara-negara anggota harus tunduk dibawah ketentuan Articles of Agreement.
- Negara anggota wajib memberikan asset kepada IMF.

2. Krisis ekonomi yang terjadi di Indonesia disebabkan oleh berbagai faktor, salah satunya adalah fundamental ekonomi Indonesia. Sebagian pakar termasuk pemerintah selalu menggembar-gemborkan bahwa fundamental ekonomi makro kita kuat yang lemah yang mikro yang bersifat kasuistis, jadi kalau ada kredit macet semua itu dianggap sekedar animoli distorsi yang merupakan kekecualian dan bukan arus utama. Sedang arus utama atau mainstreamnya adalah minat investor asing yang tetap menggebu walaupun menghadapi pungli, korupsi, kolusi dan nepotisme. Sebagian malah dengan sadar memanfaatkan nepotisme untuk memperoleh lisensi istimewa dan menikmati keuntungan mikro bisnis tanpa menghiraukan kepentingan efisiensi makro sosial apalagi kepentingan nasional yang semakin abstrak.
3. Untuk mengatasi krisis moneter dan krisis ekonomi di Indonesia IMF menerapkan berbagai kebijakan-kebijakannya. Salah satunya adalah paket reformasi ekonomi yang berisi 50 butir kesepakatan. Persyaratan yang di berikan oleh IMF guna mencairkan dana bantuan merupakan kebutuhan nasional, karena bertujuan membuat kondisi ekonomi Indonesia lebih baik. Keterlibatan IMF merupakan suatu simbol jaminan internasional terhadap dunia bisnis akan pemulihan perekonomian Indonesia sesegera mungkin. Oleh karena Indonesia sebagai pihak yang membutuhkan dana bantuan IMF, maka setiap persyaratan yang diberikan pihak IMF merupakan suatu kondisi dan konsekuensi logis. Sepanjang tidak mengganggu landasan hukum dalam berbangsa dan bernegara.
4. Nota Kesepakatan antara Indonesia dan IMF yang ditanda tangani oleh Presiden RI pada tanggal 15 Januari 1998, menimbulkan keraguan di kalangan masyarakat domestik dan internasional terhadap konsistensi Indonesia mengimplementasikan kesepakatan tersebut. Keraguan itu muncul karena pengaturan waktu bagi pelaksanaan

kesepakatan tersebut terlalu ketat, sehingga sulit bagi pemerintah Indonesia untuk melaksanakan secara penuh. Selain itu pelaksanaan dari beberapa butir dari 50 butir kesepakatan itu dapat menimbulkan masalah sosial yang sangat pelik. Misalnya masyarakat Indonesia yang sudah sangat lama mengagungkan kebersamaan, tidak dengan mudah bisa cepat diubah untuk menerima persaingan dan efisiensi.

5.2. Saran

1. Keberhasilan Indonesia untuk melaksanakan paket reformasi yang disepakati dengan International Monetary Fund (IMF) dalam rangka krisis moneter merupakan langkah yang penting sekaligus sebagai ujian untuk mengembalikan kepercayaan dunia Internasional terhadap pemerintah Indonesia. Oleh karena itu penulis menyarankan agar pemerintah Republik Indonesia sungguh-sungguh melaksanakan reformasi ekonomi secara komprehensif.
2. Bagi International Monetary Fund (IMF) untuk memperbaiki beberapa kegagalan yang muncul dari negosiasi perspektif, yakni ketidaksesuaian dan ketidakefektifan dari kondisi yang ada, sikap pilih kasih, kurang pelaksanaan, kurang peka terhadap kondisi yang ada.

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Indonesia—Memorandum of Economic and Financial Policies

L BACKGROUND

1. For the past several decades, prudent macroeconomic policies and continuing structural reforms have kept Indonesia on a path of rapid economic development. Since the 1970s, economic growth has averaged 7 percent per annum, raising GDP per capita toward the level of middle income countries, while dramatically lowering the incidence of poverty. The economic structure has become diversified, as dependency on the oil sector has declined and an export-oriented manufacturing base has emerged, led by a dynamic private sector and fueled by high domestic savings and large inflows of foreign direct investment. Meanwhile, macroeconomic balance has been maintained: the budget has been balanced; inflation has been contained at relatively low levels; current account deficits have been kept moderate; and international reserves have remained at comfortable levels.

2. Despite this strong macroeconomic performance, a number of underlying weaknesses have made the country vulnerable to adverse external shocks. Structural rigidities arising from regulations in domestic trade and import monopolies have impeded economic efficiency and competitiveness. At the same time, the relative stability of the rupiah during most of the 1990s, together with high rates of return on domestic investment, both encouraged and facilitated high levels of overseas borrowing, a significant portion of which has been private short-term debt that has been unhedged. By end-December 1997, Indonesia's external debt stood at \$140 billion (about two-thirds of GDP), of which \$20 billion was short term, while its debt service has remained close to one-third of exports of goods and services. Also, the rapid expansion of the financial system since the late 1980s has left a number of banks with significant amounts of nonperforming loans, straining their liquidity and, in a number of cases, undermining their financial viability.

3. In the wake of the recent currency turmoil in the region, the exchange rate has depreciated to alarming levels. From mid-July last year to early January this year, the cumulative depreciation of the rupiah reached 70 percent, with over half of this decline occurring since the end of November, while the fall in the Jakarta stock exchange index reached 50 percent, both the largest declines in the region. The enormous depreciation of the rupiah did not seem to stem from macroeconomic imbalances, which remained quite modest. Instead, the large depreciation reflected a severe loss of confidence in the currency, the financial sector, and the overall economy.



4. The plummeting of the rupiah has led to very large increases in the rupiah debt service costs of banks and corporations that had borrowed—largely without hedging—from abroad. Moreover, since the currency depreciation has engendered a substantial rise in domestic interest rates, the burden of paying for, and collecting, domestic currency loans has also increased, further straining the position of corporations and financial institutions, particularly those that were already weak. A major concern for the government is that the process has become self-reinforcing: growing strains on firms have amplified investor uncertainty and encouraged capital flight, thereby intensifying pressures on the exchange rate and domestic interest rates.

5. From the outset of the currency crisis, the government has taken strong corrective action. To discourage speculative attacks, the exchange rate band was widened in July and, in August, in the face of continued pressure on the currency, the rupiah was allowed to float. This policy was backed by a significant tightening of liquidity conditions and an announcement that the budget surplus would be preserved by postponing major infrastructure projects, cutting low priority development programs, and extending the coverage of the luxury sales tax. At the same time, import tariffs on over 150 items (mainly raw materials and other intermediate goods) were reduced effective mid-September, while the 49 percent limit on foreign holdings of listed shares was abolished. Further trade liberalization measures, including removing monopoly restrictions on agricultural imports were announced in November last year. These actions, however, were not sufficient to restore confidence in the rupiah and the economy.

II. THE POLICY FRAMEWORK

6. In November, in the context of an IMF-supported program, the government put in place a comprehensive policy package to restore confidence and arrest the decline of the rupiah. Fiscal policy was formulated to preserve a budget surplus of about 1 percent of GDP while monetary policy aimed at containing inflation and supporting the exchange rate. These policies were to provide the supportive macroeconomic framework for the continuing efforts to restructure the financial sector and accelerate structural reforms.

7. However, following a short-lived strengthening, the rupiah plummeted owing to a combination of contagion from currency turmoil in the region, political developments, and other uncertainties. It is now clear that the original macroeconomic targets cannot be realized. Under current volatile conditions, it is difficult to set precise macroeconomic targets. Nevertheless the program is designed to avoid a decline in output, while limiting inflation to about 20 percent, which, although high by Indonesian standards, is unavoidable given the substantial depreciation of the rupiah. At the same time, the external current account balance is expected to move from a deficit in 1997/98 to a surplus in 1998/99.

A. Macroeconomic Policies

Fiscal Policy

8. The government is fully committed to maintaining a sound fiscal policy. However, with the sharp depreciation of the rupiah and the deterioration in the economy, it is no longer feasible to aim at a surplus of 1 percent of GDP in 1998/99. The budget has therefore been framed to strike an appropriate balance between preventing undue deterioration of the fiscal position and avoiding an excessive fiscal contraction. Accordingly, the government is determined to follow its long-standing policy of a balanced budget (in the Indonesian presentation), which avoids any recourse to domestic financing. The corresponding deficit in the IMF presentation is about 1 percent of GDP. To realize this objective, the government has strengthened the budget introduced on January 6 by adopting new measures.
9. To reduce economic distortions, and strengthen the fiscal position, the government intends to adjust administered prices with the aim of gradually eliminating subsidies on fuel and electricity. As the price increases necessary to eliminate these subsidies are very large owing to the depreciation, it is not feasible to bring domestic prices to the level of international prices abruptly. The government will therefore aim to eliminate these subsidies gradually over the course of the program, starting with the sizable initial adjustment in April 1, 1998 in fuel and electricity prices, except for prices of kerosene and diesel fuel, where increases will be kept to a minimum so as to protect the poor.
10. On the revenue side, the government has already announced increases in excises on alcohol and tobacco, which will effectively raise revenue from these items by 80 percent and 10 percent, respectively. These excises will be increased further on July 1, 1998 to reflect exchange rate and price developments. In addition, effective April 1, 1998, the government will remove all VAT exemptions (apart from those on capital goods or those explicitly mandated by law); these include, inter alia, electricity for private companies, taxis, soybean food for cattle, sugar, personal goods, medical equipment, and other machinery and capital equipment. All VAT exemption arrangements will be reviewed regularly. With regard to other taxes, a 5 percent local sales tax on gasoline will be introduced on April 1, 1998 and the number of goods subject to the luxury sales tax will be increased. The government will also shortly increase the proportion of the market value of land and buildings assessable for tax to 40 percent for plantations and forestry property.
11. In order to improve tax administration and the structure of the tax system, the government has introduced a single taxpayer registration number which will come into effect on April 1, 1998. Further planned improvements, in line with recommendations of the Fiscal Affairs Department of the IMF, to increase non-oil tax revenue, include: (i) raising the annual audit coverage; (ii) developing improved VAT audit programs to target large potential taxpayers; and (iii) increasing the recovery of tax arrears. To accelerate progress in this area, the government intends to request further technical assistance from the Fund.

12. To ensure the quality and durability of the fiscal reform, the government will move to a comprehensive and transparent system to report on the public sector financial position, particularly including quasi-fiscal operations. Accordingly, the government has decided to accelerate provisions under the Nontax Revenue Law of May 1997 which require all off-budget funds to be incorporated in the budget within five years. The accounts of the two large off-budget accounts, the Investment Fund and the Reforestation Fund, will be incorporated in the central government budget at the beginning of the 1998/99 fiscal year. In the specific case of the Reforestation Fund, the government will ensure that the funds are used exclusively for their intended purpose of financing reforestation programs, which include those outside the concessional forest areas, development of industrial forestry areas, reforestation of unproductive land, and other reforestation programs.

13. In recognition of the serious financial crisis facing Indonesia, the government has canceled 12 major infrastructure projects that had been reinstated earlier, including the Tanjung Jati-C power plant. The Government has also decided to discontinue immediately any special tax, customs, or credit privileges granted to the National Car. In any event, the government will implement ahead of schedule the ruling of the WTO dispute panel. Moreover, consistent with Indonesia's commitment to the WTO, the local content program for motor vehicles, which gives preferential tariff rates to vehicle manufacturers using a high percentage of local parts, will be phased out by 2000. It has also decided to discontinue immediately any budgetary and extrabudgetary support and credit privileges granted to IPTN projects.

Monetary and Exchange Rate Policy

14. Since the crisis began, Bank Indonesia's monetary strategy has been to support the rupiah exchange rate, and limit any increase in inflation, by maintaining a firm monetary stance. The execution of this policy, however, has been hampered by problems in the banking system. Following the closure of 16 insolvent banks in November last year, customers concerned about the safety of private banks have been shifting sizeable amounts of deposits to state and foreign banks, while some have been withdrawing funds from the banking system entirely.

15. These movements in deposits have greatly complicated the task of monetary policy, because they have led to a bifurcation of the banking system. By mid-November, a large number of banks were facing growing liquidity shortages, and were unable to obtain sufficient funds in the interbank market to cover this gap, even after paying interest rates ranging up to 75 percent. At the same time, another smaller group of banks were becoming increasingly liquid, and were trading among themselves at a relatively low JIBOR (Jakarta Interbank Offer Rate) of about 15 percent. As this segmentation continued to increase, while the stress on the banking system intensified, Bank Indonesia was compelled to act. It provided banks in distress with liquidity support, while withdrawing funds from banks with excess liquidity, thereby raising JIBOR to over 30 percent in early December, where it has since remained.

16. Nevertheless, despite this increase in interest rates—to levels higher than in any other country in the region—the problems of the rupiah have only intensified. From early December to early January, the exchange rate lost a further 53 percent of its external value, falling from around Rp 3,700 per U.S. dollar to around Rp 8,000 per U.S. dollar. Part of the reason was that the rupiah was affected by the financial turmoil in other neighboring countries. Another factor was that markets became increasingly concerned about the deterioration in Indonesia's economic situation, which has weakened the financial health of the banking system and the corporate sector. Most of all, however, markets were concerned that the program originally designed in November was no longer sufficient to overcome the country's economic predicament.

17. With the overall policy package that has recently been adopted, and set out in this Memorandum, the government is now convinced that confidence in the economic direction of the country will be speedily restored. And as this occurs, the exchange rate of the rupiah will finally stabilize. However, during the transitional period, in which confidence is taking hold, lingering concerns about exchange rate depreciation are likely to keep market interest rates at high levels. Bank Indonesia recognizes that, in these circumstances, it will need to keep its own interest rates high, as well. Accordingly, Bank Indonesia is raising interest rates on SBI (central bank) certificates across the entire spectrum of maturities, from overnight to one year, thereby bringing them in line with conditions prevailing in the money market—and sending a clear message to financial markets that it will maintain a firm monetary stance for as long as proves necessary. At the same time, Bank Indonesia is also providing full autonomy to state banks to adjust rates on credit and deposit liabilities, so that their rates could also reflect developments in money and credit markets.

18. This tight monetary stance will inevitably mean that, at least for the time being, the amount of credit available for lending to the corporate sector will remain constrained and the cost of credit will remain very high. Such a situation will place a particular burden on smaller enterprises, which rely on bank credit for their sole source of financing. To alleviate this burden, the government has introduced a temporary program under which credit will be provided to small-scale enterprises through the state banks at subsidized interest rates. The cost of the subsidy will be borne not by the state banks, but rather by the central government budget. A facility will also be established to extend credit to exporters at commercial terms. Eventually, though, these arrangements should prove redundant, since once confidence is fully restored and the exchange rate stability is regained, then funds should flow back into the banking system and the overall policy stance can be relaxed gradually, thereby providing greater room for banks to expand credit and lower their interest rates—for all firms.

19. Bank Indonesia's financial program has been formulated in the context of extremely uncertain financial conditions, including with regard to the demand for monetary aggregates. Over the course of 1997, the growth of broader monetary aggregates, slowed considerably, with M2 growth falling from year-on-year rates of 25 1/2 percent in June to 23 percent by November. At the same time, the money multiplier has fallen sharply, partly because there has been a marked increase in the demand for currency, as concerns grew over the scale of

banking sector difficulties, but also because financial intermediation has declined, as banks become more reluctant to lend. Consequently, even though base money growth exceeded the program objective, broad money was well within the December target.

20. Bank Indonesia has established, in consultation with the Fund, a financial program for 1998, to ensure that monetary policy continues to operate within a well-defined framework, with a clear inflation objective. This program aims to contain inflation to less than 20 percent, implying that policy will ensure that there is only a limited pass through of the very substantial depreciation onto the prices of imports, and only a muted impact of the drought on food prices. To achieve this ambitious objective, Bank Indonesia plans to limit the growth of broad money to 16 percent in 1998. As in 1997, broad money growth targets will be attained by controlling base money, rather than by relying on direct quantitative lending targets.

21. This monetary strategy will be complemented by judicious foreign exchange intervention to stabilize and support the exchange rate. The scale of this intervention will be determined in close consultation with IMF staff, and will also be subject to Bank Indonesia maintaining net international reserves above the monthly and quarterly floors specified in the program. As in our previous Memorandum on Economic and Financial Policies, any sterilization of exchange market intervention will be strictly limited so as to ensure that monetary conditions become firmer as the scale of intervention increases.

22. Bank Indonesia will immediately be given autonomy in formulating and implementing monetary policy. To ensure that the central bank remains accountable, the inflation objective will continue to be decided by the government as a whole, but the policies for achieving this objective, such as changes in official interest rates, will be determined solely by the central bank. To institutionalize the autonomy of the central bank, a draft law will be submitted to Parliament by the end of 1998, which will also include changes in the composition and mandate of the Monetary Board.

B. Financial Sector Restructuring

Bank restructuring program

23. The government has already taken decisive action to implement a comprehensive program of bank restructuring aimed at restoring the soundness of the banking system. On November 1, 1997, sixteen insolvent banks were closed. The bank closures made it clear to the market that owners would lose their stake in banks that become unviable. A number of other banks, including regional development banks, have been placed under intensive supervision by the central bank. Rehabilitation plans for some of these banks have been approved by the central bank and are being implemented, while others are still under preparation.

24. However, the continued depreciation of the rupiah, the slowdown in growth, and high interest rates since then have led to a marked deterioration of the financial condition of the

remaining banks. This deterioration has been exacerbated by deposit runs and capital flight, forcing many banks to increasingly resort to central bank liquidity support. The large depreciation of the rupiah in recent weeks has raised the concern that these problems will only intensify.

25. In these circumstances, the government believes that re-establishing confidence in the ability of the banking system to meet its commitments and play its intermediation role is of paramount importance. Therefore, Bank Indonesia is working closely with the AsDB, IMF, and World Bank staff to establish and expeditiously implement uniform, transparent and equitable rules for resolving liquidity and solvency problems, of private banks. These measures will be announced shortly. The central bank will provide liquidity support to banks subject to increasing conditions, while ensuring that liquidity support extended to banks will be consistent with the program's monetary growth objectives.

26. With technical assistance from the World Bank, the government has also taken steps to resolve the problems of the state banks and ensure their safety and soundness. The aim of this program is to improve their efficiency and subsequently privatize them. Toward this objective, the government announced in December 1997 that BTN will become a subsidiary of BNI and that four state banks, Bapindo, Bank Bumi Daya, BDN and Bank Exim, will be merged. The government will ensure that the merger process will be used to downsize the operations of the merging banks, sell redundant facilities and bank branches, reduce excessive manpower, economize on automated systems, maximize benefits from complementary strengths, and prepare the institutions for privatization. The state banks will not be recapitalized except in conjunction with privatization. The government will ensure that, until privatization, the state banks perform according to criteria detailed in performance contracts, prepared by the Ministry of Finance (Directorate General for State Enterprises) with assistance from the World Bank, by end-March 1998. These contracts will spell out the objectives of the management of each institution and form the basis for assessing performance.

27. In support of the ultimate goal of full privatization of all state banks, the government will introduce legislation by end-June 1998 to amend the Banking law in order to remove the limit on private ownership. The new bank formed from the merger of the four state banks will be staffed by new managing directors. This new management will be in place by end-February 1998 and will formulate and implement a plan for interim operations of the four merging banks including a timetable for the final merger. Foreign strategic partners will be sought for the merged bank to assist in attracting other private sector participation and for eventual privatization. The timetable for privatization for all the state banks will be determined in consultation with the IMF and the World Bank.

28. As preparation for the mergers and acquisition process, as well as for privatization, all state banks (including those that will not be merged) will conduct portfolio, systems, and financial reviews to internationally acceptable standards using teams from internationally recognized audit firms. These reviews will be initiated by end-February 1998 and completed by end-June 1998. Subsequent reviews will be conducted annually. The portfolio, systems,

and financial reviews will serve to appraise the value of the assets and establish a basis for segregation of good and bad assets, according to uniform criteria and procedures. In addition, a financial plan for funding of bad debts of the state banks will be prepared with the assistance of the World Bank by end-July 1998. A new asset resolution entity will be established by end-March 1998, and made fully operational by end-July 1998. This entity will receive the bad debts of state banks and will concentrate solely on debt recovery within a defined time schedule.

Strengthening the legal and supervisory framework for banking

29. The government is firmly committed to improving the supervision of the banking system. Enforcement of prudential regulation has been strengthened through establishment of a graduated system of penalties for noncompliance, culminating in the withdrawal of banking license. Capital adequacy rules are being enforced within the context of the bank restructuring strategy, and in the case of the non-foreign exchange banks, minimum capital requirements will be increased gradually to put them on par with the foreign exchange banks. New loan classification and provisioning guidelines have been prepared and loan loss provisions will be made fully tax-deductible by end-March 1998. The reporting and monitoring procedures for foreign exchange exposure of banks have been upgraded and the limits strictly enforced. The central bank's capacity for risk-based supervision will be further strengthened with technical assistance from the IMF and the World Bank. Beginning in March 1998, internationally-recognized specialists are to provide active support in on- and off-site supervision. Moreover, to eliminate the conflict of interest inherent in central bank ownership of banks, Bank Indonesia has established a program for divestiture of its interests in private banks, and has already made substantial progress towards this goal.

30. To further strengthen the policy and institutional infrastructure for banking, the government has taken steps to:

- (a) revise the legal framework for banking operations, after a thorough review of central bank and banking laws as well the company law and liquidation regulations, which will be completed by end-September, 1998. Areas of focus will include, bankruptcy, banking disclosure, taking and realizing collateral, and regulations on financial instruments. Action plans to improve the legal framework will be prepared by the end of 1998 with the help of the IMF and the World Bank.
- (b) improve transparency and disclosure in banking. To this end, the government will immediately require all banks to publish audited financial statements annually. Bank Indonesia will also review the adequacy of data provided in banks' condensed biannual balance sheets with a view to improving the dissemination of information on the financial condition of individual banks. The government will also require banks to regularly publish more comprehensive data on their operations, after a transition period that is expected to be less than two years. Banks wishing to publish such data prior to the end of the transition period would be free to do so.

- (c) level the playing field for foreign investors in banking. As part of its WTO negotiations for liberalizing trade in financial services, the government has decided to lift restrictions on branching of foreign banks by February 1998; in addition, it will submit to the Parliament a draft law to eliminate restrictions on foreign investment in listed banks by June 1998.
- (d) eliminate all restrictions on bank lending, other than those required for prudential reasons, or those to support co-operatives and small-scale enterprises (the KUK scheme).

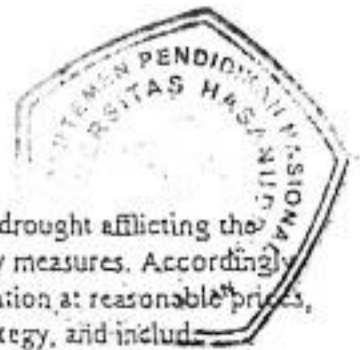
C. Structural Reforms

31. In November, the government set out an ambitious strategy of structural reform, aimed at bringing the economy back to a path of rapid growth, by transforming the "high-cost economy" into one which would be more open, competitive, and efficient. To achieve this transformation, the strategy called for foreign trade and investment to be further liberalized, domestic activities to be further deregulated, and the privatization program accelerated. At the same time, it envisaged that measures would continue to be taken to alleviate poverty.

32. The government has already made considerable progress toward the strategy's objectives. In November, a major step was taken toward opening up the economy and increasing competition, when BULOG's import monopoly over wheat and wheat flour, soybeans, and garlic were eliminated. To ensure that final consumers obtained maximum benefits from this reform, importers were allowed to market all of these products domestically, except wheat (until recently; see paragraph 44 below). Similarly, to ease the adjustment costs for farmers, tariffs were simultaneously introduced on all of these products, but these rates were limited to 20 percent or less, and will be reduced to 5 percent by 2003.

33. In addition, two other important structural measures have also been taken under the program. First, in November, the administrative retail price for cement was eliminated, thereby improving the degree of competition in this industry, and immediately reducing prices for construction firms and consumers. Second, the medium-term tariff reduction program was extended to cover two key additional sectors, chemicals and metal products. Tariffs on most chemical products have already been reduced by 5 percentage points, effective January 1, 1998 while those on steel/metals will be lowered beginning January 1, 1999. In line with the overall program, further reductions in these tariffs are scheduled for subsequent years, so that by 2003, the maximum tariff on these products will be brought down to the medium-term target of 10 percent.

34. Despite this steady progress, the economic crisis has deepened during December and early January, making it clear that bolder, and faster, reform will be necessary to overcome the economy's problems. Accordingly, the government has decided to reinforce its structural reform program, by accelerating some of the measures that were earlier planned, and by supplementing them with additional actions.



Foreign Trade and Investment

35. Over the past two months, it has become evident that the drought afflicting the country is the most severe in half a century, and requires emergency measures. Accordingly, to ensure that adequate food supplies will be available to the population at reasonable prices, the government has decided to go beyond the original program strategy, and include agricultural goods in the general program of tariff reduction (leaving motor vehicles as the only exception). As an immediate measure, tariffs on all food items have been cut to a maximum of 5 percent, while local content regulations on dairy products have been abolished, both effective February 1, 1998. At the same time, tariff rates on non-food agricultural products will be reduced by 5 percentage points, and will gradually be reduced to a maximum of 10 percent by 2003.

36. At the same time, as another major step in assuring a level playing field, on February 1, 1998, all import restrictions on all new and used ships were also abolished. All other remaining quantitative import restrictions, other than those which may be justified for health, safety, environment and security reasons, and other nontariff barriers that protect domestic production, will be completely phased out by the end of the program period.

37. The government also intends to phase out punitive export taxes, since these can no longer be justified, given the country's now-pressing need to augment its inflows of foreign exchange. Accordingly, on February 1, 1998, export taxes on a wide range of products—including leather, cork, ores and waste aluminum products—will be abolished. For other products, however, export taxes cannot simply be eliminated, since they serve as an important means of discouraging overexploitation of Indonesia's natural environment. In such cases, therefore, export taxes will be replaced by resource rent taxes, which would protect the environment, while eliminating the bias against production for export, rather than for domestic use. As a first step, in March 1998, export taxes on logs, sawn timber, rattan, and minerals will be reduced to a maximum of 10 percent *ad valorem*, and appropriate resource rent taxes imposed. At the same time, similar steps will be taken for all of the remaining items currently subject to an export tax: the levies on exporting will be abolished and replaced by resource rent taxes, where appropriate.

38. The government will also eliminate all other types of export restrictions, such as quotas, by the end of three years. The only exceptions will be for those restrictions imposed for health and security reasons, as well as time-bound, temporary, measures introduced in the event of occasional domestic shortages—such as the recently imposed export ban on palm oil. This ban will need to be retained through the first quarter of 1998, to ensure adequate domestic supplies of palm oil and restrain price rises. After March, however, it will not be renewed, nor will the previous system of export quotas and punitive taxes will be reintroduced. Instead, palm oil will be subject to export taxes at rates not exceeding 20 percent.

39. Another pressing need in the current circumstances is to encourage foreign investment. Accordingly, the government has decided that in June 1998 it will issue a revised and shortened negative list of activities closed to foreign investors. As part of this process, the government has removed restrictions on foreign investment in palm oil plantations on February 1, 1998 while those on wholesale and retail trade will be lifted by March 1998.

Deregulation and Privatization

40. The second major thrust of the structural reform strategy will be to deregulate and privatize the economy, in order to promote domestic competition and expand the scope of the private sector. As a first, bold step, all of the existing formal and informal restrictive marketing arrangements—including those for cement, paper, and plywood—will be dissolved, as of February 1, 1998. Henceforth, no firm will be forced to sell its product through a joint marketing organization, nor be required to pay fees or commissions to it. Neither will any organization be allowed to assign exclusive marketing areas, or to dictate production volumes or market shares to individual enterprises. In the case of cement, internal and external trade restrictions have also been eliminated, so that traders are now free to purchase and distribute all brands of cement in all provinces and export without acquiring permits other than a general exporters' license.

41. Similarly, trade in agricultural products is also being deregulated. Effective February 1, 1998, traders will have the freedom to buy, sell, and transfer all commodities across district and provincial boundaries, including cloves, cashew nuts, oranges, and vanilla. In particular, traders will be able to buy and sell cloves at unrestricted prices to all agents, effective immediately, and the Clove Marketing Board will be eliminated by June 1998. The system of quotas limiting the sale of livestock will be abolished by September 1998. Furthermore, provincial governments will be prohibited from restricting interprovincial or intraprovincial trade, effective February 1, 1998.

42. To support export expansion the government is now enforcing the prohibition of *retribusi* (local taxes) at all levels on export goods. To strengthen competition and market integration, government will develop and implement a one-year program for abolishing taxes on interprovincial and inter-district trade. Any loss of local government revenue will be addressed through a combination of local fuel taxes and transfers from the central government.

43. BULOG's monopoly will be limited to rice. Earlier, the government had planned that, following the November 1997 liberalization of wheat imports, domestic millers should distribute their flour through BULOG for a 3-5 year transition period. Now, however, we have decided to eliminate this requirement, while flour millers will be permitted to sell or distribute flour to any agent, both effective February 1, 1998. Also, effective the same date, all traders will be allowed to import sugar and market it domestically, while farmers will be released from the formal and informal requirements for the forced planting of sugar cane. This major measure will have a number of important economic benefits. It will rationalize sugar

production, enabling old and inefficient government mills to be closed. It would increase rice output, as farmers switched from growing cane on irrigated land to producing higher value-added paddy. And it would increase the efficiency and competitiveness of sugar-using industries, such as food processing.

44. In parallel with these efforts to increase private sector productivity, the government is undertaking a public sector expenditure and investment review in order to promote a more efficient use of government resources. This review, which is being carried out in collaboration with the World Bank, will be completed by June 1998 and will result in a comprehensive program to improve fiscal efficiency, and restructure state-owned enterprises and strategic industries.

45. This review will also be the basis for an accelerated program of privatization. Already, oversight of public enterprises was moved to the Ministry of Finance from line ministries and a Privatization Board has been established. A clear framework will be established for the management and privatization (either through share flotation or negotiated enterprise sales) of government assets by April 1998, including: (i) criteria for determining whether enterprises should be closed, restructured or fully privatized; and (ii) a transparent sales process that maximizes the return to government and treats all bidders equally.

46. Within this framework, the government aims to accelerate privatization and to take decisive action to restructure or close poorly performing enterprises. Twelve enterprises will be prepared for listing during the first year of the program. In all of these cases, the government intends to go beyond the recent pattern of seeking minority shareholders in public enterprises, by selling controlling, or even complete, stakes to the private sector. In addition, further tranches of government-controlled shares in public enterprises which are already listed will be offered for sale, so that these enterprises, too, can be fully privatized.

47. As for those enterprises remaining within the public portfolio, clear profit and performance targets will be established, which will be made public and reported upon annually. Nonviable enterprises will be audited by end-1998 and nonviable enterprises closed. Progress in this area will be assessed at the time of the second review.

Social Safety Net

48. Indonesia has made significant progress in alleviating poverty over the past 30 years. Yet large numbers of poor still remain, and it is imperative that the adjustment program does not result in a worsening of their economic and social conditions. To some extent, the depreciation should benefit the rural poor by raising output prices in the export-oriented agricultural sector. Nonetheless, the poor are likely to suffer extensively from the economic crisis, particularly as it has been compounded by an unusually severe drought. In these circumstances, special government initiatives will be necessary. In particular, the government plans to introduce community-based work programs to sustain the purchasing power of the poor in both rural and urban areas.

49. In addition, efforts to target assistance to the poor will be intensified, including by expanding the program for the least developed villages, initiated in 1994, which has proved to be cost effective in creating rural infrastructure and expanding employment opportunities for the poor. Moreover, poverty eradication and more equal income distribution are to be major themes of the next five-year development plan, which begins in 1999. In particular, budgetary allocations for social spending will be increased, so as to ensure that all Indonesians receive at least nine years of education and better basic medical services.

Environment

50. To strengthen overall environmental the government will draft and establish implementation rules for the new environmental law by March 1998. In addition, government will review and raise stumpage fees, auction concessions, lengthen the concession period, and allow transferability by June 1998, and will implement performance bonds and reduce land conversion targets to environmentally sustainable levels by the end of 1998. To improve air quality, the Government is accelerating its program for conversion to cleaner fuels, including unleaded gasoline, to meet the President's 1999 deadline.



COORDINATING MINISTER OF THE ECONOMY, FINANCE, AND INDUSTRY
REPUBLIC OF INDONESIA

Jakarta, Indonesia
November 14, 1998

Mr. Michel Camdessus
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Camdessus:

Steady progress continues to be made in implementing the Government of Indonesia's economic program, supported under an extended arrangement from the Fund, and set out in the Memorandum of Economic and Financial Policies of July 29 and in the Supplementary Memoranda of September 11 and October 19. In particular, there is increasing evidence that macrostability is being restored, and that the economy's decline may finally be bottoming out.

We recognize, however, that the crucial challenge of moving from successful stabilization to sustainable growth still lies ahead. All our efforts are focused towards that end, and we are confident that our program will command widespread support in the community. We have taken a number of additional steps to implement the program, especially in the key areas of corporate and financial restructuring, which are described in the attached Supplementary Memorandum.

We have met the indicative targets for end-October 1998 on net domestic assets of Bank Indonesia and net international reserves of Bank Indonesia. Data are not yet available for the end-October 1998 indicative target relating to the central government balance.

We have set indicative targets on monetary, fiscal, and external variables for end-February 1999 consistent with those previously established for end-March 1999, and these are set out in the attached table. We have also set out revised structural performance criteria and benchmarks for the period through end-June 1999.

We request that the next three program reviews under the extended arrangement take place on a bi-monthly basis, with the first of these reviews to be completed by mid-February 1999. Quarterly reviews of the program would begin thereafter. We recognize that these revisions will require changes in the phasing of purchases under the arrangement and, in that context, we intend to request a rephasing of the arrangement at the time of the completion of the first bi-monthly review.

Sincerely yours,
For the Government of Indonesia,

Ginandjar Kartasasmita
Coordinating Minister
of the Economy, Finance, and Industry

STRUCTURAL POLICY COMMITMENTS¹
New and Strengthened Commitments are Shown in Italics²

Policy Action	Target Date	Status
Fiscal Issues		
Introduce second stage increase in excise taxes on alcohol and tobacco to reflect exchange rate and price developments.	July 1, 1998	Under review
Raise profit transfers to the budget from state enterprises, including Pertamina.	1998/99 and 1999/2000	Under preparation
Prepare mechanism for the regular adjustment of administered prices	April 1, 1999	
<i>Raise aviation fuel prices to international levels.</i>	January 1, 1999	
Accelerate provisions under the Nontax Revenue Law of May 1997, to require all off-budget funds to be incorporated in budget within three years.	Ongoing	
Strengthen public expenditure management.	Over program period; first steps in July 1998	Two long-term IMF experts in place
Conduct revenue review with Fund assistance.	Over program period; first step by end-September 1998	Initiated. IMF mission visited in August 1998
Monetary and Banking Issues		
Submit to Parliament a draft law to institutionalize Bank Indonesia's autonomy.	September 30, 1998	Expected by end-December
Submit draft amendment to banking law to Parliament that would eliminate restrictions on foreign investments in listed banks, amend bank secrecy with regard to nonperforming loans and enable state bank mergers and privatization.	August 31, 1998	Approved by Parliament on October 16
Impose limits on and phase out BI credits to public agencies and public sector enterprises.	Ongoing	
Strengthen Bank Indonesia's bank supervision department and strengthen enforcement of regulations.	Ongoing	

¹ Primary responsibility between institutions are as follows: monetary and exchange rate policy—IMF; fiscal policy—IMF; bank restructuring—IMF/World Bank/AsDB; corporate debt restructuring—IMF/World Bank; trade policy and trade financing—World Bank; real sector structural reforms, privatization, and environment—World Bank/AsDB; social safety net—World Bank/AsDB; food security—World Bank; small and medium-size enterprises—AsDB; audits of state enterprises—World Bank.

² Excludes commitments that were both scheduled for completion and actually completed by September 30, 1998.

Policy Action	Target Date	Status
Bank Restructuring		
Establish independent review committee to enhance transparency and credibility of IBRA operations.	June 30, 1998	Done. First meeting held in late October
Conduct portfolio, systems and financial reviews of all IBRA banks as well as major non-IBRA banks by internationally recognized audit firms.	August 30, 1998	Twenty-seven banks done. Remaining 27 banks to be completed by November 30
Conduct portfolio, systems, and financial reviews of all other domestic banks by internationally recognized audit firms.	October 31, 1998	Expected by end-December
Complete review by Bank Indonesia of business plans of the first group of private banks.	November 30, 1998	Expected by end-November
Recapitalize first group of banks which qualify for the recapitalization program.	January 31, 1999	
Complete terms and conditions of recapitalization bond issues.	December 31, 1998	
Transfer nonperforming assets of the ten banks frozen in April and August to the asset management unit.	November 30, 1998	Done for six banks
Implement alternative resolution strategies for banks ineligible for the recapitalization scheme	January 31, 1999	
Resolve 26 banks currently subject to IBRA control for which audits are expected to be completed by mid-November.	December 31, 1998	
Issue government bonds to Bank Negara Indonesia at market-related terms to finance transfer of deposits of seven banks frozen in April.	July 31, 1998	Under preparation
Establish centralized control of lending decisions and treasury management in the four state banks that are being merged into Bank Mandiri.	March 31, 1999	
Finalize blueprint for operational merger of four state banks.	December 31, 1998	
Prepare state-owned banks for privatization.	2001	
Reach financial settlement with former owners of two private banks for repayment of Bank Indonesia liquidity support.	October 29, 1998	Done on November 6 for five banks
Reach agreement with former owners of six other banks for repayment of Bank Indonesia liquidity support and connected lending	November 30, 1998	
AMU to develop plans for managing assets	December 31, 1998	
Issue three new prudential regulations on loan classification, loan loss provisions, and debt restructuring operations.	November 15, 1998	Expected to be done
Issue two new prudential regulations on liquidity management and foreign currency exposure.	November 30, 1998	On schedule

Policy Action	Target Date	Status
Issue three new prudential regulations on connected lending, the capital adequacy ratio, and the semi-annual publication of financial statements.	December 15, 1998	On schedule
Introduce deposit insurance scheme.	Program period	
Corporate Restructuring and Bankruptcy Reform		
Complete the necessary documentation for the Indonesian Debt Restructuring Agency (INDRA).	August 31, 1998	Done
Operationalize the Jakarta Initiative Task Force.	October 31, 1998	Done
Encourage the initiation of negotiations between debtors and creditors under the Jakarta Initiative.	November 30, 1998	Done
Remove restrictions on debt/equity conversions.	September 30, 1998	Expected by end-November
Provide for tax neutrality for mergers and other reorganizations	September 30, 1998	Done on October 30
Put in place one stop shop process for filings related to corporate restructuring agreements/	October 31, 1998	Expected by mid-December
Establish transparent court fee system for the Commercial Court	December 31, 1998	
Establish mechanism for the appointment of ad hoc judges to the Commercial Court	December 31, 1998	
Submit to Parliament a new arbitration law consistent with international standards.	December 31, 1998	
Complete review of accounting and auditing standards for the purposes of making them consistent with international standards.	December 31, 1998	
Introduce measures to provide for the registration of security interests.	December 31, 1998	
Foreign Trade		
Gradually reduce tariffs on nonfood agricultural products to a maximum of 10 percentage points.	2003	
Reduce tariffs on chemical, steel/metal and fishery products to 5-10 percent.	2003	
Phase out remaining quantitative import restrictions and other nontariff barriers.	End-program	
Reduce export taxes on logs, sawn timber, rattan, and minerals to a maximum of 10 percent by April 15, 1998; 20 percent by end-December 1998, and 15 percent by end-December 1999 and 10 percent by end-December 2000.	First step by April 22, 1998	First step done
Phase in resource rent taxes on logs, sawn timber, rattan and minerals.	First step by April 22, 1998	First step done
Replace remaining export taxes and levies by resource rent taxes as appropriate.	Over program period	

Policy Action	Target Date	Status
Eliminate all other export restrictions.	Over program period	Under preparation
Remove ban on palm oil exports and replace by export tax of 40 percent. The level of the tax will be reviewed regularly for possible reduction, based on market prices and the exchange rate and reduced to 10 percent by end-December 1999.	April 22, 1998	Done. Tax raised to 60 percent in July
Privatization and Public Enterprises		
Divest 12 listed and unlisted enterprises announced for privatization in 1998/99.	March 31, 1999	Four or five enterprises likely to be divested
Prepare action plans for all public enterprises.	September 30, 1998	Done. Masterplan published in early November
Establish clear profit and performance targets for remaining government enterprises.	December 31, 1998	Under preparation
Audit nonviable public enterprises.	December 31, 1998	In progress
Complete international standard audits of Pertamina, PLN, BULOG, and the Reforestation Fund.	December 31, 1998	For completion by June 30, 1999
Social Safety Net		
Introduce community-based work programs to sustain purchasing power of poor in both rural and urban areas.	FY1998/99	Underway with World Bank and Asian Development Bank
Introduce subsidized rice scheme to support 7.5 million very poor families.	Complete by October 1998	Six million families reached by end-October
Expand subsidized rice scheme and increase monthly allocations to 20 kilograms per family.	FY 1998/99	December 1, 1998
Eliminate exchange rate subsidies for rice imports by BULOG and replace by explicit budgetary subsidies.	December 31, 1998	
Introduce micro credit scheme to assist small businesses.	FY1998/99	Ongoing
Environment		
Draft and establish implementation rules for the new environmental law.	December 31, 1998	Under preparation
Accelerate programs for converting to cleaner fuels.	December 31, 1999	Under preparation
Auction forest concessions, and lengthen concession periods.	June 30, 1998	Agreement not yet reached with World Bank

Policy Action	Target Date	Status
Allow transferability of forestry concessions, and eliminate the requirement for concessionaires to own processing facilities.	June 30, 1998	Under review by World Bank
Implement performance bonds and reduce land conversion targets to environmentally sustainable levels.	December 31, 1998	
Other		
Appoint auditors as necessary to ensure effective progress in implementing structural reforms and make auditors reports available to the Fund, World Bank and Asian Development Bank.	As necessary	
Submit to Parliament draft law on competition policy.	December 31, 1998	Already under discussion in Parliament.

Jakarta, Indonesia
November 14, 1998

Indonesia

Supplementary Memorandum of Economic and Financial Policies

1. Further progress has been made over the past month in implementing the Government of Indonesia's economic program, and there have been encouraging developments on a number of fronts. Progress has been most marked toward the restoration of macroeconomic stability, assisted by continued adherence to a firm monetary policy. The rupiah has generally strengthened toward a more realistic range, food prices have declined while the overall price level has stabilized, and there have been gains in the stock market. However, there continues to be considerable volatility in the exchange rate. In addition, output recovery is still not at hand, although production appears to be bottoming out.

2. Against this background, the priority at this juncture is to hasten the recovery as much as possible, while extending the recent gains in macroeconomic stability. We have further developed the frameworks for banking and corporate restructuring, and intend to provide an adequate fiscal stimulus in the period immediately ahead that will better support domestic demand as well as augment the social safety net. The program continues to be developed in consultation with the IMF, World Bank, and the Asian Development Bank (see Matrix).

I. MACROECONOMIC FRAMEWORK AND POLICIES

Output, Prices, and Balance of Payments

3. We have reviewed the macroeconomic framework for 1998/99 and begun discussions toward a framework that would underpin the 1999/2000 budget to be presented in early January. We are encouraged by the prospect that output could finally stabilize during the next

one to two quarters and that modest growth could resume in mid-1999. On this basis, we expect the output decline for 1998 to be contained close to the program projection of 15 percent, and that the forthcoming budget could anticipate modest positive growth during 1999/2000. Indeed, some sectors are already showing tentative signs of a turnaround.

4. Inflation has subsided, helped by the strengthening rupiah and improved food availability. The consumer price index declined in October and is now expected to be about unchanged or to show a very modest rise during the fourth quarter of 1998. Thus, average inflation for 1998 could be contained within the program assumption of 80 percent. During 1999, we expect inflation to fall toward 10 percent, close to the pre-crisis level.

5. The careful management of BULOG's operations has helped to stabilize the rice situation and improve overall output and price prospects. Retail and wholesale rice prices have declined by about 15 percent in most regions of the country since mid-September, despite reduced public sales. BULOG's rice import needs from now until the main harvest in February-March are smaller than previously projected, because of improved domestic availability, and these have been mostly contracted. Thus, we are confident of maintaining rice price stability in the coming months. At the same time, we are working to support a substantial increase in the 1999 rice crop, through improved availability of seeds, fertilizer, and credit. As part of our continuing effort to increase efficiency in rice distribution, the release price of third quality rice is being gradually brought closer to market levels, which should help to reduce the wide trade margin. The appreciation of the rupiah will allow the exchange rate subsidy for imports of rice by BULOG to be removed on December 31, 1998; the remaining subsidies on low quality rice will be provided explicitly through the budget.

6. The overall balance of payments for 1998/99 is expected to show a surplus, rather than balance as indicated in the program. The external current account surplus will probably be above the program target (in the range of 4-5 percent of GDP), on account of weaker than expected import demand, although still substantially smaller in relation to GDP than in other Asian crisis countries. However, the capital account could be less favorable than programmed because of slightly lower disbursements of foreign assistance to the public sector. This would be consistent with the expected lower level of public spending (paragraph 10 below).

Monetary and Exchange Rate Policy

7. The conduct of monetary and exchange rate policy under the program have begun to deliver important results. Thus, we reaffirm our commitment to keep base money firmly under control so as to stabilize prices and accommodate a further appreciation of the rupiah.

8. With the strengthening of the rupiah, the monetary policy framework allowed significant reductions of short-term money market rates in October and early November, and we see considerable room for further reductions in the weeks ahead. The interest rate structure of commercial banks has continued to come down, and spreads between deposit and lending rates are beginning to normalize. In addition, we continue to make progress with lengthening the maturity structure of monetary instruments.

9. We will continue to be guided by the agreed quantitative monetary program for 1998/99. Net domestic assets of the Bank Indonesia (BI), net international reserves, base money, and liquidity support were all within the indicative targets for end-October. The program allows base money to grow by up to about 6 percent during the last quarter of 1998 and about 4.5 percent during the first quarter of 1999, providing scope for strengthening confidence to be reflected in reserve increases and the monetary aggregates. Of course,

monetary policy will remain flexible and be tightened if renewed dangers arise to exchange rate stability, or eased if circumstances warrant.

Fiscal Policy, Development Spending, and Social Safety Net

10. Fiscal developments have been carefully reviewed, focusing on the adequacy of the fiscal stimulus, the social safety net, the institutional framework for development spending, and the privatization program. Based on the measures outlined in the MEFP of October 19, we expect development expenditure (which was only 21 percent of the annual budget in the first half year), to rise sharply during the second half of this fiscal year, providing key stimulus to domestic demand and strengthening the social safety net. Nevertheless, because of the delayed start in development spending, total expenditure will likely fall below the revised 1998/99 budget projection under the program. In addition, the budget outcome will benefit somewhat from the recent strengthening of the rupiah. Both factors will help offset emerging shortfalls in privatization proceeds, while also containing the budget deficit to about 6 percent of GDP for 1998/99 as a whole, below the program target of 8.5 percent of GDP.

11. Our concern for accelerating development expenditure is tempered by the importance of ensuring that budgetary resources reach the intended beneficiaries. In this context, we are seeking the collaboration of provincial governments, civil society, and non-governmental organizations at all levels, and are stepping up internal government oversight mechanisms, to help identify leakages, and ensure accountability. In addition to better monitoring, we will adjust the regional and program composition of social safety net expenditures in light of information on the regional impact of the crisis and the success rate of different anti-poverty programs. On November 3, a Presidential decree was issued to form a high-level ministerial

task force, as well as a monitoring team led by a distinguished member of civil society to supervise and coordinate implementation of these programs. They are expected to make specific proposals by end-December.

12. We are also working closely with the World Bank to ensure that subsidies and social safety net programs are better targeted to the poorest groups. The targeted subsidized rice scheme reached six million families by end-October and will be substantially expanded in the coming months. We intend to increase monthly allocations under the scheme from 10 kilograms to 20 kilograms per family, effective December 1. As a step toward reducing the untargeted subsidies in the energy area, we will raise aviation fuel prices to international levels on January 1, 1999.

13. We have commenced preparation for the 1999/2000 central government budget. At this stage, it is our intention to ensure that fiscal stimulus is maintained through the next fiscal year. High priority will be attached to social safety net spending, while untargeted subsidies are phased down. We plan to frontload expenditures into the first semester of 1999/2000, so as to give maximum support to domestic demand in the period immediately ahead. The 1999/2000 budget will include the interest costs of the bonds that will be issued to cover the costs of bank restructuring. These costs will be higher than the budgeted restructuring costs of this year and will be estimated in detail in early December, in consultation with the IMF.

II. PRIVATIZATION AND STATE ENTERPRISE AUDITS

14. The privatization program for the current fiscal year is broadly proceeding as envisaged in the MEFP of October 19, although some further slippages into the next fiscal year are still possible. As before, we are focusing on selling, by end-March 1999, majority

interests in the Jakarta container port, as well as minority interests in Jakarta airport operations, the largest palm oil plantation in Indonesia, and the international telecommunication enterprise. To support the sale of the international telecommunication concern, we intend to introduce into Parliament by end-December a new telecommunications law covering all aspects of regulation and competition. Care will be taken to ensure that contract design and bidding procedures follow international best practice and that complete transparency is maintained throughout the privatization process. We are committed to divest at least two state enterprises by end February 1999.

15. The masterplan for the restructuring and privatization of all state enterprises over the medium term, has been adopted and publicly released. The masterplan also provides for the review of the regulatory framework in the key privatized sectors. Except for a specified short list, the program calls for all of the present 150 state enterprises to be divested over the next decade. Details of companies to be privatized during 1999-2001 are included in the plan, focusing on hotels, trading, construction, mining, and civil engineering firms, and fertilizer producers. In the meantime, enterprise efficiency will be improved through greater management autonomy, enhanced competition, hard budget constraints, and the phased elimination of preferential access to bank credit (by end-March 2000). Companies to be restructured during this period for later privatization include the state electricity corporation and the national airline.

16. We are taking steps to fulfill our commitment to release detailed financial information on BULOG, Pertamina, the state electricity corporation (PLN), and the reforestation fund. In the case of PLN, international standard audits have already been completed for each of the past three financial years and are being made available to the IMF, World Bank, and AsDB.

For the other three institutions, we believe that it would be more useful to audit the accounts for the 1998/99 financial year (which ends in March) rather than completing the audits by end-December. Auditors in each case will be appointed by end-November and the tasks will be completed not later than end-June 1999. For Pertamina, we are providing IMF and World Bank staff a recent performance audit completed by international consultants. We also intend to extend the audit process to other key public entities with substantial market or debt exposure.

III. BANKING SECTOR REFORMS

17. The focus of our reform strategy remains as described in the MEFP of October 19. Immediate priority is to proceed, with maximum efficiency, in the following areas (i) press ahead with recapitalizing viable private banks; (ii) achieve final resolution of the 14 banks taken over or frozen in April and August, as well as of the other banks under the control of the Indonesian Bank Restructuring Agency (IBRA); (iii) finalize agreements with former bank owners for the repayment of obligations owed to the Government; (iv) advance the merger of four state banks into the newly established Bank Mandiri; and (v) issue key laws and prudential regulations. Structural benchmarks are shown in the attached table.
18. Toward implementing the recapitalization program for private banks, all banks will soon have been classified according to their capital adequacy ratio which is a key determinant for participation in the program. The next stages in the program are as follows:
- First, business plans will need to be submitted by banks in order for a judgment to be made on their viability, and must include an agreed plan for the settlement of related party lending by the owners. Already, 69 privately owned banks, for which independent reviews or BI examinations have been completed, have been invited to submit business plans for this

purpose. This process will be extended to the remaining private and regional banks, and two state banks (BNI and BRI), as well as to the banks taken over by IBRA, provided they meet all the conditions.

- Second, the business plans will be evaluated and approved by review committees, that will include representatives from BI, the Ministry of Finance, IBRA, and independent observers (from the World Bank, AsDB, and IMF), on the basis of agreed criteria.
- Third, banks with approved plans and which meet the other prescribed conditions will be recapitalized, after existing shareholder equity has been written down commensurately with adequate provisioning for non-performing loans and other assets. The Government's contribution to the recapitalization (up to 80 percent) will be in the form of long-term bonds, including both market-linked and indexed bonds. Alternative resolution strategies will be implemented by January 31, 1999 for banks unwilling or unable to participate in recapitalization or for banks with rejected business plans, including mergers or closure by Bank Indonesia.

19. The above framework for the bank recapitalization program will be put in place very quickly. The committees will be established by mid-November; the criteria finalized shortly thereafter; and bond issues initiated by end-December. It is expected that, by end-January 1999, a first group of eligible banks will be recapitalized to at least a 4 percent capital adequacy ratio.

20. Rapid progress is also being made toward resolving the banks taken over by IBRA:

- The liquidation process for the 10 banks frozen in April and August is at an advanced stage: (i) their asset transfer to IBRA's Asset Management Unit (AMU) will be completed, as scheduled, by end-November; (ii) the AMU is to undertake a complete inventory of these

assets and, by end-year, develop plans for managing and realizing their maximum value; and (iii) the revocation of their licenses will be done by end-December 1998.

- Regarding the four banks taken over by IBRA, but still operating (BCA, Danamon, PDFCI, and Tiara), decisions on resolving their status have been delayed pending completion of negotiations by IBRA with the former owners on the repayment and settlement of connected lending. The outstanding issues are nearing resolution, helped by the enactment of the amendments to the Banking Law, and the agreements with owners on repayment terms (see below).

- On November 6, final agreement was reached with the former owners of four banks (BCA, Danamon, BDNI, and Surya) and the part-owner of BUN on the terms of repayment of obligations owed to the Government (repayment over four years, with a 27 percent cash component in the first year, with interest on the outstanding balances). Now that these terms have been clarified, the Government is committed to applying them consistently and transparently in negotiations with the owners of a further six similarly indebted banks. Discussions have resumed between IBRA and the former owners of these banks, and final agreements are expected, in at least four cases, by end-November, and in all cases, by end-December 1998.

21. The merger of the four previously separate state banks into the newly formed Bank Mandiri (comprising 30 percent of the deposit base of the banking system) is proceeding satisfactorily, with assistance from a major international bank under a management and operational restructuring contract. Already, highly respected officials have been appointed to head the Board of Commissioners and the Board of Directors of the bank. A preliminary corporate plan has been developed which focuses initially on centralizing control of credit

risk management and trading operations. A consolidated balance sheet will be prepared by December 31, 1998 providing the basis for the transfer of non-performing assets to the AMU.

22. Meanwhile, we are moving ahead with strengthening the regulatory and prudential framework for the banking system. A draft central bank law providing for independence of Bank Indonesia will be introduced into Parliament by end-December 1998. The banking law has been recently amended by Parliament and has entered into force, following its signature by the President; it permits major improvement in the areas of bank licensing and ownership, openness to foreign direct investment, bank secrecy, and empowerment of IBRA. New prudential regulations governing loan classification, loan loss provisioning and the treatment of debt restructuring operations will be issued by mid-November and regulations related to liquidity management and foreign currency exposure by end-November. A further three regulations on connected lending, the capital adequacy ratio, and the semi-annual publication of financial statements will be issued by December 15. We will shortly issue implementing regulations for the full functioning of IBRA and, at the next program review, we will assess the adequacy of provisions relating to debt equity conversions and liability provisions in the banking law.

IV. CORPORATE RESTRUCTURING AND BANKRUPTCY REFORM

23. Efforts to implement the Jakarta Initiative announced on September 9, 1998, have intensified. The Jakarta Initiative Task Force is becoming fully operational, and its staffing and facilities should be greatly enhanced by end-December, with the help of a planned World Bank Corporate Restructuring Technical Assistance Loan. A conference on the Jakarta Initiative, co-sponsored by the World Bank, was held in early November, and has helped to

increase public understanding of the Initiative and the role of the Task Force, with many participants endorsing the underlying framework.

24. The Initiative is beginning to produce results. Twenty-five companies with a combined debt of about \$5 billion have sought assistance from the task force for initiating their debt renegotiations and corporate restructuring. Negotiations between some debtors and creditors have already begun. We envisage that the number of negotiations will increase rapidly in the coming months, especially as firms attempt to obtain an exchange rate risk guarantee under INDRA (the Indonesian Debt Restructuring Agency) ahead of the June 1999 deadline.

25. Meanwhile, the necessary legal and regulatory changes to overcome obstacles for corporate restructuring are being completed. A government regulation providing for tax neutrality for mergers and other reorganizations and removing certain other identified tax disincentives for restructuring was signed on October 30. A regulation under the company law to remove obstacles to debt-to-equity conversion is in the final stages of preparation and will be signed by end-November. A review of the legal changes needed to create an effective and predictable system for security rights is being undertaken and a public registry system is planned to be initiated by end-December, with AsDB assistance. The one-stop regulatory facilitation process for filings related restructuring arrangements will be put in place by mid-December.

26. In light of the Jakarta Initiative, effective bankruptcy law reform and implementation has taken on additional significance. Now that the commercial court, which exercises jurisdiction in bankruptcy matters, is operational, attention is being focused on the establishment of a transparent court fee system, the mechanism for the appointment of ad hoc

judges to assist the court as provided for in the bankruptcy law, and the effective enforcement of court orders. Measures in the first two of these are expected to be in place by end-December. Additional training courses for judges of the commercial court are being organized.

V. FOREIGN EXCHANGE MONITORING SYSTEM

27. Since the last review, further progress has been made in the development of a foreign exchange monitoring system. Bank Indonesia is preparing a regulation requiring banks to report daily their sales and purchases in the exchange market, in a prescribed format. This system should enable BI to monitor foreign exchange flows on a more timely basis than is possible with existing data collection systems. BI is undertaking a thorough review of its current balance of payments data collection system, with IMF technical assistance, before the new system is put into place. As before, we remain committed to a free foreign exchange system, without surrender or repatriation requirements or capital controls.

Table 1. Indonesia: Performance Criteria and Indicative Targets Under Extended Arrangement, September 1998-February 1999

	1988						1999	
	Sept.		Actual	Targets			Jan.	Feb.
	Target	Adjusted		Oct.	Nov.	Dec.		
Monetary targets								
Net domestic assets of Bank Indonesia 2/	-67.5	-55.4	-70.1	-61.7	-56.2	-50.9	-52.0	-53.2
Base money 2/	69.7	69.7	69.9	71.5	73.0	74.3	75.4	76.5
Liquidity support 2/	176.4	176.4	177.7	173.6	174.1	174.6	174.8	174.9
Fiscal targets								
Overall central government balance 3/	-30.0	...	...	-37.0	-44.0	-51.0	-64.1	-72.7
External targets								
Net international reserves of Bank Indonesia 4/	13.7	12.5	14.0	13.3	12.9	12.5	12.7	13.0
Contracting or guaranteeing of new external debt 5/	5.5	...	...	...	...	7.5	...	...
Stock of short-term external debt outstanding 2/	2.5	...	0.8	...	...	2.5	...	...
Memorandum items:								
Balance of payments support 6/	4.7	...	3.6	5.5	6.3	7.3	8.4	9.5
Reserve liabilities 6/	4.9	...	2.9	5.8	6.8	6.8	7.1	7.4

1/ Definitions of quantitative performance criteria and indicative targets are contained in Annexes A-D of EBS/98/130 of July 29, 1998. The end-September, and end-December 1998 data for net domestic assets, overall central government balance, net international reserves, the contracting of new external debt (original maturity greater than one year), and the stock of short-term external debt are performance criteria. The other figures are indicative targets for all variables.

2/ Outstanding stocks (program limits).

3/ Cumulative balances from end-March 1998 (floor).

4/ Outstanding stocks (floor).

5/ Cumulative amounts from end-March 1998 (ceilings).

6/ Cumulative flows from end-March 1998.

Table 2. Structural Performance Criteria and Benchmarks,
December 1998-June 1999^{1,2}

End-December 1998

- Reduce export taxes on logs and sawn timber to 20 percent.³
- *Submit Central Bank law to Parliament.*
- *Finalize the evaluation of business plans for the first group of private banks currently under consideration for participation in the recapitalization program.*
- *Complete terms and conditions of bond issues for the bank restructuring process and start issuing bonds.*

End-January 1999

- *Recapitalize the first group of private banks.*
- *Finalize decision on the resolution of all banks that fail the criteria for eligibility to the recapitalization program.*

End-February 1999

- *Divest two state enterprises.*

End-March 1999

- Complete divestiture of a total of at least four state enterprises.
- Prepare mechanism for the regular adjustment of administered prices.
- *Establish centralized credit function and Treasury unit within Bank Mandiri.*

End-June 1999

- Complete audits of Pertamina, BULOG, PLN, and Reforestation Fund.²
- *Achieve full operating integration of two banks into Bank Mandiri.*

¹Additional measures have been italicized.

²Primary responsibility between institutions are as follows; monetary and exchange rate policy – IMF; fiscal Policy – IMF; bank restructuring – IMF/World Bank/AsDB; corporate debt restructuring – World Bank/IMF; trade policy and trade financing – World Bank; real sector structural reforms, privatization, and environment – World Bank/AsDB ; social safety net – World Bank /AsDB; food security – World Bank; small and medium-size enterprises – AsDB; audits of state enterprises – World Bank.

³Performance criterion.

ARTICLES OF AGREEMENT
of the
INTERNATIONAL MONETARY FUND

*Adopted at the United Nations
Monetary and Financial Confer-
ence, Bretton Woods, New Hamp-
shire, July 22, 1944. Effective
December 27, 1945.*

INTERNATIONAL MONETARY FUND
WASHINGTON

ARTICLES OF AGREEMENT
OF THE
INTERNATIONAL MONETARY FUND

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

Introductory Article

The International Monetary Fund is established and shall operate in accordance with the following provisions:

Article I. Purposes

- The purposes of the International Monetary Fund are:
- (i) To promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems.
 - (ii) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.
 - (iii) To promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation.
 - (iv) To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.
 - (v) To give confidence to members by making the Fund's resources available to them under adequate safeguards, thus providing them with opportunity

to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.

- (vi) In accordance with the above, to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.

The Fund shall be guided in all its decisions by the purposes set forth in this Article.

Article II. Membership

SECTION 1. *Original members.*—The original members of the Fund shall be those of the countries represented at the United Nations Monetary and Financial Conference whose governments accept membership before the date specified in Article XX, Section 2 (e).

SEC. 2. *Other members.*—Membership shall be open to the governments of other countries at such times and in accordance with such terms as may be prescribed by the Fund.

Article III. Quotas and Subscriptions

SECTION 1. *Quotas.*—Each member shall be assigned a quota. The quotas of the members represented at the United Nations Monetary and Financial Conference which accept membership before the date specified in Article XX, Section 2 (e), shall be those set forth in Schedule A. The quotas of other members shall be determined by the Fund.

SEC. 2. *Adjustment of quotas.*—The Fund shall at intervals of five years review, and if it deems it appropriate propose an adjustment of, the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned. A four-fifths majority of the total voting power shall be required for any change in quotas and no quota shall be changed without the consent of the member concerned.

SEC. 3. *Subscriptions: time, place, and form of payment.*—(a) The subscription of each member shall be equal to its quota and shall be paid in full to the Fund at the appropriate depository on or before the date when the member becomes eligible under Article XX, Section 4 (c) or (d), to buy currencies from the Fund.

(b) Each member shall pay in gold, as a minimum, the smaller of

- (i) twenty-five percent of its quota; or
- (ii) ten percent of its net official holdings of gold and United States dollars as at the date when the Fund notifies members under Article XX, Section 4 (a) that it will shortly be in a position to begin exchange transactions.

Each member shall furnish to the Fund the data necessary to determine its net official holdings of gold and United States dollars.

(c) Each member shall pay the balance of its quota in its own currency.

(d) If the net official holdings of gold and United States dollars of any member as at the date referred to in (b) (ii) above are not ascertainable because its territories have been occupied by the enemy, the Fund shall fix an appropriate alternative date for determining such holdings. If such date is later than that on which the country becomes eligible under Article XX, Section 4 (c) or (d), to buy currencies from the Fund, the Fund and the member shall agree on a provisional gold payment to be made under (b) above, and the balance of the member's subscription shall be paid in the member's currency, subject to appropriate adjustment between the member and the Fund when the net official holdings have been ascertained.

SEC. 4. *Payments when quotas are changed.*—(a) Each member which consents to an increase in its quota shall, within thirty days after the date of its consent, pay to the Fund twenty-five percent of the increase in gold and

the balance in its own currency. If, however, on the date when the member consents to an increase, its monetary reserves are less than its new quota, the Fund may reduce the proportion of the increase to be paid in gold.

(b) If a member consents to a reduction in its quota, the Fund shall, within thirty days after the date of the consent, pay to the member an amount equal to the reduction. The payment shall be made in the member's currency and in such amount of gold as may be necessary to prevent reducing the Fund's holdings of the currency below seventy-five percent of the new quota.

SEC. 5. *Substitution of securities for currency.*—The Fund shall accept from any member in place of any part of the member's currency which in the judgment of the Fund is not needed for its operations, notes or similar obligations issued by the member or the depository designated by the member under Article XIII, Section 2, which shall be non-negotiable, non-interest bearing and payable at their par value on demand by crediting the account of the Fund in the designated depository. This Section shall apply not only to currency subscribed by members but also to any currency otherwise due to, or acquired by, the Fund.

Article IV. Par Values of Currencies

SECTION 1. *Expression of par values.*—(a) The par value of the currency of each member shall be expressed in terms of gold as a common denominator or in terms of the United States dollar of the weight and fineness in effect on July 1, 1944.

(b) All computations relating to currencies of members for the purpose of applying the provisions of this Agreement shall be on the basis of their par values.

SEC. 2. *Gold purchases based on par values.*—The Fund shall prescribe a margin above and below par value for transactions in gold by members, and no member shall buy gold at a price above par value plus the prescribed

margin, or sell gold at a price below par value minus the prescribed margin.

SEC. 3. *Foreign exchange dealings based on parity.*—The maximum and the minimum rates for exchange transactions between the currencies of members taking place within their territories shall not differ from parity

- (i) in the case of spot exchange transactions, by more than one percent; and
- (ii) in the case of other exchange transactions, by a margin which exceeds the margin for spot exchange transactions by more than the Fund considers reasonable.

SEC. 4. *Obligations regarding exchange stability.*—(a) Each member undertakes to collaborate with the Fund to promote exchange stability, to maintain orderly exchange arrangements with other members, and to avoid competitive exchange alterations.

(b) Each member undertakes, through appropriate measures consistent with this Agreement, to permit within its territories exchange transactions between its currency and the currencies of other members only within the limits prescribed under Section 3 of this Article. A member whose monetary authorities, for the settlement of international transactions, in fact freely buy and sell gold within the limits prescribed by the Fund under Section 2 of this Article shall be deemed to be fulfilling this undertaking.

SEC. 5. *Changes in par values.*—(a) A member shall not propose a change in the par value of its currency except to correct a fundamental disequilibrium.

(b) A change in the par value of a member's currency may be made only on the proposal of the member and only after consultation with the Fund.

(c) When a change is proposed, the Fund shall first take into account the changes, if any, which have already taken place in the initial par value of the member's cur-

rency as determined under Article XX, Section 4. If the proposed change, together with all previous changes, whether increases or decreases,

- (i) does not exceed ten percent of the initial par value, the Fund shall raise no objection;
- (ii) does not exceed a further ten percent of the initial par value, the Fund may either concur or object, but shall declare its attitude within seventy-two hours if the member so requests;
- (iii) is not within (i) or (ii) above, the Fund may either concur or object, but shall be entitled to a longer period in which to declare its attitude.

(d) Uniform changes in par values made under Section 7 of this Article shall not be taken into account in determining whether a proposed change falls within (i), (ii), or (iii) of (c) above.

(e) A member may change the par value of its currency without the concurrence of the Fund if the change does not affect the international transactions of members of the Fund.

(f) The Fund shall concur in a proposed change which is within the terms of (c) (ii) or (c) (iii) above if it is satisfied that the change is necessary to correct a fundamental disequilibrium. In particular, provided it is so satisfied, it shall not object to a proposed change because of the domestic social or political policies of the member proposing the change.

SEC. 6. Effect of unauthorized changes.—If a member changes the par value of its currency despite the objection of the Fund, in cases where the Fund is entitled to object, the member shall be ineligible to use the resources of the Fund unless the Fund otherwise determines; and if, after the expiration of a reasonable period, the difference between the member and the Fund continues, the matter shall be subject to the provisions of Article XV, Section 2 (b).

SEC. 7. *Uniform changes in par values.*—Notwithstanding the provisions of Section 5 (b) of this Article, the Fund by a majority of the total voting power may make uniform proportionate changes in the par values of the currencies of all members, provided each such change is approved by every member which has ten percent or more of the total of the quotas. The par value of a member's currency shall, however, not be changed under this provision if, within seventy-two hours of the Fund's action, the member informs the Fund that it does not wish the par value of its currency to be changed by such action.

SEC. 8. *Maintenance of gold value of the Fund's assets.*

(a) The gold value of the Fund's assets shall be maintained notwithstanding changes in the par or foreign exchange value of the currency of any member.

(b) Whenever (i) the par value of a member's currency is reduced, or (ii) the foreign exchange value of a member's currency has, in the opinion of the Fund, depreciated to a significant extent within that member's territories, the member shall pay to the Fund within a reasonable time an amount of its own currency equal to the reduction in the gold value of its currency held by the Fund.

(c) Whenever the par value of a member's currency is increased, the Fund shall return to such member within a reasonable time an amount in its currency equal to the increase in the gold value of its currency held by the Fund.

(d) The provisions of this Section shall apply to a uniform proportionate change in the par values of the currencies of all members, unless at the time when such a change is proposed the Fund decides otherwise.

SEC. 9. *Separate currencies within a member's territories.*—A member proposing a change in the par value of its currency shall be deemed, unless it declares otherwise, to be proposing a corresponding change in the par value of the separate currencies of all territories in re-

SEC. 10. *Application of Article.*—Each member shall take such action as is necessary in its own territories for the purpose of making effective in terms of its own law the principles set forth in this Article and shall inform the Fund of the detailed action which it has taken.

Article X. *Relations with Other International Organizations*

The Fund shall cooperate within the terms of this Agreement with any general international organization and with public international organizations having specialized responsibilities in related fields. Any arrangements for such cooperation which would involve a modification of any provision of this Agreement may be effected only after amendment to this Agreement under Article XVII.

Article XI. *Relations with Non-member Countries*

SECTION 1. *Undertakings regarding relations with non-member countries.*—Each member undertakes:

- (i) Not to engage in, nor to permit any of its fiscal agencies referred to in Article V, Section 1, to engage in, any transactions with a non-member or with persons in a non-member's territories which would be contrary to the provisions of this Agreement or the purposes of the Fund;
- (ii) Not to cooperate with a non-member or with persons in a non-member's territories in practices which would be contrary to the provisions of this Agreement or the purposes of the Fund; and
- (iii) To cooperate with the Fund with a view to the application in its territories of appropriate measures to prevent transactions with non-members or with persons in their territories which would be contrary to the provisions of this Agreement or the purposes of the Fund.

SEC. 2. *Restrictions on transactions with non-member countries.*—Nothing in this Agreement shall affect the

right of any member to impose restrictions on exchange transactions with non-members or with persons in their territories unless the Fund finds that such restrictions prejudice the interests of members and are contrary to the purposes of the Fund.

Article XII. Organization and Management

SECTION 1. *Structure of the Fund.*—The Fund shall have a Board of Governors, Executive Directors, a Managing Director, and a staff.

SEC. 2. *Board of Governors.*—(a) All powers of the Fund shall be vested in the Board of Governors, consisting of one governor and one alternate appointed by each member in such manner as it may determine. Each governor and each alternate shall serve for five years, subject to the pleasure of the member appointing him, and may be reappointed. No alternate may vote except in the absence of his principal. The Board shall select one of the governors as chairman.

(b) The Board of Governors may delegate to the Executive Directors authority to exercise any powers of the Board, except the power to:

- (i) Admit new members and determine the conditions of their admission.
- (ii) Approve a revision of quotas.
- (iii) Approve a uniform change in the par value of the currencies of all members.
- (iv) Make arrangements to cooperate with other international organizations (other than informal arrangements of a temporary or administrative character).
- (v) Determine the distribution of the net income of the Fund.
- (vi) Require a member to withdraw.
- (vii) Decide to liquidate the Fund.

(viii) Decide appeals from interpretations of this agreement given by the Executive Directors.

(c) The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or called by the Executive Directors. Meetings of the Board shall be called by the Directors whenever requested by five members or by members having one-quarter of the total voting power.

(d) A quorum for any meeting of the Board of Governors shall be a majority of the governors exercising not less than two-thirds of the total voting power.

(e) Each governor shall be entitled to cast the number of votes allotted under Section 5 of this Article to the member appointing him.

(f) The Board of Governors may by regulation establish a procedure whereby the Executive Directors, when they deem such action to be in the best interests of the Fund, may obtain a vote of the governors on a specific question without calling a meeting of the Board.

(g) The Board of Governors, and the Executive Directors to the extent authorized, may adopt such rules and regulations as may be necessary or appropriate to conduct the business of the Fund.

(h) Governors and alternates shall serve as such without compensation from the Fund, but the Fund shall pay them reasonable expenses incurred in attending meetings.

(i) The Board of Governors shall determine the remuneration to be paid to the Executive Directors and the salary and terms of the contract of service of the Managing Director.

SEC. 3. *Executive Directors.*—(a) The Executive Directors shall be responsible for the conduct of the general operations of the Fund, and for this purpose shall exercise all the powers delegated to them by the Board of Governors.

(b) There shall be not less than twelve directors who need not be governors, and of whom:

- (i) five shall be appointed by the five members having the largest quotas;
- (ii) not more than two shall be appointed when the provisions of (c) below apply;
- (iii) five shall be elected by the members not entitled to appoint directors, other than the American Republics; and
- (iv) two shall be elected by the American Republics not entitled to appoint directors.

For the purposes of this paragraph, members means governments of countries whose names are set forth in Schedule A, whether they become members in accordance with Article XX or in accordance with Article II, Section 2. When governments of other countries become members, the Board of Governors may, by a four-fifths majority of the total voting power, increase the number of directors to be elected.

(c) If, at the second regular election of directors and thereafter, the members entitled to appoint directors under (b) (i) above do not include the two members, the holdings of whose currencies by the Fund have been, on the average over the preceding two years, reduced below their quotas by the largest absolute amounts in terms of gold as a common denominator, either one or both of such members, as the case may be, shall be entitled to appoint a director.

(d) Subject to Article XX, Section 3 (b) elections of elective directors shall be conducted at intervals of two years in accordance with the provisions of Schedule C, supplemented by such regulations as the Fund deems appropriate. Whenever the Board of Governors increases the number of directors to be elected under (b) above, it shall issue regulations making appropriate changes in the proportion of votes required to elect directors under the provisions of Schedule C.

(e) Each director shall appoint an alternate with full power to act for him when he is not present. When the

directors appointing them are present, alternates may participate in meetings but may not vote.

(f) Directors shall continue in office until their successors are appointed or elected. If the office of an elected director becomes vacant more than ninety days before the end of his term, another director shall be elected for the remainder of the term by the members who elected the former director. A majority of the votes cast shall be required for election. While the office remains vacant, the alternate of the former director shall exercise his powers, except that of appointing an alternate.

(g) The Executive Directors shall function in continuous session at the principal office of the Fund and shall meet as often as the business of the Fund may require.

(h) A quorum for any meeting of the Executive Directors shall be a majority of the directors representing not less than one-half of the voting power.

(i) Each appointed director shall be entitled to cast the number of votes allotted under Section 5 of this Article to the member appointing him. Each elected director shall be entitled to cast the number of votes which counted towards his election. When the provisions of Section 5 (b) of this Article are applicable, the votes which a director would otherwise be entitled to cast shall be increased or decreased correspondingly. All the votes which a director is entitled to cast shall be cast as a unit.

(j) The Board of Governors shall adopt regulations under which a member not entitled to appoint a director under (b) above may send a representative to attend any meeting of the Executive Directors when a request made by, or a matter particularly affecting, that member is under consideration.

(k) The Executive Directors may appoint such committees as they deem advisable. Membership of committees need not be limited to governors or directors or their alternates.

SEC. 4. *Managing Director and staff.*—(a) The Executive Directors shall select a Managing Director who shall not be a governor or an executive director. The Managing Director shall be chairman of the Executive Directors, but shall have no vote except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors, but shall not vote at such meetings. The Managing Director shall cease to hold office when the Executive Directors so decide.

(b) The Managing Director shall be chief of the operating staff of the Fund and shall conduct, under the direction of the Executive Directors, the ordinary business of the Fund. Subject to the general control of the Executive Directors, he shall be responsible for the organization, appointment and dismissal of the staff of the Fund.

(c) The Managing Director and the staff of the Fund, in the discharge of their functions, shall owe their duty entirely to the Fund and to no other authority. Each member of the Fund shall respect the international character of this duty and shall refrain from all attempts to influence any of the staff in the discharge of his functions.

(d) In appointing the staff the Managing Director shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of recruiting personnel on as wide a geographical basis as possible.

SEC. 5. *Voting.*—(a) Each member shall have two hundred fifty votes plus one additional vote for each part of its quota equivalent to one hundred thousand United States dollars.

(b) Whenever voting is required under Article V, Section 4 or 5, each member shall have the number of votes to which it is entitled under (a) above, adjusted

(i) by the addition of one vote for the equivalent of each four hundred thousand United States dollars of net

sales of its currency up to the date when the vote is taken, or

- (ii) by the subtraction of one vote for the equivalent of each four hundred thousand United States dollars of its net purchases of the currencies of other members up to the date when the vote is taken;

provided, that neither net purchases nor net sales shall be deemed at any time to exceed an amount equal to the quota of the member involved.

(c) For the purpose of all computations under this Section, United States dollars shall be deemed to be of the weight and fineness in effect on July 1, 1944, adjusted for any uniform change under Article IV, Section 7, if a waiver is made under Section 8 (d) of that Article.

(d) Except as otherwise specifically provided, all decisions of the Fund shall be made by a majority of the votes cast.

SEC. 6. *Distribution of net income.*—(a) The Board of Governors shall determine annually what part of the Fund's net income shall be placed to reserve and what part, if any, shall be distributed.

(b) If any distribution is made, there shall first be distributed a two percent non-cumulative payment to each member on the amount by which seventy-five percent of its quota exceeded the Fund's average holdings of its currency during that year. The balance shall be paid to all members in proportion to their quotas. Payments to each member shall be made in its own currency.

SEC. 7. *Publication of reports.*—(a) The Fund shall publish an annual report containing an audited statement of its accounts, and shall issue, at intervals of three months or less, a summary statement of its transactions and its holdings of gold and currencies of members.

(b) The Fund may publish such other reports as it deems desirable for carrying out its purposes.

SEC. 8. *Communication of views to members.*—The Fund shall at all times have the right to communicate its views informally to any member on any matter arising under this Agreement. The Fund may, by a two-thirds majority of the total voting power, decide to publish a report made to a member regarding its monetary or economic conditions and developments which directly tend to produce a serious disequilibrium in the international balance of payments of members. If the member is not entitled to appoint an executive director, it shall be entitled to representation in accordance with Section 3 (j) of this Article. The Fund shall not publish a report involving changes in the fundamental structure of the economic organization of members.

Article XIII. Offices and Depositories

SECTION 1. *Location of offices.*—The principal office of the Fund shall be located in the territory of the member having the largest quota, and agencies or branch offices may be established in the territories of other members.

SEC. 2. *Depositories.*—(a) Each member country shall designate its central bank as a depository for all the Fund's holdings of its currency, or if it has no central bank it shall designate such other institution as may be acceptable to the Fund.

(b) The Fund may hold other assets, including gold, in the depositories designated by the five members having the largest quotas and in such other designated depositories as the Fund may select. Initially, at least one-half of the holdings of the Fund shall be held in the depository designated by the member in whose territories the Fund has its principal office and at least forty percent shall be held in the depositories designated by the remaining four members referred to above. However, all transfers of gold by the Fund shall be made with due regard to the costs of transport and anticipated requirements of the Fund. In an emergency the Executive

Directors may transfer all or any part of the Fund's gold holdings to any place where they can be adequately protected.

SEC. 3. *Guarantee of the Fund's assets.*—Each member guarantees all assets of the Fund against loss resulting from failure or default on the part of the depository designated by it.

Article XIV. Transitional Period

SECTION 1. *Introduction.*—The Fund is not intended to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of the war.

SEC. 2. *Exchange restrictions.*—In the post-war transitional period members may, notwithstanding the provisions of any other articles of this Agreement, maintain and adapt to changing circumstances (and, in the case of members whose territories have been occupied by the enemy, introduce where necessary) restrictions on payments and transfers for current international transactions. Members shall, however, have continuous regard in their foreign exchange policies to the purposes of the Fund; and, as soon as conditions permit, they shall take all possible measures to develop such commercial and financial arrangements with other members as will facilitate international payments and the maintenance of exchange stability. In particular, members shall withdraw restrictions maintained or imposed under this Section as soon as they are satisfied that they will be able, in the absence of such restrictions, to settle their balance of payments in a manner which will not unduly encumber their access to the resources of the Fund.

SEC. 3. *Notification to the Fund.*—Each member shall notify the Fund before it becomes eligible under Article XX, Section 4 (c) or (d), to buy currency from the Fund, whether it intends to avail itself of the transitional arrangements in Section 2 of this Article, or whether it is prepared to accept the obligations of Article VIII, Sec-

tions 2, 3, and 4. A member availing itself of the transitional arrangements shall notify the Fund as soon thereafter as it is prepared to accept the above-mentioned obligations.

SEC. 4. *Action of the Fund relating to restrictions.*—Not later than three years after the date on which the Fund begins operations and in each year thereafter, the Fund shall report on the restrictions still in force under Section 2 of this Article. Five years after the date on which the Fund begins operations, and in each year thereafter, any member still retaining any restrictions inconsistent with Article VIII, Sections 2, 3, or 4, shall consult the Fund as to their further retention. The Fund may, if it deems such action necessary in exceptional circumstances, make representations to any member that conditions are favorable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other article of this Agreement. The member shall be given a suitable time to reply to such representations. If the Fund finds that the member persists in maintaining restrictions which are inconsistent with the purposes of the Fund, the member shall be subject to Article XV, Section 2 (a).

SEC. 5. *Nature of transitional period.*—In its relations with members, the Fund shall recognize that the post-war transitional period will be one of change and adjustment and in making decisions on requests occasioned thereby which are presented by any member it shall give the member the benefit of any reasonable doubt.

Article XV. Withdrawal from Membership

SECTION 1. *Right of members to withdraw.*—Any member may withdraw from the Fund at any time by transmitting a notice in writing to the Fund at its principal office. Withdrawal shall become effective on the date such notice is received.

SEC. 2. *Compulsory withdrawal.*—(a) If a member

falls to fulfill any of its obligations under this Agreement, the Fund may declare the member ineligible to use the resources of the Fund. Nothing in this Section shall be deemed to limit the provisions of Article IV, Section 6, Article V, Section 5, or Article VI, Section 1.

(b) If, after the expiration of a reasonable period the member persists in its failure to fulfill any of its obligations under this Agreement, or a difference between a member and the Fund under Article IV, Section 6, continues, that member may be required to withdraw from membership in the Fund by a decision of the Board of Governors carried by a majority of the governors representing a majority of the total voting power.

(c) Regulations shall be adopted to ensure that before action is taken against any member under (a) or (b) above, the member shall be informed in reasonable time of the complaint against it and given an adequate opportunity for stating its case, both orally and in writing.

SEC. 3. *Settlement of accounts with members withdrawing.*—When a member withdraws from the Fund, normal transactions of the Fund in its currency shall cease and settlement of all accounts between it and the Fund shall be made with reasonable despatch by agreement between it and the Fund. If agreement is not reached promptly, the provisions of Schedule D shall apply to the settlement of accounts.

Article XVI. Emergency Provisions

SECTION 1. *Temporary suspension.*—(a) In the event of an emergency or the development of unforeseen circumstances threatening the operations of the Fund, the Executive Directors by unanimous vote may suspend for a period of not more than one hundred twenty days the operation of any of the following provisions:

- (i) Article IV, Sections 3 and 4 (b).
- (ii) Article V, Sections 2, 3, 7, 8 (a) and (f).
- (iii) Article VI, Section 2.
- (iv) Article XI, Section 1.

(b) Simultaneously with any decision to suspend the operation of any of the foregoing provisions, the Executive Directors shall call a meeting of the Board of Governors for the earliest practicable date.

(c) The Executive Directors may not extend any suspension beyond one hundred twenty days. Such suspension may be extended, however, for an additional period of not more than two hundred forty days, if the Board of Governors by a four-fifths majority of the total voting power so decides, but it may not be further extended except by amendment of this Agreement pursuant to Article XVII.

(d) The Executive Directors may, by a majority of the total voting power, terminate such suspension at any time.

SEC. 2. *Liquidation of the Fund.*—(a) The Fund may not be liquidated except by decision of the Board of Governors. In an emergency, if the Executive Directors decide that liquidation of the Fund may be necessary, they may temporarily suspend all transactions, pending decision by the Board.

(b) If the Board of Governors decides to liquidate the Fund, the Fund shall forthwith cease to engage in any activities except those incidental to the orderly collection and liquidation of its assets and the settlement of its liabilities, and all obligations of members under this Agreement shall cease except those set out in this Article, in Article XVIII, paragraph (c), in Schedule D, paragraph 7, and in Schedule E.

(c) Liquidation shall be administered in accordance with the provisions of Schedule E.

Article XVII. Amendments

(a) Any proposal to introduce modifications in this Agreement, whether emanating from a member, a governor or the Executive Directors, shall be communicated to the chairman of the Board of Governors who shall

bring the proposal before the Board. If the proposed amendment is approved by the Board the Fund shall, by circular letter or telegram, ask all members whether they accept the proposed amendment. When three-fifths of the members, having four-fifths of the total voting power, have accepted the proposed amendment, the Fund shall certify the fact by a formal communication addressed to all members.

(b) Notwithstanding (a) above, acceptance by all members is required in the case of any amendment modifying

- (i) the right to withdraw from the Fund (Article XV, Section 1);
- (ii) the provision that no change in a member's quota shall be made without its consent (Article III, Section 2);
- (iii) the provision that no change may be made in the par value of a member's currency except on the proposal of that member (Article IV, Section 5 (b)).

(c) Amendments shall enter into force for all members three months after the date of the formal communication unless a shorter period is specified in the circular letter or telegram.

Article XVIII. Interpretation

(a) Any question of interpretation of the provisions of this Agreement arising between any member and the Fund or between any members of the Fund shall be submitted to the Executive Directors for their decision. If the question particularly affects any member not entitled to appoint an executive director it shall be entitled to representation in accordance with Article XII, Section 3 (j).

(b) In any case where the Executive Directors have given a decision under (a) above, any member may require that the question be referred to the Board of

Governors, whose decision shall be final. Pending the result of the reference to the Board the Fund may, so far as it deems necessary, act on the basis of the decision of the Executive Directors.

(c) Whenever a disagreement arises between the Fund and a member which has withdrawn, or between the Fund and any member during liquidation of the Fund, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators, one appointed by the Fund, another by the member or withdrawing member and an umpire who, unless the parties otherwise agree, shall be appointed by the President of the Permanent Court of International Justice or such other authority as may have been prescribed by regulation adopted by the Fund. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

Article XIX. Explanation of Terms

In interpreting the provisions of this Agreement the Fund and its members shall be guided by the following:

(a) A member's monetary reserves means its net official holdings of gold, of convertible currencies of other members, and of the currencies of such non-members as the Fund may specify.

(b) The official holdings of a member means central bank, stabilization fund, or similar fiscal agency.

(c) The holdings of other official institutions or other banks within its territories may, in any particular case, be deemed by the Fund, after consultation with the member, to be official holdings to the extent that they are substantially in excess of working balances; provided that for the purpose of determining whether, in a particular case, holdings are in excess of working balances, there shall be deducted from such holdings amounts of currency due to official institutions and banks in the terri-

territories of members or non-members specified under (d) below.

(d) A member's holdings of convertible currencies means its holdings of the currencies of other members which are not availing themselves of the transitional arrangements under Article XIV, Section 2, together with its holdings of the currencies of such non-members as the Fund may from time to time specify. The term currency for this purpose includes without limitation coins, paper money, bank balances, bank acceptances, and government obligations issued with a maturity not exceeding twelve months.

(e) A member's monetary reserves shall be calculated by deducting from its central holdings the currency liabilities to the Treasuries, central banks, stabilization funds, or similar fiscal agencies of other members or non-members specified under (d) above, together with similar liabilities to other official institutions and other banks in the territories of members, or non-members specified under (d) above. To these net holdings shall be added the sums deemed to be official holdings of other official institutions and other banks under (c) above.

(f) The Fund's holdings of the currency of a member shall include any securities accepted by the Fund under Article III, Section 5.

(g) The Fund, after consultation with a member which is availing itself of the transitional arrangements under Article XIV, Section 2, may deem holdings of the currency of that member which carry specified rights of conversion into another currency or into gold to be holdings of convertible currency for the purpose of the calculation of monetary reserves.

(h) For the purpose of calculating gold subscriptions under Article III, Section 3, a member's net official holdings of gold and United States dollars shall consist of its official holdings of gold and United States currency after deducting central holdings of its currency by other coun-

tries and holdings of its currency by other official institutions and other banks if these holdings carry specified rights of conversion into gold or United States currency.

(i) Payments for current transactions means payments which are not for the purpose of transferring capital, and includes, without limitation:

- (1) All payments due in connection with foreign trade, other current business, including services, and normal short-term banking and credit facilities;
 - (2) Payments due as interest on loans and as net income from other investments;
 - (3) Payments of moderate amount for amortization of loans or for depreciation of direct investments;
 - (4) Moderate remittances for family living expenses.
- The Fund may, after consultation with the members concerned, determine whether certain specific transactions are to be considered current transactions or capital transactions.

Article XX. Final Provisions

SECTION 1. *Entry into force.*—This Agreement shall enter into force when it has been signed on behalf of governments having sixty-five percent of the total of the quotas set forth in Schedule A and when the instruments referred to in Section 2 (a) of this Article have been deposited on their behalf, but in no event shall this Agreement enter into force before May 1, 1945.

SEC. 2. *Signature.*—(a) Each government on whose behalf this Agreement is signed shall deposit with the Government of the United States of America an instrument setting forth that it has accepted this Agreement in accordance with its law and has taken all steps necessary to enable it to carry out all of its obligations under this Agreement.

(b) Each government shall become a member of the Fund as from the date of the deposit on its behalf of the instrument referred to in (a) above, except that no gov-

ernment shall become a member before this Agreement enters into force under Section 1 of this Article.

(c) The Government of the United States of America shall inform the governments of all countries whose names are set forth in Schedule A, and all governments whose membership is approved in accordance with Article II, Section 2, of all signatures of this Agreement and of the deposit of all instruments referred to in (a) above.

(d) At the time this Agreement is signed on its behalf, each government shall transmit to the Government of the United States of America one one-hundredth of one percent of its total subscription in gold or United States dollars for the purpose of meeting administrative expenses of the Fund. The Government of the United States of America shall hold such funds in a special deposit account and shall transmit them to the Board of Governors of the Fund when the initial meeting has been called under Section 3 of this Article. If this Agreement has not come into force by December 31, 1945, the Government of the United States of America shall return such funds to the governments that transmitted them.

(e) This Agreement shall remain open for signature at Washington on behalf of the governments of the countries whose names are set forth in Schedule A until December 31, 1945.

(f) After December 31, 1945, this Agreement shall be open for signature on behalf of the government of any country whose membership has been approved in accordance with Article II, Section 2.

(g) By their signature of this Agreement, all governments accept it both on their own behalf and in respect of all their colonies, overseas territories, all territories under their protection, suzerainty, or authority and all territories in respect of which they exercise a mandate.

(h) In the case of governments whose metropolitan territories have been under enemy occupation, the deposit of the instrument referred to in (a) above may be delayed

until one hundred eighty days after the date on which these territories have been liberated. If, however, it is not deposited by any such government before the expiration of this period the signature affixed on behalf of that government shall become void and the portion of its subscription paid under (d) above shall be returned to it.

(i) Paragraphs (d) and (h) shall come into force with regard to each signatory government as from the date of its signature.

SEC. 3. *Inauguration of the Fund.*—(a) As soon as this Agreement enters into force under Section 1 of this Article, each member shall appoint a governor and the member having the largest quota shall call the first meeting of the Board of Governors.

(b) At the first meeting of the Board of Governors, arrangements shall be made for the selection of provisional executive directors. The governments of the five countries for which the largest quotas are set forth in Schedule A shall appoint provisional executive directors. If one or more of such governments have not become members, the executive directorships they would be entitled to fill shall remain vacant until they become members, or until January 1, 1946, whichever is the earlier. Seven provisional executive directors shall be elected in accordance with the provisions of Schedule C and shall remain in office until the date of the first regular election of executive directors which shall be held as soon as practicable after January 1, 1946.

(c) The Board of Governors may delegate to the provisional executive directors any powers except those which may not be delegated to the Executive Directors.

SEC. 4. *Initial determination of par values.*—(a) When the Fund is of the opinion that it will shortly be in a position to begin exchange transactions, it shall so notify the members and shall request each member to communicate within thirty days the par value of its currency based on the rates of exchange prevailing on the sixtieth day

before the entry into force of this Agreement. No member whose metropolitan territory has been occupied by the enemy shall be required to make such a communication while that territory is a theater of major hostilities or for such period thereafter as the Fund may determine. When such a member communicates the par value of its currency the provisions of (d) below shall apply.

(b) The par value communicated by a member whose metropolitan territory has not been occupied by the enemy shall be the par value of that member's currency for the purposes of this Agreement unless, within ninety days after the request referred to in (a) above has been received, (i) the member notifies the Fund that it regards the par value as unsatisfactory, or (ii) the Fund notifies the member that in its opinion the par value cannot be maintained without causing recourse to the Fund on the part of that member or others on a scale prejudicial to the Fund and to members. When notification is given under (i) or (ii) above, the Fund and the member shall, within a period determined by the Fund in the light of all relevant circumstances, agree upon a suitable par value for that currency. If the Fund and the member do not agree within the period so determined, the member shall be deemed to have withdrawn from the Fund on the date when the period expires.

(c) When the par value of a member's currency has been established under (b) above, either by the expiration of ninety days without notification, or by agreement after notification, the member shall be eligible to buy from the Fund the currencies of other members to the full extent permitted in this Agreement, provided that the Fund has begun exchange transactions.

(d) In the case of a member whose metropolitan territory has been occupied by the enemy, the provisions of (b) above shall apply, subject to the following modifications:

- (i) The period of ninety days shall be extended so as to end on a date to be fixed by agreement between the Fund and the member.
- (ii) Within the extended period the member may, if the Fund has begun exchange transactions, buy from the Fund with its currency the currencies of other members, but only under such conditions and in such amounts as may be prescribed by the Fund.
- (iii) At any time before the date fixed under (i) above, changes may be made by agreement with the Fund in the par value communicated under (a) above.

(e) If a member whose metropolitan territory has been occupied by the enemy adopts a new monetary unit before the date to be fixed under (d) (i) above, the par value fixed by that member for the new unit shall be communicated to the Fund and the provisions of (d) above shall apply.

(f) Changes in par values agreed with the Fund under this Section shall not be taken into account in determining whether a proposed change falls within (i), (ii), or (iii) of Article IV, Section 5 (e).

(g) A member communicating to the Fund a par value for the currency of its metropolitan territory shall simultaneously communicate a value, in terms of that currency, for each separate currency, where such exists, in the territories in respect of which it has accepted this Agreement under Section 2 (g) of this Article, but no member shall be required to make a communication for the separate currency of a territory which has been occupied by the enemy while that territory is a theater of major hostilities or for such period thereafter as the Fund may determine. On the basis of the par value so communicated, the Fund shall compute the par value of each separate currency. A communication or notification to the Fund under (a), (b) or (d) above regarding the par

value of a currency, shall also be deemed, unless the contrary is stated, to be a communication or notification regarding the par value of all the separate currencies referred to above. Any member may, however, make a communication or notification relating to the metropolitan or any of the separate currencies alone. If the member does so, the provisions of the preceding paragraphs (including (d) above, if a territory where a separate currency exists has been occupied by the enemy) shall apply to each of these currencies separately.

(h) The Fund shall begin exchange transactions at such date as it may determine after members having sixty-five percent of the total of the quotas set forth in Schedule A have become eligible, in accordance with the preceding paragraphs of this Section, to purchase the currencies of other members, but in no event until after major hostilities in Europe have ceased.

(i) The Fund may postpone exchange transactions with any member if its circumstances are such that, in the opinion of the Fund, they would lead to use of the resources of the Fund in a manner contrary to the purposes of this Agreement or prejudicial to the Fund or the members.

(j) The par values of the currencies of governments which indicate their desire to become members after December 31, 1946, shall be determined in accordance with the provisions of Article II, Section 2.

Done at Washington, in a single copy which shall remain deposited in the archives of the Government of the United States of America, which shall transmit certified copies to all governments whose names are set forth in Schedule A and to all governments whose membership is approved in accordance with Article I, Section 2.

INTERNATIONAL MONETARY FUND

Schedule A. Quotas

(In millions of United States dollars)

Australia	200	Iran	25
Belgium	225	Iraq	8
Bolivia	10	Liberia .....	.5
Brazil	150	Luxembourg	10
Canada	300	Mexico	90
Chile	50	Netherlands	275
China	550	New Zealand	50
Colombia	50	Nicaragua	2
Costa Rica	5	Norway	50
Cuba	50	Panama .....	.5
Czechoslovakia	125	Paraguay	2
Denmark	(¹)	Peru	25
Dominican Republic	5	Philippine Common-	
Ecuador	5	wealth	15
Egypt	45	Poland	125
El Salvador	2.5	Union of South Africa	100
Ethiopia	5	Union of Soviet Socialist	
France	450	Republics	1,200
Greece	40	United Kingdom	1,300
Guatemala	5	United States	2,750
Haiti	5	Uruguay	15
Honduras	2.5	Venezuela	15
Iceland	1	Yugoslavia	50
India	400		
		Total	8,800

¹ The quota of Denmark shall be determined by the Fund after the Danish Government has declared its readiness to sign this Agreement but before signature takes place.

Schedule B. Provisions with Respect to Repurchase by a Member of Its Currency Held by the Fund

1. In determining the extent to which repurchase of a member's currency from the Fund under Article V, Section 7 (b), shall be made with each type of monetary reserve, that is, with gold and with each convertible currency, the following rule, subject to 2 below, shall apply:

(a) If the member's monetary reserves have not increased during the year, the amount payable to the Fund shall be distributed among all types of reserves in proportion to the member's holdings

(b) If the member's monetary reserves have increased during the year, a part of the amount payable to the Fund equal to one-half of the increase shall be distributed among those types of reserves which have increased in proportion to the amount by which each of them has increased. The remainder of the sum payable to the Fund shall be distributed among all types of reserves in proportion to the member's remaining holdings thereof.

(c) If after all the repurchases required under Article V, Section 7 (b), had been made, the result would exceed any of the limits specified in Article V, Section 7 (c), the Fund shall require such repurchases to be made by the members proportionately in such manner that the limits will not be exceeded.

2. The Fund shall not acquire the currency of any non-member under Article V, Section 7 (b) and (c).

3. In calculating monetary reserves and the increase in monetary reserves during any year for the purpose of Article V, Section 7 (b) and (c), no account shall be taken, unless deductions have otherwise been made by the member for such holdings, of any increase in those monetary reserves which is due to currency previously inconvertible having become convertible during the year; or to holdings which are the proceeds of a long-term or medium-term loan contracted during the year; or to holdings which have been transferred or set aside for repayment of a loan during the subsequent year.

4. In the case of members whose metropolitan territories have been occupied by the enemy, gold newly produced during the five years after the entry into force of this Agreement from mines located within their metropolitan territories shall not be included in computations of their monetary reserves or of increases in their monetary reserves.

Schedule C. Election of Executive Directors

1. The election of the elective executive directors shall be by ballot of the governors eligible to vote under Article XII, Section 3 (b) (iii) and (iv).

2. In balloting for the five directors to be elected under Article XII, Section 3 (b) (iii), each of the governors eligible to vote shall cast for one person all of the votes to which he is entitled under Article XII, Section 5 (a). The five persons receiving the greatest number of votes shall be directors, provided that no person who received less than nineteen percent of the total number of votes that can be cast (eligible votes) shall be considered elected.

3. When five persons are not elected on the first ballot, a second ballot shall be held in which the person who received the lowest number of votes shall be ineligible for election and in which there shall vote only (a) those governors who voted in the first ballot for a person not elected, and (b) those governors whose votes for a person elected are deemed under 4 below to have raised the votes cast for that person above twenty percent of the eligible votes.

4. In determining whether the votes cast by a governor are to be deemed to have raised the total of any person above twenty percent of the eligible votes the twenty percent shall be deemed to include, first, the votes of the governor casting the largest number of votes for such person, then the votes of the governor casting the next largest number, and so on until twenty percent is reached.

5. Any governor part of whose votes must be counted in order to raise the total of any person above nineteen percent shall be considered as casting all of his votes for such person even if the total votes for such person thereby exceed twenty percent.

6. If, after the second ballot, five persons have not been elected, further ballots shall be held on the same

principles until five persons have been elected, provided that after four persons are elected, the fifth may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

7. The directors to be elected by the American Republics under Article XII, Section 3 (b) (iv) shall be elected as follows:

(a) Each of the directors shall be elected separately.

(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one person all the votes to which he is entitled. The person receiving the largest number of votes shall be elected provided that he has received not less than forty-five percent of the total votes.

(c) If no person is elected on the first ballot, further ballots shall be held, in each of which the person receiving the lowest number of votes shall be eliminated, until one person receives a number of votes sufficient for election under (b) above.

(d) Governors whose votes contributed to the election of the first director shall take no part in the election of the second director.

(e) Persons who did not succeed in the first election shall not be ineligible for election as the second director.

(f) A majority of the votes which can be cast shall be required for election of the second director. If at the first ballot no person receives a majority, further ballots shall be held in each of which the person receiving the lowest number of votes shall be eliminated, until some person obtains a majority.

(g) The second director shall be deemed to have been elected by all the votes which could have been cast in the ballot securing his election.

Schedule D. Settlement of Accounts with Members
Withdrawing

1. The Fund shall be obligated to pay to a member withdrawing an amount equal to its quota, plus any other amounts due to it from the Fund, less any amounts due to the Fund, including charges accruing after the date of its withdrawal; but no payment shall be made until six months after the date of withdrawal. Payments shall be made in the currency of the withdrawing member.

2. If the Fund's holdings of the currency of the withdrawing member are not sufficient to pay the net amount due from the Fund, the balance shall be paid in gold, or in such other manner as may be agreed. If the Fund and the withdrawing member do not reach agreement within six months of the date of withdrawal, the currency in question held by the Fund shall be paid forthwith to the withdrawing member. Any balance due shall be paid in ten half-yearly installments during the ensuing five years. Each such installment shall be paid, at the option of the Fund, either in the currency of the withdrawing member acquired after its withdrawal or by the delivery of gold.

3. If the Fund fails to meet any installment which is due in accordance with the preceding paragraphs, the withdrawing member shall be entitled to require the Fund to pay the installment in any currency held by the Fund with the exception of any currency which has been declared scarce under Article VII, Section 3.

4. If the Fund's holdings of the currency of a withdrawing member exceed the amount due to it, and if agreement on the method of settling accounts is not reached within six months of the date of withdrawal, the former member shall be obligated to redeem such excess currency in gold or, at its option, in the currencies of members which at the time of redemption are convertible. Redemption shall be made at the parity existing at the

time of withdrawal from the Fund. The withdrawing member shall complete redemption within five years of the date of withdrawal, or within such longer period as may be fixed by the Fund, but shall not be required to redeem in any half-yearly period more than one-tenth of the Fund's excess holdings of its currency at the date of withdrawal plus further acquisitions of the currency during such half-yearly period. If the withdrawing member does not fulfill this obligation, the Fund may in an orderly manner liquidate in any market the amount of currency which should have been redeemed.

5. Any member desiring to obtain the currency of a member which has withdrawn shall acquire it by purchase from the Fund, to the extent that such member has access to the resources of the Fund and that such currency is available under 4 above.

6. The withdrawing member guarantees the unrestricted use at all times of the currency disposed of under 4 and 5 above for the purchase of goods or for payment of sums due to it or to persons within its territories. It shall compensate the Fund for any loss resulting from the difference between the par value of its currency on the date of withdrawal and the value realized by the Fund on disposal under 4 and 5 above.

7. In the event of the Fund going into liquidation under Article XVI, Section 2, within six months of the date on which the member withdraws, the account between the Fund and that government shall be settled in accordance with Article XVI, Section 2, and Schedule E.

Schedule E. Administration of Liquidation

1. In the event of liquidation the liabilities of the Fund other than the repayment of subscriptions shall have priority in the distribution of the assets of the Fund. In meeting each such liability the Fund shall use its assets in the following order:

- (a) the currency in which the liability is payable;

(b) gold;

(c) all other currencies in proportion, so far as may be practicable, to the quotas of the members.

2. After the discharge of the Fund's liabilities in accordance with 1 above, the balance of the Fund's assets shall be distributed and apportioned as follows:

(a) The Fund shall distribute its holdings of gold among the members whose currencies are held by the Fund in amounts less than their quotas. These members shall share the gold so distributed in the proportions of the amounts by which their quotas exceed the Fund's holdings of their currencies.

(b) The Fund shall distribute to each member one-half the Fund's holdings of its currency but such distribution shall not exceed fifty percent of its quota.

(c) The Fund shall apportion the remainder of its holdings of each currency among all the members in proportion to the amounts due to each member after the distributions under (a) and (b) above.

3. Each member shall redeem the holdings of its currency apportioned to other members under 2 (c) above, and shall agree with the Fund within three months after a decision to liquidate upon an orderly procedure for such redemption.

4. If a member has not reached agreement with the Fund within the three-month period referred to in 3 above, the Fund shall use the currencies of other members apportioned to that member under 2 (c) above to redeem the currency of that member apportioned to other members. Each currency apportioned to a member which has not reached agreement shall be used, so far as possible, to redeem its currency apportioned to the members which have made agreements with the Fund under 3 above.

5. If a member has reached agreement with the Fund in accordance with 3 above, the Fund shall use the cur-

rencies of other members apportioned to that member under 2 (c) above to redeem the currency of that member apportioned to other members which have made agreements with the Fund under 3 above. Each amount so redeemed shall be redeemed in the currency of the member to which it was apportioned.

6. After carrying out the preceding paragraphs, the Fund shall pay to each member the remaining currencies held for its account.

7. Each member whose currency has been distributed to other members under 6 above shall redeem such currency in gold or, at its option, in the currency of the member requesting redemption, or in such other manner as may be agreed between them. If the members involved do not otherwise agree, the member obligated to redeem shall complete redemption within five years of the date of distribution, but shall not be required to redeem in any half-yearly period more than one-tenth of the amount distributed to each other member. If the member does not fulfill this obligation, the amount of currency which should have been redeemed may be liquidated in an orderly manner in any market.

8. Each member whose currency has been distributed to other members under 6 above guarantees the unrestricted use of such currency at all times for the purchase of goods or for payment of sums due to it or to persons in its territories. Each member so obligated agrees to compensate other members for any loss resulting from the difference between the par value of its currency on the date of the decision to liquidate the Fund and the value realized by such members on disposal of its currency.

rencies of other members apportioned to that member under 2 (c) above to redeem the currency of that member apportioned to other members which have made agreements with the Fund under 3 above. Each amount so redeemed shall be redeemed in the currency of the member to which it was apportioned.

6. After carrying out the preceding paragraphs, the Fund shall pay to each member the remaining currencies held for its account.

7. Each member whose currency has been distributed to other members under 6 above shall redeem such currency in gold or, at its option, in the currency of the member requesting redemption, or in such other manner as may be agreed between them. If the members involved do not otherwise agree, the member obligated to redeem shall complete redemption within five years of the date of distribution, but shall not be required to redeem in any half-yearly period more than one-tenth of the amount distributed to each other member. If the member does not fulfill this obligation, the amount of currency which should have been redeemed may be liquidated in an orderly manner in any market.

8. Each member whose currency has been distributed to other members under 6 above guarantees the unrestricted use of such currency at all times for the purchase of goods or for payment of sums due to it or to persons in its territories. Each member so obligated agrees to compensate other members for any loss resulting from the difference between the par value on the date of the decision to liquidate and the value realized by such members on the date of liquidation.

PROPOSED SECOND AMENDMENT
TO THE
ARTICLES OF AGREEMENT
OF THE
INTERNATIONAL MONETARY FUND
prepared pursuant to
Board of Governors Resolution No. 29-10

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

Introductory Article

- (i) The International Monetary Fund is established and shall operate in accordance with the provisions of this Agreement as originally adopted and subsequently amended.
- (ii) To enable the Fund to conduct its operations and transactions, the Fund shall maintain a General Department and a Special Drawing Rights Department. Membership in the Fund shall give the right to participation in the Special Drawing Rights Department.
- (iii) Operations and transactions authorized by this Agreement shall be conducted through the General Department, consisting in accordance with the provisions of this Agreement of the General Resources Account, the Special Disbursement Account, and the Investment Account; except that operations and transactions involving special drawing rights shall be conducted through the Special Drawing Rights Department.

Article I

Purposes

The purposes of the International Monetary Fund are:

- (i) To promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems.
- (ii) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.
- (iii) To promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation.
- (iv) To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.
- (v) To give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.
- (vi) In accordance with the above, to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.

The Fund shall be guided in all its policies and decisions by the purposes set forth in this Article.

Article II

Membership

Section 1. *Original members*

The original members of the Fund shall be those of the countries represented at the United Nations Monetary and Financial Conference whose governments accept membership before December 31, 1945.

Section 2. *Other members*

Membership shall be open to other countries at such times and in accordance with such terms as may be prescribed by the Board of Governors. These terms, including the terms for subscriptions, shall be based on principles consistent with those applied to other countries that are already members.

Article III

Quotas and Subscriptions

Section 1. *Quotas and payment of subscriptions*

Each member shall be assigned a quota expressed in special drawing rights. The quotas of the members represented at the United Nations Monetary and Financial Conference which accept membership before December 31, 1945 shall be those set forth in Schedule A. The quotas of other members shall be determined by the Board of Governors. The subscription of each member shall be equal to its quota and shall be paid in full to the Fund at the appropriate depository.

Section 2. *Adjustment of quotas*

(a) The Board of Governors shall at intervals of not more than five years conduct a general review, and if it deems it appropriate propose an adjustment, of the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned.

(b) The Fund may at any time propose an increase in the quotas of those members of the Fund that were members on August 31, 1975 in proportion to their quotas on that date in a cumulative amount not in excess of amounts transferred under Article V, Section 12 (f) (i) and (j) from the Special Disbursement Account to the General Resources Account.

(c) An eighty-five percent majority of the total voting power shall be required for any change in quotas.

(d) The quota of a member shall not be changed until the member has consented and until payment has been made unless payment is deemed to have been made in accordance with Section 3 (b) of this Article.

Section 3. *Payments when quotas are changed*

(a) Each member which consents to an increase in its quota under Section 2 (a) of this Article shall, within a period determined by the Fund, pay to the Fund twenty-five percent of the increase in special drawing rights, but the Board of Governors may prescribe that this payment may be made, on the same basis for all members, in whole or in part in the currencies of other members specified, with their concurrence, by the Fund, or in the member's own currency. A non-participant shall pay in the currencies of other members specified by the Fund, with their concurrence, a proportion of the increase corresponding to the proportion to be paid in special drawing rights by participants. The balance of the increase shall be paid by the member in its own currency. The Fund's holdings of a member's currency shall not be increased above the level at which they would be subject to charges under Article V, Section 8 (b) (ii), as a result of payments by other members under this provision.

(b) Each member which consents to an increase in its quota under Section 2 (b) of this Article shall be deemed to have paid to the Fund an amount of subscription equal to such increase.

(c) If a member consents to a reduction in its quota, the Fund shall, within sixty days, pay to the member an amount equal to the reduction. The payment shall be made in the member's currency and in such amount of special drawing rights or the currencies of other members specified, with their concurrence, by the Fund as is necessary to prevent the reduction of the Fund's holdings of the currency below the new quota, provided that in exceptional circumstances the Fund may reduce its holdings of the currency below the new quota by payment to the member in its own currency.

(d) A seventy percent majority of the total voting power shall be required for any decision under (a) above, except for the determination of a period and the specification of currencies under that provision.

Section 4. *Substitution of securities for currency*

The Fund shall accept from any member, in place of any part of the member's currency in the General Resources Account which in the judgment of the Fund is not needed for its operations and transactions, notes or similar obligations issued by the member or the depository designated by the member under Article XIII, Section 2, which shall be non-negotiable, non-interest bearing and payable at their face value on demand by crediting the account of the Fund in the designated depository. This Section shall apply not only to currency subscribed by

members but also to any currency otherwise due to, or acquired by, the Fund and to be placed in the General Resources Account.

Article IV

Obligations Regarding Exchange Arrangements

Section 1. *General obligations of members*

Recognizing that the essential purpose of the international monetary system is to provide a framework that facilitates the exchange of goods, services, and capital among countries, and that sustains sound economic growth, and that a principal objective is the continuing development of the orderly underlying conditions that are necessary for financial and economic stability, each member undertakes to collaborate with the Fund and other members to assure orderly exchange arrangements and to promote a stable system of exchange rates. In particular, each member shall:

- (i) endeavor to direct its economic and financial policies toward the objective of fostering orderly economic growth with reasonable price stability, with due regard to its circumstances;
- (ii) seek to promote stability by fostering orderly underlying economic and financial conditions and a monetary system that does not tend to produce erratic disruptions;
- (iii) avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members; and
- (iv) follow exchange policies compatible with the undertakings under this Section.

Section 2. *General exchange arrangements*

(a) Each member shall notify the Fund, within thirty days after the date of the second amendment of this Agreement, of the exchange arrangements it intends to apply in fulfillment of its obligations under Section 1 of this Article, and shall notify the Fund promptly of any changes in its exchange arrangements.

(b) Under an international monetary system of the kind prevailing on January 1, 1976, exchange arrangements may include (i) the maintenance by a member of a value for its currency in terms of the special drawing

right or another denominator, other than gold, selected by the member, or (ii) cooperative arrangements by which members maintain the value of their currencies in relation to the value of the currency or currencies of other members, or (iii) other exchange arrangements of a member's choice.

(c) To accord with the development of the international monetary system, the Fund, by an eighty-five percent majority of the total voting power, may make provision for general exchange arrangements without limiting the right of members to have exchange arrangements of their choice consistent with the purposes of the Fund and the obligations under Section 1 of this Article.

Section 3. *Surveillance over exchange arrangements*

(a) The Fund shall oversee the international monetary system in order to ensure its effective operation, and shall oversee the compliance of each member with its obligations under Section 1 of this Article.

(b) In order to fulfill its functions under (a) above, the Fund shall exercise firm surveillance over the exchange rate policies of members, and shall adopt specific principles for the guidance of all members with respect to those policies. Each member shall provide the Fund with the information necessary for such surveillance, and, when requested by the Fund, shall consult with it on the member's exchange rate policies. The principles adopted by the Fund shall be consistent with cooperative arrangements by which members maintain the value of their currencies in relation to the value of the currency or currencies of other members, as well as with other exchange arrangements of a member's choice consistent with the purposes of the Fund and Section 1 of this Article. These principles shall respect the domestic social and political policies of members, and in applying these principles the Fund shall pay due regard to the circumstances of members.

Section 4. *Par values*

The Fund may determine, by an eighty-five percent majority of the total voting power, that international economic conditions permit the introduction of a widespread system of exchange arrangements based on stable but adjustable par values. The Fund shall make the determination on the basis of the underlying stability of the world economy, and for this purpose shall take into account price movements and rates of expansion in the economies of members. The determination shall be made in light of the evolution of the international monetary system, with particular

reference to sources of liquidity, and, in order to ensure the effective operation of a system of par values, to arrangements under which both members in surplus and members in deficit in their balances of payments take prompt, effective, and symmetrical action to achieve adjustment, as well as to arrangements for intervention and the treatment of imbalances. Upon making such determination, the Fund shall notify members that the provisions of Schedule C apply.

Section 5. Separate currencies within a member's territories

(a) Action by a member with respect to its currency under this Article shall be deemed to apply to the separate currencies of all territories in respect of which the member has accepted this Agreement under Article XXXI, Section 2 (g) unless the member declares that its action relates either to the metropolitan currency alone, or only to one or more specified separate currencies, or to the metropolitan currency and one or more specified separate currencies.

(b) Action by the Fund under this Article shall be deemed to relate to all currencies of a member referred to in (a) above unless the Fund declares otherwise.

Article V

Operations and Transactions of the Fund

Section 1. Agencies dealing with the Fund

Each member shall deal with the Fund only through its Treasury, central bank, stabilization fund, or other similar fiscal agency, and the Fund shall deal only with or through the same agencies.

Section 2. Limitation on the Fund's operations and transactions

(a) Except as otherwise provided in this Agreement, transactions on the account of the Fund shall be limited to transactions for the purpose of supplying a member, on the initiative of such member, with special drawing rights or the currencies of other members from the general resources of the Fund, which shall be held in the General Resources Account, in exchange for the currency of the member desiring to make the purchase.

(b) If requested, the Fund may decide to perform financial and technical services, including the administration of resources contributed

by members, that are consistent with the purposes of the Fund. Operations involved in the performance of such financial services shall not be on the account of the Fund. Services under this subsection shall not impose any obligation on a member without its consent.

Section 3. Conditions governing use of the Fund's general resources

(a) The Fund shall adopt policies on the use of its general resources, including policies on stand-by or similar arrangements, and may adopt special policies for special balance of payments problems, that will assist members to solve their balance of payments problems in a manner consistent with the provisions of this Agreement and that will establish adequate safeguards for the temporary use of the general resources of the Fund.

(b) A member shall be entitled to purchase the currencies of other members from the Fund in exchange for an equivalent amount of its own currency subject to the following conditions:

- (i) the member's use of the general resources of the Fund would be in accordance with the provisions of this Agreement and the policies adopted under them;
- (ii) the member represents that it has a need to make the purchase because of its balance of payments or its reserve position or developments in its reserves;
- (iii) the proposed purchase would be a reserve tranche purchase, or would not cause the Fund's holdings of the purchasing member's currency to exceed two hundred percent of its quota;
- (iv) the Fund has not previously declared under Section 5 of this Article, Article VI, Section 1, or Article XXVI, Section 2 (a) that the member desiring to purchase is ineligible to use the general resources of the Fund.

(c) The Fund shall examine a request for a purchase to determine whether the proposed purchase would be consistent with the provisions of this Agreement and the policies adopted under them, provided that requests for reserve tranche purchases shall not be subject to challenge.

(d) The Fund shall adopt policies and procedures on the selection of currencies to be sold that take into account, in consultation with members, the balance of payments and reserve position of members and developments in the exchange markets, as well as the desirability of promoting over time balanced positions in the Fund, provided that if a member represents that it is proposing to purchase the currency of another member because the purchasing member wishes to obtain an equivalent amount of its own currency offered by the other member, it

shall be entitled to purchase the currency of the other member unless the Fund has given notice under Article VII, Section 3 that its holdings of the currency have become scarce.

- (e) (i) Each member shall ensure that balances of its currency purchased from the Fund are balances of a freely usable currency or can be exchanged at the time of purchase for a freely usable currency of its choice at an exchange rate between the two currencies equivalent to the exchange rate between them on the basis of Article XIX, Section 7 (a).
- (ii) Each member whose currency is purchased from the Fund or is obtained in exchange for currency purchased from the Fund shall collaborate with the Fund and other members to enable such balances of its currency to be exchanged, at the time of purchase, for the freely usable currencies of other members.
- (iii) An exchange under (i) above of a currency that is not freely usable shall be made by the member whose currency is purchased unless that member and the purchasing member agree on another procedure.
- (iv) A member purchasing from the Fund the freely usable currency of another member and wishing to exchange it at the time of purchase for another freely usable currency shall make the exchange with the other member if requested by that member. The exchange shall be made for a freely usable currency selected by the other member at the rate of exchange referred to in (i) above.

(f) Under policies and procedures which it shall adopt, the Fund may agree to provide a participant making a purchase in accordance with this Section with special drawing rights instead of the currencies of other members.

Section 4. *Waiver of conditions*

The Fund may in its discretion, and on terms which safeguard its interests, waive any of the conditions prescribed in Section 3 (b) (iii) and (iv) of this Article, especially in the case of members with a record of making a waiver it shall take into consideration periodic or exceptional requirements of the member requesting the waiver. The Fund shall also take into consideration a member's willingness to pledge as collateral security acceptable assets having a value sufficient in the opinion of the Fund to protect its interests and may require as a condition of waiver the pledge of such collateral security.

Section 5. Ineligibility to use the Fund's general resources

Whenever the Fund is of the opinion that any member is using the general resources of the Fund in a manner contrary to the purposes of the Fund, it shall present to the member a report setting forth the views of the Fund and prescribing a suitable time for reply. After presenting such a report to a member, the Fund may limit the use of its general resources by the member. If no reply to the report is received from the member within the prescribed time, or if the reply received is unsatisfactory, the Fund may continue to limit the member's use of the general resources of the Fund or may, after giving reasonable notice to the member, declare it ineligible to use the general resources of the Fund.

Section 6. Other purchases and sales of special drawing rights by the Fund

(a) The Fund may accept special drawing rights offered by a participant in exchange for an equivalent amount of the currencies of other members.

(b) The Fund may provide a participant, at its request, with special drawing rights for an equivalent amount of the currencies of other members. The Fund's holdings of a member's currency shall not be increased as a result of these transactions above the level at which the holdings would be subject to charges under Section 8 (b) (ii) of this Article.

(c) The currencies provided or accepted by the Fund under this Section shall be selected in accordance with policies that take into account the principles of Section 3 (d) or 7 (f) of this Article. The Fund may enter into transactions under this Section only if a member whose currency is provided or accepted by the Fund concurs in that use of its currency.

Section 7. Repurchase by a member of its currency held by the Fund

(a) A member shall be entitled to repurchase at any time the Fund's holdings of its currency that are subject to charges under Section 8 (b) of this Article.

(b) A member that has made a purchase under Section 3 of this Article will be expected normally, as its balance of payments and reserve position improves, to repurchase the Fund's holdings of its currency that result from the purchase and are subject to charges under Section 8 (b) of this Article. A member shall repurchase these holdings if, in accordance with policies on repurchase that the Fund shall adopt and after consultation

with the member, the Fund represents to the member that it should repurchase because of an improvement in its balance of payments and reserve position.

(c) A member that has made a purchase under Section 3 of this Article shall repurchase the Fund's holdings of its currency that result from the purchase and are subject to charges under Section 8 (b) of this Article not later than five years after the date on which the purchase was made. The Fund may prescribe that repurchase shall be made by a member in installments during the period beginning three years and ending five years after the date of a purchase. The Fund, by an eighty-five percent majority of the total voting power, may change the periods for repurchase under this subsection, and any period so adopted shall apply to all members.

(d) The Fund, by an eighty-five percent majority of the total voting power, may adopt periods other than those that apply in accordance with (c) above, which shall be the same for all members, for the repurchase of holdings of currency acquired by the Fund pursuant to a special policy on the use of its general resources.

(e) A member shall repurchase, in accordance with policies that the Fund shall adopt by a seventy percent majority of the total voting power, the Fund's holdings of its currency that are not acquired as a result of purchases and are subject to charges under Section 8 (b) (ii) of this Article.

(f) A decision prescribing that under a policy on the use of the general resources of the Fund the period for repurchase under (c) or (d) above shall be shorter than the one in effect under the policy shall apply only to holdings acquired by the Fund subsequent to the effective date of the decision.

(g) The Fund, on the request of a member, may postpone the date of discharge of a repurchase obligation, but not beyond the maximum period under (c) or (d) above or under policies adopted by the Fund under (e) above, unless the Fund determines, by a seventy percent majority of the total voting power, that a longer period for repurchase which is consistent with the temporary use of the general resources of the Fund is justified because discharge on the due date would result in exceptional hardship for the member.

(h) The Fund's policies under Section 3 (d) of this Article may be supplemented by policies under which the Fund may decide after consultation with a member to sell under Section 3 (b) of this Article its holdings of the member's currency that have not been repurchased in

accordance with this Section 7, without prejudice to any action that the Fund may be authorized to take under any other provision of this Agreement.

(f) All repurchases under this Section shall be made with special drawing rights or with the currencies of other members specified by the Fund. The Fund shall adopt policies and procedures with regard to the currencies to be used by members in making repurchases that take into account the principles in Section 3(d) of this Article. The Fund's holdings of a member's currency that is used in repurchase shall not be increased by the repurchase above the level at which they would be subject to charges under Section 8(b)(ii) of this Article.

- (j) (i) If a member's currency specified by the Fund under (f) above is not a freely usable currency, the member shall ensure that the repurchasing member can obtain it at the time of the repurchase in exchange for a freely usable currency selected by the member whose currency has been specified. An exchange of currency under this provision shall take place at an exchange rate between the two currencies equivalent to the exchange rate between them on the basis of Article XIX, Section 7(a).
- (ii) Each member whose currency is specified by the Fund for repurchase shall collaborate with the Fund and other members to enable repurchasing members, at the time of the repurchase, to obtain the specified currency in exchange for the freely usable currencies of other members.
- (iii) An exchange under (j) (i) above shall be made with the member whose currency is specified unless that member and the repurchasing member agree on another procedure.
- (iv) If a repurchasing member wishes to obtain, at the time of the repurchase, the freely usable currency of another member specified by the Fund under (f) above, it shall, if requested by the other member, obtain the currency from the other member in exchange for a freely usable currency at the rate of exchange referred to in (j) (i) above. The Fund may adopt regulations on the freely usable currency to be provided in an exchange.

Section 8. Charges

- (a) (i) The Fund shall levy a service charge on the purchase by a member of special drawing rights or the currency of another member held in the General Resources Account in exchange

for its own currency, provided that the Fund may levy a lower service charge on reserve tranche purchases than on other purchases. The service charge on reserve tranche purchases shall not exceed one-half of one percent.

- (ii) The Fund may levy a charge for stand-by or similar arrangements. The Fund may decide that the charge for an arrangement shall be offset against the service charge levied under (i) above on purchases under the arrangement.

(b) The Fund shall levy charges on its average daily balances of a member's currency held in the General Resources Account to the extent that they

- (i) have been acquired under a policy that has been the subject of an exclusion under Article XXX(c), or
- (ii) exceed the amount of the member's quota after excluding any balances referred to in (i) above.

The rates of charge normally shall rise at intervals during the period in which balances are held.

(c) If a member fails to make a repurchase required under Section 7 of this Article, the Fund, after consultation with the member on the reduction of the Fund's holdings of its currency, may impose such charges as the Fund deems appropriate on its holdings of the member's currency that should have been repurchased.

(d) A seventy percent majority of the total voting power shall be required for the determination of the rates of charge under (a) and (b) above, which shall be uniform for all members, and under (c) above.

(e) A member shall pay all charges in special drawing rights, provided that in exceptional circumstances the Fund may permit a member to pay charges in the currencies of other members specified by the Fund, after consultation with them, or in its own currency. The Fund's holdings of a member's currency shall not be increased as a result of payments by other members under this provision above the level at which they would be subject to charges under (b)(ii) above.

Section 9. *Remuneration.*

(a) The Fund shall pay remuneration on the amount by which the percentage of quota prescribed under (b) or (c) below exceeds the Fund's average daily balances of a member's currency held in the General Resources Account other than balances acquired under a policy that has been the subject of an exclusion under Article XXX(c). The rate of remuneration, which shall be determined by the Fund by a seventy

percent majority of the total voting power, shall be the same for all members and shall be not more than, nor less than four-fifths of, the rate of interest under Article XX, Section 3. In establishing the rate of remuneration, the Fund shall take into account the rates of charge under Article V, Section 8 (b).

(b) The percentage of quota applying for the purposes of (a) above shall be:

- (i) for each member that became a member before the second amendment of this Agreement, a percentage of quota corresponding to seventy-five percent of its quota on the date of the second amendment of this Agreement, and for each member that became a member after the date of the second amendment of this Agreement, a percentage of quota calculated by dividing the total of the amounts corresponding to the percentages of quota that apply to the other members on the date on which the member became a member by the total of the quotas of the other members on the same date; plus
- (ii) the amounts it has paid to the Fund in currency or special drawing rights under Article III, Section 3(a) since the date applicable under (b)(i) above; and minus
- (iii) the amounts it has received from the Fund in currency or special drawing rights under Article III, Section 3(c) since the date applicable under (b)(i) above.

(c) The Fund, by a seventy percent majority of the total voting power, may raise the latest percentage of quota applying for the purposes of (a) above to each member to:

- (i) a percentage, not in excess of one hundred percent, that shall be determined for each member on the basis of the same criteria for all members, or
- (ii) one hundred percent for all members.

(d) Remuneration shall be paid in special drawing rights, provided that either the Fund or the member may decide that the payment to the member shall be made in its own currency.

Section 10. Computations

(a) The value of the Fund's assets held in the accounts of the General Department shall be expressed in terms of the special drawing right.

(b) All computations relating to currencies of members for the purpose of applying the provisions of this Agreement, except Article IV and Schedule C, shall be at the rates at which the Fund accounts for these currencies in accordance with Section 11 of this Article.

(c) Computations for the determination of amounts of currency in relation to quota for the purpose of applying the provisions of this Agreement shall not include currency held in the Special Disbursement Account or in the Investment Account.

Section 11. Maintenance of value

(a) The value of the currencies of members held in the General Resources Account shall be maintained in terms of the special drawing right in accordance with exchange rates under Article XIX, Section 7 (a).

(b) An adjustment in the Fund's holdings of a member's currency pursuant to this Section shall be made on the occasion of the use of that currency in an operation or transaction between the Fund and another member and at such other times as the Fund may decide or the member may request. Payments to or by the Fund in respect of an adjustment shall be made within a reasonable time, as determined by the Fund, after the date of adjustment, and at any other time requested by the member.

Section 12. Other operations and transactions

(a) The Fund shall be guided in all its policies and decisions under this Section by the objectives set forth in Article VIII, Section 7 and by the objective of avoiding the management of the price, or the establishment of a fixed price, in the gold market.

(b) Decisions of the Fund to engage in operations or transactions under (c), (d), and (e) below shall be made by an eighty-five percent majority of the total voting power.

(c) The Fund may sell gold for the currency of any member after consulting the member for whose currency the gold is sold, provided that the Fund's holdings of a member's currency held in the General Resources Account shall not be increased by the sale above the level at which they would be subject to charges under Section 8 (b) (ii) of this Article without the concurrence of the member, and provided that, at the request of the member, the Fund at the time of sale shall exchange for the currency of another member such part of the currency received as would prevent such an increase. The exchange of a currency for the currency of another member shall be made after consultation with that member, and shall not increase the Fund's holdings of that member's currency above the level at which they would be subject to charges under Section 8 (b) (ii) of this Article. The Fund shall adopt policies and procedures with regard to exchanges that take into account the principles applied under Section 7 (f) of this Article. Sales under this provision to a member shall be at a price agreed for each transaction on the basis of prices in the market.

(d) The Fund may accept payments from a member in gold instead of special drawing rights or currency in any operations or transactions under this Agreement. Payments to the Fund under this provision shall be at a price agreed for each operation or transaction on the basis of prices in the market.

(e) The Fund may sell gold held by it on the date of the second amendment of this Agreement to those members that were members on August 31, 1975 and that agree to buy it, in proportion to their quotas on that date. If the Fund intends to sell gold under (e) above for the purpose of (f) (ii) below, it may sell to each developing member that agrees to buy it that portion of the gold which, if sold under (e) above, would have produced the excess that could have been distributed to it under (f) (iii) below. The gold that would be sold under this provision to a member that has been declared ineligible to use the general resources of the Fund under Section 5 of this Article shall be sold to it when the ineligibility ceases, unless the Fund decides to make the sale sooner. The sale of gold to a member under this subsection (e) shall be made in exchange for its currency and at a price equivalent at the time of sale to one special drawing right per 0.888 671 gram of fine gold.

(f) Whenever under (e) above the Fund sells gold held by it on the date of the second amendment of this Agreement, an amount of the proceeds equivalent at the time of sale to one special drawing right per 0.888 671 gram of fine gold shall be placed in the General Resources Account and, except as the Fund may decide otherwise under (g) below, any excess shall be held in the Special Disbursement Account. The assets held in the Special Disbursement Account shall be held separately from the other accounts of the General Department, and may be used at any time:

- (i) to make transfers to the General Resources Account for immediate use in operations and transactions authorized by provisions of this Agreement other than this Section;
- (ii) for operations and transactions that are not authorized by other provisions of this Agreement but are consistent with the purposes of the Fund. Under this subsection (f) (ii) balance of payments assistance may be made available on special terms to developing members in difficult circumstances, and for this purpose the Fund shall take into account the level of per capita income;
- (iii) for distribution to those developing members that were members on August 31, 1975, in proportion to their quotas on that date, of such part of the assets that the Fund decides to use for the purposes of (ii) above as corresponds to the proportion of

the quotas of these members on the date of distribution to the total of the quotas of all members on the same date, provided that the distribution under this provision to a member that has been declared ineligible to use the general resources of the Fund under Section 5 of this Article shall be made when the ineligibility ceases, unless the Fund decides to make the distribution sooner.

Decisions to use assets pursuant to (i) above shall be taken by a seventy percent majority of the total voting power, and decisions pursuant to (ii) and (iii) above shall be taken by an eighty-five percent majority of the total voting power.

(g) The Fund may decide, by an eighty-five percent majority of the total voting power, to transfer a part of the excess referred to in (f) above to the Investment Account for use pursuant to the provisions of Article XII, Section 6 (f).

(h) Pending uses specified under (f) above, the Fund may invest a member's currency held in the Special Disbursement Account in marketable obligations of that member or in marketable obligations of international financial organizations. The income of investment and interest received under (f) (ii) above shall be placed in the Special Disbursement Account. No investment shall be made without the concurrence of the member whose currency is used to make the investment. The Fund shall invest only in obligations denominated in special drawing rights or in the currency used for investment.

(i) The General Resources Account shall be reimbursed from time to time in respect of the expenses of administration of the Special Disbursement Account paid from the General Resources Account by transfers from the Special Disbursement Account on the basis of a reasonable estimate of such expenses.

(j) The Special Disbursement Account shall be terminated in the event of the liquidation of the Fund and may be terminated prior to liquidation of the Fund by a seventy percent majority of the total voting power. Upon termination of the account because of the liquidation of the Fund, any assets in this account shall be distributed in accordance with the provisions of Schedule K. Upon termination prior to liquidation of the Fund, any assets in this account shall be transferred to the General Resources Account for immediate use in operations and transactions. The Fund, by a seventy percent majority of the total voting power, shall adopt rules and regulations for the administration of the Special Disbursement Account.

Article VI

Capital Transfers

Section 1. *Use of the Fund's general resources for capital transfers*

(a) A member may not use the Fund's general resources to meet a large or sustained outflow of capital except as provided in Section 2 of this Article, and the Fund may request a member to exercise controls to prevent such use of the general resources of the Fund. If, after receiving such a request, a member fails to exercise appropriate controls, the Fund may declare the member ineligible to use the general resources of the Fund.

(b) Nothing in this Section shall be deemed:

- (i) to prevent the use of the general resources of the Fund for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking, or other business; or
- (ii) to affect capital movements which are met out of a member's own resources, but members undertake that such capital movements will be in accordance with the purposes of the Fund.

Section 2. *Special provisions for capital transfers*

A member shall be entitled to make reserve tranche purchases to meet capital transfers.

Section 3. *Controls of capital transfers*

Members may exercise such controls as are necessary to regulate international capital movements, but no member may exercise these controls in a manner which will restrict payments for current transactions or which will unduly delay transfers of funds in settlement of commitments, except as provided in Article VII, Section 3(b) and in Article XIV, Section 2.

Article VII

Replenishment and Scarce Currencies

Section 1. *Measures to replenish the Fund's holdings of currencies*

The Fund may, if it deems such action appropriate to replenish its holdings of any member's currency in the General Resources Account

needed in connection with its transactions, take either or both of the following steps:

- (i) propose to the member that, on terms and conditions agreed between the Fund and the member, the latter lend its currency to the Fund or that, with the concurrence of the member, the Fund borrow such currency from some other source either within or outside the territories of the member, but no member shall be under any obligation to make such loans to the Fund or to concur in the borrowing of its currency by the Fund from any other source;
- (ii) require the member, if it is a participant, to sell its currency to the Fund for special drawing rights held in the General Resources Account, subject to Article XIX, Section 4. In replenishing with special drawing rights, the Fund shall pay due regard to the principles of designation under Article XIX, Section 5.

Section 2. *General scarcity of currency*

If the Fund finds that a general scarcity of a particular currency is developing, the Fund may so inform members and may issue a report setting forth the causes of the scarcity and containing recommendations designed to bring it to an end. A representative of the member whose currency is involved shall participate in the preparation of the report.

Section 3. *Scarcity of the Fund's holdings*

(a) If it becomes evident to the Fund that the demand for a member's currency seriously threatens the Fund's ability to supply that currency, the Fund, whether or not it has issued a report under Section 2 of this Article, shall formally declare such currency scarce and shall thenceforth apportion its existing and accruing supply of the scarce currency with due regard to the relative needs of members, the general international economic situation, and any other pertinent considerations. The Fund shall also issue a report concerning its action.

(b) A formal declaration under (a) above shall operate as an authorization to any member, after consultation with the Fund, temporarily to impose limitations on the freedom of exchange operations in the scarce currency. Subject to the provisions of Article IV and Schedule C, the member shall have complete jurisdiction in determining the nature of such limitations, but they shall be no more restrictive than is necessary to limit the demand for the scarce currency to the supply held by, or accruing to, the member in question, and they shall be relaxed and removed as rapidly as conditions permit.

(c) The authorization under (b) above shall expire whenever the Fund formally declares the currency in question to be no longer scarce.

Section 4. *Administration of restrictions*

Any member imposing restrictions in respect of the currency of any other member pursuant to the provisions of Section 3 (b) of this Article shall give sympathetic consideration to any representations by the other member regarding the administration of such restrictions.

Section 5. *Effect of other international agreements on restrictions*

Members agree not to invoke the obligations of any engagements entered into with other members prior to this Agreement in such a manner as will prevent the operation of the provisions of this Article.

Article VIII

General Obligations of Members

Section 1. *Introduction*

In addition to the obligations assumed under other articles of this Agreement, each member undertakes the obligations set out in this Article.

Section 2. *Avoidance of restrictions on current payments*

(a) Subject to the provisions of Article VII, Section 3(b) and Article XIV, Section 2, no member shall, without the approval of the Fund, impose restrictions on the making of payments and transfers for current international transactions.

(b) Exchange contracts which involve the currency of any member and which are contrary to the exchange control regulations of that member maintained or imposed consistently with this Agreement shall be unenforceable in the territories of any member. In addition, members may, by mutual accord, cooperate in measures for the purpose of making the exchange control regulations of either member more effective, provided that such measures and regulations are consistent with this Agreement.

Section 3. *Avoidance of discriminatory currency practices*

No member shall engage in, or permit any of its fiscal agencies referred

to in Article V, Section 1 to engage in, any discriminatory currency arrangements or multiple currency practices, whether within or outside margins under Article IV or prescribed by or under Schedule C, except as authorized under this Agreement or approved by the Fund. If such arrangements and practices are engaged in at the date when this Agreement enters into force, the member concerned shall consult with the Fund as to their progressive removal unless they are maintained or imposed under Article XIV, Section 2, in which case the provisions of Section 3 of that Article shall apply.

Section 4. *Convertibility of foreign-held balances*

(a) Each member shall buy balances of its currency held by another member if the latter, in requesting the purchase, represents:

- (i) that the balances to be bought have been recently acquired as a result of current transactions; or
- (ii) that their conversion is needed for making payments for current transactions.

The buying member shall have the option to pay either in special drawing rights, subject to Article XIX, Section 4, or in the currency of the member making the request.

(b) The obligation in (a) above shall not apply when:

- (i) the convertibility of the balances has been restricted consistently with Section 2 of this Article or Article VI, Section 3;
- (ii) the balances have accumulated as a result of transactions effected before the removal by a member of restrictions maintained or imposed under Article XIV, Section 2;
- (iii) the balances have been acquired contrary to the exchange regulations of the member which is asked to buy them;
- (iv) the currency of the member requesting the purchase has been declared scarce under Article VII, Section 3(a); or
- (v) the member requested to make the purchase is for any reason not entitled to buy currencies of other members from the Fund for its own currency.

Section 5. *Furnishing of information*

(a) The Fund may require members to furnish it with such information as it deems necessary for its activities, including, as the minimum necessary for the effective discharge of the Fund's duties, national data on the following matters:

- (i) official holdings at home and abroad of (1) gold, (2) foreign exchange;

- (ii) holdings at home and abroad by banking and financial agencies, other than official agencies, of (1) gold, (2) foreign exchange;
- (iii) production of gold;
- (iv) gold exports and imports according to countries of destination and origin;
- (v) total exports and imports of merchandise, in terms of local currency values, according to countries of destination and origin;
- (vi) international balance of payments, including (1) trade in goods and services, (2) gold transactions, (3) known capital transactions, and (4) other items;
- (vii) international investment position, i.e., investments within the territories of the member owned abroad and investments abroad owned by persons in its territories so far as it is possible to furnish this information;
- (viii) national income;
- (ix) price indices, i.e., indices of commodity prices in wholesale and retail markets and of export and import prices;
- (x) buying and selling rates for foreign currencies;
- (xi) exchange controls, i.e., a comprehensive statement of exchange controls in effect at the time of assuming membership in the Fund and details of subsequent changes as they occur; and
- (xii) where official clearing arrangements exist, details of amounts awaiting clearance in respect of commercial and financial transactions, and of the length of time during which such arrears have been outstanding.

(b) In requesting information the Fund shall take into consideration the varying ability of members to furnish the data requested. Members shall be under no obligation to furnish information in such detail that the affairs of individuals or corporations are disclosed. Members undertake, however, to furnish the desired information in as detailed and accurate a manner as is practicable and, so far as possible, to avoid mere estimates.

(c) The Fund may arrange to obtain further information by agreement with members. It shall act as a centre for the collection and exchange of information on monetary and financial problems, thus facilitating the preparation of studies designed to assist members in developing policies which further the purposes of the Fund.

Section 6. Consultation between members regarding existing international agreements

Where under this Agreement a member is authorized in the special or

(b) The Board of Governors may delegate to the Executive Board authority to exercise any powers of the Board of Governors, except the powers conferred directly by this Agreement on the Board of Governors.

(c) The Board of Governors shall hold such meetings as may be provided for by the Board of Governors or called by the Executive Board. Meetings of the Board of Governors shall be called whenever requested by fifteen members or by members having one-quarter of the total voting power.

(d) A quorum for any meeting of the Board of Governors shall be a majority of the Governors having not less than two-thirds of the total voting power.

(e) Each Governor shall be entitled to cast the number of votes allotted under Section 5 of this Article to the member appointing him.

(f) The Board of Governors may by regulation establish a procedure whereby the Executive Board, when it deems such action to be in the best interests of the Fund, may obtain a vote of the Governors on a specific question without calling a meeting of the Board of Governors.

(g) The Board of Governors, and the Executive Board to the extent authorized, may adopt such rules and regulations as may be necessary or appropriate to conduct the business of the Fund.

(h) Governors and Alternates shall serve as such without compensation from the Fund, but the Fund may pay them reasonable expenses incurred in attending meetings.

(i) The Board of Governors shall determine the remuneration to be paid to the Executive Directors and their Alternates and the salary and terms of the contract of service of the Managing Director.

(j) The Board of Governors and the Executive Board may appoint such committees as they deem advisable. Membership of committees need not be limited to Governors or Executive Directors or their Alternates.

Section 3. *Executive Board*

(a) The Executive Board shall be responsible for conducting the business of the Fund, and for this purpose shall exercise all the powers delegated to it by the Board of Governors.

(b) The Executive Board shall consist of Executive Directors with the Managing Director as chairman. Of the Executive Directors:

- (i) five shall be appointed by the five members having the largest quotas; and
- (ii) fifteen shall be elected by the other members.

For the purpose of each regular election of Executive Directors, the Board of Governors, by an eighty-five percent majority of the total voting power, may increase or decrease the number of Executive Directors in (ii) above. The number of Executive Directors in (ii) above shall be reduced by one or two, as the case may be, if Executive Directors are appointed under (i) below, unless the Board of Governors decides, by an eighty-five percent majority of the total voting power, that this reduction would hinder the effective discharge of the functions of the Executive Board or of Executive Directors or would threaten to upset a desirable balance in the Executive Board.

(c) If, at the second regular election of Executive Directors and thereafter, the members entitled to appoint Executive Directors under (b) (i) above do not include the two members, the holdings of whose currencies by the Fund in the General Resources Account have been, on the average over the preceding two years, reduced below their quotas by the largest absolute amounts in terms of the special drawing right, either one or both of such members, as the case may be, may appoint an Executive Director.

(d) Elections of elective Executive Directors shall be conducted at intervals of two years in accordance with the provisions of Schedule E, supplemented by such regulations as the Fund deems appropriate. For each regular election of Executive Directors, the Board of Governors may issue regulations making changes in the proportion of votes required to elect Executive Directors under the provisions of Schedule E.

(e) Each Executive Director shall appoint an Alternate with full power to act for him when he is not present. When the Executive Directors appointing them are present, Alternates may participate in meetings but may not vote.

(f) Executive Directors shall continue in office until their successors are appointed or elected. If the office of an elected Executive Director becomes vacant more than ninety days before the end of his term, another Executive Director shall be elected for the remainder of the term by the members that elected the former Executive Director. A majority of the votes cast shall be required for election. While the office remains

vacant, the Alternate of the former Executive Director shall exercise his powers, except that of appointing an Alternate.

(x) The Executive Board shall function in continuous session at the principal office of the Fund and shall meet as often as the business of the Fund may require.

(h) A quorum for any meeting of the Executive Board shall be a majority of the Executive Directors having not less than one-half of the total voting power.

(f) (i) Each appointed Executive Director shall be entitled to cast the number of votes allotted under Section 5 of this Article to the member appointing him.

(ii) If the votes allotted to a member that appoints an Executive Director under (c) above were cast by an Executive Director together with the votes allotted to other members as a result of the last regular election of Executive Directors, the member may agree with each of the other members that the number of votes allotted to it shall be cast by the appointed Executive Director. A member making such an agreement shall not participate in the election of Executive Directors.

(iii) Each elected Executive Director shall be entitled to cast the number of votes which counted towards his election.

(iv) When the provisions of Section 5(b) of this Article are applicable, the votes which an Executive Director would otherwise be entitled to cast shall be increased or decreased correspondingly. All the votes which an Executive Director is entitled to cast shall be cast as a unit.

(j) The Board of Governors shall adopt regulations under which a member not entitled to appoint an Executive Director under (h) above may send a representative to attend any meeting of the Executive Board when a request made by, or a matter particularly affecting, that member is under consideration.

Section 4. *Managing Director and staff*

(a) The Executive Board shall select a Managing Director who shall not be a Governor or an Executive Director. The Managing Director shall be chairman of the Executive Board, but shall have no vote except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors, but shall not vote at such meetings. The Managing Director shall cease to hold office when the Executive Board so decides.

(b) The Managing Director shall be chief of the operating staff of the Fund and shall conduct, under the direction of the Executive Board, the ordinary business of the Fund. Subject to the general control of the Executive Board, he shall be responsible for the organization, appointment, and dismissal of the staff of the Fund.

(c) The Managing Director and the staff of the Fund, in the discharge of their functions, shall owe their duty entirely to the Fund and to no other authority. Each member of the Fund shall respect the international character of this duty and shall refrain from all attempts to influence any of the staff in the discharge of these functions.

(d) In appointing the staff the Managing Director shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of recruiting personnel on as wide a geographical basis as possible.

Section 5. *Voting*

(a) Each member shall have two hundred fifty votes plus one additional vote for each part of its quota equivalent to one hundred thousand special drawing rights.

(b) Whenever voting is required under Article V, Section 4 or 5, each member shall have the number of votes to which it is entitled under (a) above adjusted

- (i) by the addition of one vote for the equivalent of each four hundred thousand special drawing rights of net sales of its currency from the general resources of the Fund up to the date when the vote is taken, or
- (ii) by the subtraction of one vote for the equivalent of each four hundred thousand special drawing rights of its net purchases under Article V, Section 3 (b) and (f) up to the date when the vote is taken.

provided that neither net purchases nor net sales shall be deemed at any time to exceed an amount equal to the quota of the member involved.

(c) Except as otherwise specifically provided, all decisions of the Fund shall be made by a majority of the votes cast.

Section 6. *Reserves, distribution of net income, and investment*

(a) The Fund shall determine annually what part of its net income shall be placed to general reserve or special reserve, and what part, if any, shall be distributed.

(b) The Fund may use the special reserve for any purpose for which it may use the general reserve, except distribution.

(c) If any distribution is made of the net income of any year, it shall be made to all members in proportion to their quotas.

(d) The Fund, by a seventy percent majority of the total voting power, may decide at any time to distribute any part of the general reserve. Any such distribution shall be made to all members in proportion to their quotas.

(e) Payments under (c) and (d) above shall be made in special drawing rights, provided that either the Fund or the member may decide that the payment to the member shall be made in its own currency.

- (f)
- (i) The Fund may establish an Investment Account for the purposes of this subsection (f). The assets of the Investment Account shall be held separately from the other accounts of the General Department.
 - (ii) The Fund may decide to transfer to the Investment Account a part of the proceeds of the sale of gold in accordance with Article V, Section 12 (g) and, by a seventy percent majority of the total voting power, may decide to transfer to the Investment Account, for immediate investment, currencies held in the General Resources Account. The amount of these transfers shall not exceed the total amount of the general reserve and the special reserve at the time of the decision.
 - (iii) The Fund may invest a member's currency held in the Investment Account in marketable obligations of that member or in marketable obligations of international financial organizations. No investment shall be made without the concurrence of the member whose currency is used to make the investment. The Fund shall invest only in obligations denominated in special drawing rights or in the currency used for investment.
 - (iv) The income of investment may be invested in accordance with the provisions of this subsection (f). Income not invested shall be held in the Investment Account or may be used for meeting the expenses of conducting the business of the Fund.
 - (v) The Fund may use a member's currency held in the Investment Account to obtain the currencies needed to meet the expenses of conducting the business of the Fund.
 - (vi) The Investment Account shall be terminated in the event of liquidation of the Fund and may be terminated, or the

amount of the investment may be reduced, prior to liquidation of the Fund by a seventy percent majority of the total voting power. The Fund, by a seventy percent majority of the total voting power, shall adopt rules and regulations regarding administration of the Investment Account, which shall be consistent with (vii), (viii), and (ix) below.

- (vii) Upon termination of the Investment Account because of liquidation of the Fund, any assets in this account shall be distributed in accordance with the provisions of Schedule K, provided that a portion of these assets corresponding to the proportion of the assets transferred to this account under Article V, Section 12(g) to the total of the assets transferred to this account shall be deemed to be assets held in the Special Disbursement Account and shall be distributed in accordance with Schedule K, paragraph 2(a)(ii).
- (viii) Upon termination of the Investment Account prior to liquidation of the Fund, a portion of the assets held in this account corresponding to the proportion of the assets transferred to this account under Article V, Section 12(g) to the total of the assets transferred to the account shall be transferred to the Special Disbursement Account if it has not been terminated, and the balance of the assets held in the Investment Account shall be transferred to the General Resources Account for immediate use in operations and transactions.
- (ix) On a reduction of the amount of the investment by the Fund, a portion of the reduction corresponding to the proportion of the assets transferred to the Investment Account under Article V, Section 12(g) to the total of the assets transferred to this account shall be transferred to the Special Disbursement Account if it has not been terminated, and the balance of the reduction shall be transferred to the General Resources Account for immediate use in operations and transactions.

Section 7. *Publication of reports*

(a) The Fund shall publish an annual report containing an audited statement of its accounts, and shall issue, at intervals of three months or less, a summary statement of its operations and transactions and its holdings of special drawing rights, gold, and currencies of members.

(b) The Fund may publish such other reports as it deems desirable for carrying out its purposes.

temporary circumstances specified in the Agreement to maintain or establish restrictions on exchange transactions, and there are other engagements between members entered into prior to this Agreement which conflict with the application of such restrictions, the parties to such engagements shall consult with one another with a view to making such mutually acceptable adjustments as may be necessary. The provisions of this Article shall be without prejudice to the operation of Article VII, Section 5.

Section 7. Obligation to collaborate regarding policies on reserve assets

Each member undertakes to collaborate with the Fund and with other members in order to ensure that the policies of the member with respect to reserve assets shall be consistent with the objectives of promoting better international surveillance of international liquidity and making the special drawing right the principal reserve asset in the international monetary system.

Article IX

Status, Immunities, and Privileges

Section 1. Purposes of Article

To enable the Fund to fulfill the functions with which it is entrusted, the status, immunities, and privileges set forth in this Article shall be accorded to the Fund in the territories of each member.

Section 2. Status of the Fund

The Fund shall possess full juridical personality, and in particular, the capacity:

- (i) to contract;
- (ii) to acquire and dispose of immovable and movable property;
- and
- (iii) to institute legal proceedings.

Section 3. Immunity from judicial process

The Fund, its property and its assets, wherever located and by whomsoever held, shall enjoy immunity from every form of judicial process except to the extent that it expressly waives its immunity for the purpose of any proceedings or by the terms of any contract.

Section 4. Immunity from other action

Property and assets of the Fund, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation, or any other form of seizure by executive or legislative action.

Section 5. Immunity of archives

The archives of the Fund shall be inviolable.

Section 6. Freedom of assets from restrictions

To the extent necessary to carry out the activities provided for in this Agreement, all property and assets of the Fund shall be free from restrictions, regulations, controls, and moratoria of any nature.

Section 7. Privilege for communications

The official communications of the Fund shall be accorded by members the same treatment as the official communications of other members.

Section 8. Immunities and privileges of officers and employees

All Governors, Executive Directors, Alternates, members of committees, representatives appointed under Article XII, Section 3(f), advisors of any of the foregoing persons, officers, and employees of the Fund:

- (i) shall be immune from legal process with respect to acts performed by them in their official capacity except when the Fund waives this immunity;
- (ii) not being local nationals, shall be granted the same immunities from immigration restrictions, alien registration requirements, and national service obligations and the same facilities as regards exchange restrictions as are accorded by members to the representatives, officials, and employees of comparable rank of other members; and
- (iii) shall be granted the same treatment in respect of traveling facilities as is accorded by members to representatives, officials, and employees of comparable rank of other members.

Section 9. Immunities from taxation

(a) The Fund, its assets, property, income, and its operations and transactions authorized by this Agreement shall be immune from all taxation and from all customs duties. The Fund shall also be immune from liability for the collection or payment of any tax or duty.

(b) No tax shall be levied on or in respect of salaries and emoluments paid by the Fund to Executive Directors, Alternates, officers, or employees of the Fund who are not local citizens, local subjects, or other local nationals.

(c) No taxation of any kind shall be levied on any obligation or security issued by the Fund, including any dividend or interest thereon, by whomsoever held:

- (i) which discriminates against such obligation or security solely because of its origin; or
- (ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Fund.

Section 10. *Application of Article*

Each member shall take such action as is necessary in its own territories for the purpose of making effective in terms of its own law the principles set forth in this Article and shall inform the Fund of the detailed action which it has taken.

Article X

Relations with Other International Organizations

The Fund shall cooperate within the terms of this Agreement with any general international organization and with public international organizations having specialized responsibilities in related fields. Any arrangements for such cooperation which would involve a modification of any provision of this Agreement may be effected only after amendment to this Agreement under Article XXVIII.

Article XI

Relations with Non-Member Countries

Section 1. *Undertakings regarding relations with non-member countries*

Each member undertakes:

- (i) not to engage in, nor to permit any of its fiscal agencies referred

- to in Article V, Section 1 to engage in, any transactions with a non-member or with persons in a non-member's territories which would be contrary to the provisions of this Agreement or the purposes of the Fund;
- (ii) not to cooperate with a non-member or with persons in a non-member's territories in practices which would be contrary to the provisions of this Agreement or the purposes of the Fund; and
 - (iii) to cooperate with the Fund with a view to the application in its territories of appropriate measures to prevent transactions with non-members or with persons in their territories which would be contrary to the provisions of this Agreement or the purposes of the Fund.

Section 2. Restrictions on transactions with non-member countries

Nothing in this Agreement shall affect the right of any member to impose restrictions on exchange transactions with non-members or with persons in their territories unless the Fund finds that such restrictions prejudice the interests of members and are contrary to the purposes of the Fund.

Article XII

Organization and Management

Section 1. Structure of the Fund

The Fund shall have a Board of Governors, an Executive Board, a Managing Director, and a staff, and a Council if the Board of Governors decides, by an eighty-five percent majority of the total voting power, that the provisions of Schedule D shall be applied.

Section 2. Board of Governors

(a) All powers under this Agreement not conferred directly on the Board of Governors, the Executive Board, or the Managing Director shall be vested in the Board of Governors. The Board of Governors shall consist of one Governor and one Alternate appointed by each member in such manner as it may determine. Each Governor and each Alternate shall serve until a new appointment is made. No Alternate may vote except in the absence of his principal. The Board of Governors shall select one of the Governors as chairman.

Section 8. *Communication of views to members*

The Fund shall at all times have the right to communicate its views informally to any member on any matter arising under this Agreement. The Fund may, by a seventy percent majority of the total voting power, decide to publish a report made to a member regarding its monetary or economic conditions and developments which directly tend to produce a serious disequilibrium in the international balance of payments of members. If the member is not entitled to appoint an Executive Director, it shall be entitled to representation in accordance with Section 3(j) of this Article. The Fund shall not publish a report involving changes in the fundamental structure of the economic organization of members.

Article XIII

Offices and Depositories

Section 1. *Location of offices*

The principal office of the Fund shall be located in the territory of the member having the largest quota, and agencies or branch offices may be established in the territories of other members.

Section 2. *Depositories*

(a) Each member shall designate its central bank as a depository for all the Fund's holdings of its currency, or if it has no central bank it shall designate such other institution as may be acceptable to the Fund.

(b) The Fund may hold other assets, including gold, in the depositories designated by the five members having the largest quotas and in such other designated depositories as the Fund may select. Initially, at least one-half of the holdings of the Fund shall be held in the depository designated by the member in whose territories the Fund has its principal office and at least forty percent shall be held in the depositories designated by the remaining four members referred to above. However, all transfers of gold by the Fund shall be made with due regard to the costs of transport and anticipated requirements of the Fund. In an emergency the Executive Board may transfer all or any part of the Fund's gold holdings to any place where they can be adequately protected.

Section 3. *Guarantee of the Fund's assets*

Each member guarantees all assets of the Fund against loss resulting from failure or default on the part of the depository designated by it.

Article XIV

Transitional Arrangements

Section 1. *Notification to the Fund*

Each member shall notify the Fund whether it intends to avail itself of the transitional arrangements in Section 2 of this Article, or whether it is prepared to accept the obligations of Article VIII, Sections 2, 3, and 4. A member availing itself of the transitional arrangements shall notify the Fund as soon thereafter as it is prepared to accept these obligations.

Section 2. *Exchange restrictions*

A member that has notified the Fund that it intends to avail itself of transitional arrangements under this provision may, notwithstanding the provisions of any other articles of this Agreement, maintain and adapt to changing circumstances the restrictions on payments and transfers for current international transactions that were in effect on the date on which it became a member. Members shall, however, have continuous regard in their foreign exchange policies to the purposes of the Fund, and, as soon as conditions permit, they shall take all possible measures to develop such commercial and financial arrangements with other members as will facilitate international payments and the promotion of a stable system of exchange rates. In particular, members shall withdraw restrictions maintained under this Section as soon as they are satisfied that they will be able, in the absence of such restrictions, to settle their balance of payments in a manner which will not unduly encumber their access to the general resources of the Fund.

Section 3. *Action of the Fund relating to restrictions*

The Fund shall make annual reports on the restrictions in force under Section 2 of this Article. Any member retaining any restrictions inconsistent with Article VIII, Sections 2, 3, or 4 shall consult the Fund annually as to their further retention. The Fund may, if it deems such action necessary in exceptional circumstances, make representations to any member that conditions are favorable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other articles of this Agreement. The member shall be given a suitable time to reply to such representations. If the Fund finds that the member persists in maintaining restrictions which are inconsistent with the purposes of the Fund, the member shall be subject to Article XXVI, Section 2(a).

Article XV

Special Drawing Rights

Section 1. *Authority to allocate special drawing rights*

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

Section 2. *Valuation of the special drawing right*

The method of valuation of the special drawing right shall be determined by the Fund by a seventy percent majority of the total voting power, provided, however, that an eighty-five percent majority of the total voting power shall be required for a change in the principle of valuation or a fundamental change in the application of the principle in effect.

Article XVI

General Department and Special Drawing Rights Department

Section 1. *Separation of operations and transactions*

All operations and transactions involving special drawing rights shall be conducted through the Special Drawing Rights Department. All other operations and transactions on the account of the Fund authorized by or under this Agreement shall be conducted through the General Department. Operations and transactions pursuant to Article XVII, Section 2 shall be conducted through the General Department as well as the Special Drawing Rights Department.

Section 2. *Separation of assets and property*

All assets and property of the Fund, except resources administered under Article V, Section 2(b), shall be held in the General Department, provided that assets and property acquired under Article XX, Section 2 and Articles XXIV and XXV and Schedules H and I shall be held in the Special Drawing Rights Department. Any assets or property held in one Department shall not be available to discharge or meet the liabilities, obligations, or losses of the Fund incurred in the conduct of the operations and transactions of the other Department, except that the

expenses of conducting the business of the Special Drawing Rights Department shall be paid by the Fund from the General Department which shall be reimbursed in special drawing rights from time to time by assessments under Article XX, Section 4 made on the basis of a reasonable estimate of such expenses.

Section J. *Recording and information*

All changes in holdings of special drawing rights shall take effect only when recorded by the Fund in the Special Drawing Rights Department. Participants shall notify the Fund of the provisions of this Agreement under which special drawing rights are used. The Fund may require participants to furnish it with such other information as it deems necessary for its functions.

Article XVII

Participants and Other Holders of Special Drawing Rights

Section 1. *Participants*

Each member of the Fund that deposits with the Fund an instrument setting forth that it undertakes all the obligations of a participant in the Special Drawing Rights Department in accordance with its law and that it has taken all steps necessary to enable it to carry out all of these obligations shall become a participant in the Special Drawing Rights Department as of the date the instrument is deposited, except that no member shall become a participant before the provisions of this Agreement pertaining exclusively to the Special Drawing Rights Department have entered into force and instruments have been deposited under this Section by members that have at least seventy-five percent of the total of quotas.

Section 2. *Fund as a holder*

The Fund may hold special drawing rights in the General Resources Account and may accept and use them in operations and transactions conducted through the General Resources Account with participants in accordance with the provisions of this Agreement or with prescribed holders in accordance with the terms and conditions prescribed under Section 3 of this Article.

Section 3. *Other holders*

The Fund may prescribe:

- (i) as holders, non-members, members that are non-participants, institutions that perform functions of a central bank for more than one member, and other official entities;
- (ii) the terms and conditions on which prescribed holders may be permitted to hold special drawing rights and may accept and use them in operations and transactions with participants and other prescribed holders; and
- (iii) the terms and conditions on which participants and the Fund through the General Resources Account may enter into operations and transactions in special drawing rights with prescribed holders.

An eighty-five percent majority of the total voting power shall be required for prescriptions under (i) above. The terms and conditions prescribed by the Fund shall be consistent with the provisions of this Agreement and the effective functioning of the Special Drawing Rights Department.

Article XVIII

Allocation and Cancellation of Special Drawing Rights

Section 1. *Principles and considerations governing allocation and cancellation*

(a) In all its decisions with respect to the allocation and cancellation of special drawing rights the Fund shall seek to meet the long-term global need, as and when it arises, to supplement existing reserve assets in such manner as will promote the attainment of its purposes and will avoid economic stagnation and deflation as well as excess demand and inflation in the world.

(b) The first decision to allocate special drawing rights shall take into account, as special considerations, a collective judgment that there is a global need to supplement reserves, and the attainment of a better balance of payments equilibrium, as well as the likelihood of a better working of the adjustment process in the future.

Section 2. *Allocation and cancellation*

(a) Decisions of the Fund to allocate or cancel special drawing rights shall be made for basic periods which shall run consecutively and shall be five years in duration. The first basic period shall begin on the date of the first decision to allocate special drawing rights or such later date as may be specified in that decision. Any allocations or cancellations shall take place at yearly intervals.

(b) The rates at which allocations are to be made shall be expressed as percentages of quotas on the date of each decision to allocate. The rates at which special drawing rights are to be cancelled shall be expressed as percentages of net cumulative allocations of special drawing rights on the date of each decision to cancel. The percentages shall be the same for all participants.

(c) In its decision for any basic period the Fund may provide, notwithstanding (a) and (b) above, that:

- (i) the duration of the basic period shall be other than five years; or
- (ii) the allocations or cancellations shall take place at other than yearly intervals; or
- (iii) the basis for allocations or cancellations shall be the quotas or net cumulative allocations on dates other than the dates of decisions to allocate or cancel.

(d) A member that becomes a participant after a basic period starts shall receive allocations beginning with the next basic period in which allocations are made after it becomes a participant unless the Fund decides that the new participant shall start to receive allocations beginning with the next allocation after it becomes a participant. If the Fund decides that a member that becomes a participant during a basic period shall receive allocations during the remainder of that basic period and the participant was not a member on the dates established under (b) or (c) above, the Fund shall determine the basis on which these allocations to the participant shall be made.

(e) A participant shall receive allocations of special drawing rights made pursuant to any decision to allocate unless:

- (i) the Governor for the participant did not vote in favor of the decision; and
- (ii) the participant has notified the Fund in writing prior to the first allocation of special drawing rights under that decision that it does not wish special drawing rights to be allocated to it under the decision. On the request of a participant, the Fund may

decide to terminate the effect of the notice with respect to allocations of special drawing rights subsequent to the termination.

(f) If on the effective date of any cancellation the amount of special drawing rights held by a participant is less than its share of the special drawing rights that are to be cancelled, the participant shall eliminate its negative balance as promptly as its gross reserve position permits and shall remain in consultation with the Fund for this purpose. Special drawing rights acquired by the participant after the effective date of the cancellation shall be applied against its negative balance and cancelled.

Section 3. *Unexpected major developments*

The Fund may change the rates or intervals of allocation or cancellation during the rest of a basic period or change the length of a basic period or start a new basic period, if at any time the Fund finds it desirable to do so because of unexpected major developments.

Section 4. *Decisions on allocations and cancellations*

(a) Decisions under Section 2(a), (b), and (c) or Section 3 of this Article shall be made by the Board of Governors on the basis of proposals of the Managing Director concurred in by the Executive Board.

(b) Before making any proposal, the Managing Director, after having satisfied himself that it will be consistent with the provisions of Section 1(a) of this Article, shall conduct such consultations as will enable him to ascertain that there is broad support among participants for the proposal. In addition, before making a proposal for the first allocation, the Managing Director shall satisfy himself that the provisions of Section 1(b) of this Article have been met and that there is broad support among participants to begin allocations; he shall make a proposal for the first allocation as soon after the establishment of the Special Drawing Rights Department as he is so satisfied.

- (c) The Managing Director shall make proposals:
- (i) not later than six months before the end of each basic period;
 - (ii) if no decision has been taken with respect to allocation or cancellation for a basic period, whenever he is satisfied that the provisions of (b) above have been met;
 - (iii) when, in accordance with Section 3 of this Article, he considers that it would be desirable to change the rate or intervals of



- allocation or cancellation or change the length of a basic period
or start a new basic period; or
(iv) within six months of a request by the board of Governors or
the Executive Board;

provided that, if under (i), (iii), or (iv) above the Managing Director ascertains that there is no proposal which he considers to be consistent with the provisions of Section 1 of this Article that has broad support among participants in accordance with (b) above, he shall report to the Board of Governors and to the Executive Board.

(d) An eighty-five percent majority of the total voting power shall be required for decisions under Section 2(a), (b), and (c) or Section 3 of this Article except for decisions under Section 3 with respect to a decrease in the rates of allocation.

Article XIX

Operations and Transactions in Special Drawing Rights

Section 1. *Use of special drawing rights*

Special drawing rights may be used in the operations and transactions authorized by or under this Agreement.

Section 2. *Operations and transactions between participants*

(a) A participant designated by the Fund under Section 5 of this Article obtain an equivalent amount of currency from a participant designated under Section 5 of this Article.

(b) A participant, in agreement with another participant, may use its special drawing rights to obtain an equivalent amount of currency from the other participant.

(c) The Fund, by a seventy percent majority of the total voting power, may prescribe operations in which a participant is authorized to engage in agreement with another participant on such terms and conditions as the Fund deems appropriate. The terms and conditions shall be consistent with the effective functioning of the Special Drawing Rights Department and the proper use of special drawing rights in accordance with this Agreement.

(d) The Fund may make representations to a participant that enters into any operation or transaction under (b) or (c) above that in the judgment of the Fund may be prejudicial to the process of designation according to the principles of Section 5 of this Article or is otherwise inconsistent with Article XXII. A participant that persists in entering into such operations or transactions shall be subject to Article XXIII, Section 2(b).

Section 3. *Requirement of need*

(a) In transactions under Section 2(a) of this Article, except as otherwise provided in (c) below, a participant will be expected to use its special drawing rights only if it has a need because of its balance of payments or its reserve position or developments in its reserves, and not for the sole purpose of changing the composition of its reserves.

(b) The use of special drawing rights shall not be subject to challenge on the basis of the expectation in (a) above, but the Fund may make representations to a participant that fails to fulfill this expectation. A participant that persists in failing to fulfill this expectation shall be subject to Article XXIII, Section 2(b).

(c) The Fund may waive the expectation in (a) above in any transactions in which a participant uses special drawing rights to obtain an equivalent amount of currency from a participant designated under Section 5 of this Article that would promote reconstitution by the other participant under Section 6(a) of this Article; prevent or reduce a negative balance of the other participant; or offset the effect of a failure by the other participant to fulfill the expectation in (a) above.

Section 4. *Obligation to provide currency*

(a) A participant designated by the Fund under Section 5 of this Article shall provide on demand a freely usable currency to a participant using special drawing rights under Section 2(a) of this Article. A participant's obligation to provide currency shall not extend beyond the point at which its holdings of special drawing rights in excess of its net cumulative allocation are equal to twice its net cumulative allocation or such higher limit as may be agreed between a participant and the Fund.

(b) A participant may provide currency in excess of the obligatory limit or any agreed higher limit.

Section 5. *Designation of participants to provide currency*

(a) The Fund shall ensure that a participant will be able to use its special drawing rights by designating participants to provide currency for specified amounts of special drawing rights for the purposes of Sections 2(a) and 4 of this Article. Designations shall be made in accordance with the following general principles supplemented by such other principles as the Fund may adopt from time to time:

- (i) A participant shall be subject to designation if its balance of payments and gross reserve position is sufficiently strong, but this will not preclude the possibility that a participant with a strong reserve position will be designated even though it has a moderate balance of payments deficit. Participants shall be designated in such manner as will promote over time a balanced distribution of holdings of special drawing rights among them.
- (ii) Participants shall be subject to designation in order to promote reconstitution under Section 6(a) of this Article, to reduce negative balances in holdings of special drawing rights, or to offset the effect of failures to fulfill the expectation in Section 3(a) of this Article.
- (iii) In designating participants the Fund normally shall give priority to those that need to acquire special drawing rights to meet the objectives of designation under (ii) above.

(b) In order to promote over time a balanced distribution of holdings of special drawing rights under (a) (i) above, the Fund shall apply the rules for designation in Schedule F or such rules as may be adopted under (c) below.

(c) The rules for designation may be reviewed at any time and new rules shall be adopted if necessary. Unless new rules are adopted, the rules in force at the time of the review shall continue to apply.

Section 6. *Reconstitution*

(a) Participants that use their special drawing rights shall reconstitute their holdings of them in accordance with the rules for reconstitution in Schedule G or such rules as may be adopted under (b) below.

(b) The rules for reconstitution may be reviewed at any time and new rules shall be adopted if necessary. Unless new rules are adopted or a decision is made to abrogate rules for reconstitution, the rules in force at the time of review shall continue to apply. A seventy percent majority of the total voting power shall be required for decisions to adopt, modify, or abrogate the rules for reconstitution.

Section 7. *Exchange rates*

(a) Except as otherwise provided in (b) below, the exchange rates for transactions between participants under Section 2(a) and (b) of this Article shall be such that participants using special drawing rights shall receive the same value whatever currencies might be provided and whichever participants provide those currencies, and the Fund shall adopt regulations to give effect to this principle.

(b) The Fund, by an eighty-five percent majority of the total voting power, may adopt policies under which in exceptional circumstances the Fund, by a seventy percent majority of the total voting power, may authorize participants entering into transactions under Section 2(b) of this Article to agree on exchange rates other than those applicable under (a) above.

(c) The Fund shall consult a participant on the procedure for determining rates of exchange for its currency.

(d) For the purpose of this provision the term participant includes a terminating participant.

Article XX

Special Drawing Rights Department Interest and Charges

Section 1. *Interest*

Interest at the same rate for all holders shall be paid by the Fund to each holder on the amount of its holdings of special drawing rights. The Fund shall pay the amount due to each holder whether or not sufficient charges are received to meet the payment of interest.

Section 2. *Charges*

Charges at the same rate for all participants shall be paid to the Fund by each participant on the amount of its net cumulative allocation of special drawing rights plus any negative balance of the participant in unpaid charges.

Section 3. *Rate of interest and charges*

The Fund shall determine the rate of interest by a seventy percent majority of the total voting power. The rate of charges shall be equal to the rate of interest.

Section 4. *Assessments*

When it is decided under Article XVI, Section 2 that reimbursement shall be made, the Fund shall levy assessments for this purpose at the same rate for all participants on their net cumulative allocations.

Section 5. *Payment of interest, charges, and assessments*

Interest, charges, and assessments shall be paid in special drawing rights. A participant that needs special drawing rights to pay any charge or assessment shall be obligated and entitled to obtain them, for currency acceptable to the Fund, in a transaction with the Fund conducted through the General Resources Account. If sufficient special drawing rights cannot be obtained in this way, the participant shall be obligated and entitled to obtain them with a freely usable currency from a participant which the Fund shall specify. Special drawing rights acquired by a participant after the date for payment shall be applied against its unpaid charges and cancelled.

Article XXI

Administration of the General Department and the Special Drawing Rights Department

(a) The General Department and the Special Drawing Rights Department shall be administered in accordance with the provisions of Article XII, subject to the following provisions:

- (i) For meetings of or decisions by the Board of Governors on matters pertaining exclusively to the Special Drawing Rights Department only requests by, or the presence and the votes of, Governors appointed by members that are participants shall be counted for the purpose of calling meetings and determining whether a quorum exists or whether a decision is made by the required majority.
- (ii) For decisions by the Executive Board on matters pertaining exclusively to the Special Drawing Rights Department only Executive Directors appointed or elected by at least one member that is a participant shall be entitled to vote. Each of these Executive Directors shall be entitled to cast the number of votes allotted to the member which is a participant that appointed him or to the members that are participants whose votes counted towards his election. Only the presence of

Executive Directors appointed or elected by members that are participants and the votes allotted to members that are participants shall be counted for the purpose of determining whether a quorum exists or whether a decision is made by the required majority. For the purposes of this provision, an agreement under Article XII, Section 3 (i) (ii) by a member that is a participant shall entitle an appointed Executive Director to vote and cast the number of votes allotted to the member.

- (iii) Questions of the general administration of the Fund, including reimbursement under Article XVI, Section 2, and any question whether a matter pertains to both Departments or exclusively to the Special Drawing Rights Department shall be decided as if they pertained exclusively to the General Department. Decisions with respect to the method of valuation of the special drawing right, the acceptance and holding of special drawing rights in the General Resources Account of the General Department and the use of them, and other decisions affecting the operations and transactions conducted through both the General Resources Account of the General Department and the Special Drawing Rights Department shall be made by the majorities required for decisions on matters pertaining exclusively to each Department. A decision on a matter pertaining to the Special Drawing Rights Department shall so indicate.

(b) In addition to the privileges and immunities that are accorded under Article IX of this Agreement, no tax of any kind shall be levied on special drawing rights or on operations or transactions in special drawing rights.

(c) A question of interpretation of the provisions of this Agreement on matters pertaining exclusively to the Special Drawing Rights Department shall be submitted to the Executive Board pursuant to Article XXIX (a) only on the request of a participant. In any case where the Executive Board has given a decision on a question of interpretation pertaining exclusively to the Special Drawing Rights Department only a participant may require that the question be referred to the Board of Governors under Article XXIX (b). The Board of Governors shall decide whether a Governor appointed by a member that is not a participant shall be entitled to vote in the Committee on Interpretation on questions pertaining exclusively to the Special Drawing Rights Department.

(d) Whenever a disagreement arises between the Fund and a participant that has terminated its participation in the Special Drawing Rights

Department or between the Fund and any participant during the liquidation of the Special Drawing Rights Department with respect to any matter arising exclusively from participation in the Special Drawing Rights Department, the disagreement shall be submitted to arbitration in accordance with the procedures in Article XXIX (c).

Article XXII

General Obligations of Participants

In addition to the obligations assumed with respect to special drawing rights under other articles of this Agreement, each participant undertakes to collaborate with the Fund and with other participants in order to facilitate the effective functioning of the Special Drawing Rights Department and the proper use of special drawing rights in accordance with this Agreement and with the objective of making the special drawing right the principal reserve asset in the international monetary system.

Article XXIII

Suspension of Operations and Transactions in Special Drawing Rights

Section 1. *Emergency provisions*

In the event of an emergency or the development of unforeseen circumstances threatening the activities of the Fund with respect to the Special Drawing Rights Department, the Executive Board, by an eighty-five percent majority of the total voting power, may suspend for a period of not more than one year the operation of any of the provisions relating to operations and transactions in special drawing rights, and the provisions of Article XXVII, Section 1(b), (c), and (d) shall then apply.

Section 2. *Failure to fulfill obligations*

(a) If the Fund finds that a participant has failed to fulfill its obligations under Article XIX, Section 4, the right of the participant to use its special drawing rights shall be suspended unless the Fund otherwise decides.

Department or between the Fund and any participant during the liquidation of the Special Drawing Rights Department with respect to any matter arising exclusively from participation in the Special Drawing Rights Department, the disagreement shall be submitted to arbitration in accordance with the procedures in Article XXIX (c).

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Section 2. *Failure to fulfill obligations*

(a) If the Fund finds that a participant has failed to fulfill its obligations under Article XIX, Section 4, the right of the participant to use its special drawing rights shall be suspended unless the Fund otherwise decides.

Section 2. *Settlement on termination*

(a) When a participant terminates its participation in the Special Drawing Rights Department, all operations and transactions by the terminating participant in special drawing rights shall cease except as otherwise permitted under an agreement made pursuant to (c) below in order to facilitate a settlement or as provided in Sections 3, 5, and 6 of this Article or in Schedule H. Interest and charges that accrued to the date of termination and assessments levied before that date but not paid shall be paid in special drawing rights.

(b) The Fund shall be obligated to redeem all special drawing rights held by the terminating participant, and the terminating participant shall be obligated to pay to the Fund an amount equal to its net cumulative allocation and any other amounts that may be due and payable because of its participation in the Special Drawing Rights Department. These obligations shall be set off against each other and the amount of special drawing rights held by the terminating participant that is used in the setoff to extinguish its obligation to the Fund shall be cancelled.

(c) A settlement shall be made with reasonable despatch by agreement between the terminating participant and the Fund with respect to any obligation of the terminating participant or the Fund after the setoff in (b) above. If agreement on a settlement is not reached promptly the provisions of Schedule H shall apply.

Section 3. *Interest and charges*

After the date of termination the Fund shall pay interest on any outstanding balance of special drawing rights held by a terminating participant and the terminating participant shall pay charges on any outstanding obligation owed to the Fund at the times and rates prescribed under Article XX. Payment shall be made in special drawing rights. A terminating participant shall be entitled to obtain special drawing rights with a freely usable currency to pay charges or assessments in a transaction with a participant specified by the Fund or by agreement from any other holder, or to dispose of special drawing rights received as interest in a transaction with any participant designated under Article XIX, Section 5 or by agreement with any other holder.

Section 4. *Settlement of obligation to the Fund*

Currency received by the Fund from a terminating participant shall be used by the Fund to redeem special drawing rights held by participants in

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(b) The Fund shall be obligated to redeem all special drawing rights held by the terminating participant, and the terminating participant shall be obligated to pay to the Fund an amount equal to its net cumulative allocation and any other amounts that may be due and payable because of its participation in the Special Drawing Rights Department. These obligations shall be set off against each other and the amount of special drawing rights held by the terminating participant that is used in the setoff to extinguish its obligation to the Fund shall be cancelled.

(c) A settlement shall be made with reasonable despatch by agreement between the terminating participant and the Fund with respect to any obligation of the terminating participant or the Fund after the setoff in (b) above. If agreement on a settlement is not reached promptly the provisions of Schedule H shall apply.

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Executive Board decides that liquidation of the Special Drawing Rights Department may be necessary, it may temporarily suspend allocations or cancellations and all operations and transactions in special drawing rights pending decision by the Board of Governors. A decision by the Board of Governors to liquidate the Fund shall be a decision to liquidate both the General Department and the Special Drawing Rights Department.

(b) If the Board of Governors decides to liquidate the Special Drawing Rights Department, all allocations or cancellations and all operations and transactions in special drawing rights and the activities of the Fund with respect to the Special Drawing Rights Department shall cease except those incidental to the orderly discharge of the obligations of participants and of the Fund with respect to special drawing rights, and all obligations of the Fund and of participants under this Agreement with respect to special drawing rights shall cease except those set out in this Article, Article XX, Article XXI(f), Article XXIV, Article XXIX(c), and Schedule II, or any agreement reached under Article XXIV subject to paragraph 4 of Schedule II, and Schedule I.

(c) Upon liquidation of the Special Drawing Rights Department, interest and charges that accrued to the date of liquidation and assessments levied before that date but not paid shall be paid in special drawing rights. The Fund shall be obligated to redeem all special drawing rights held by holders, and each participant shall be obligated to pay the Fund an amount equal to its net cumulative allocation of special drawing rights and such other amounts as may be due and payable because of its participation in the Special Drawing Rights Department.

(d) Liquidation of the Special Drawing Rights Department shall be administered in accordance with the provisions of Schedule I.

Article XXVI

Withdrawal from Membership

Section 1. *Right of members to withdraw*

Any member may withdraw from the Fund at any time by transmitting a notice in writing to the Fund at its principal office. Withdrawal shall become effective on the date such notice is received.

Executive Board decides that liquidation of the Special Drawing Rights Department may be necessary, it may temporarily suspend allocations or cancellations and all operations and transactions in special drawing rights pending decision by the Board of Governors. A decision by the Board of Governors to liquidate the Fund shall be a decision to liquidate both the General Department and the Special Drawing Rights Department.

(b) If the Board of Governors decides to liquidate the Special Drawing Rights Department, all allocations or cancellations and all operations and transactions in special drawing rights and the activities of the Fund with respect to the Special Drawing Rights Department shall cease except those incidental to the orderly discharge of the obligations of participants and of the Fund with respect to special drawing rights, and all obligations of the Fund and of participants under this Agreement with respect to special drawing rights shall cease except those set out in this Article, Article XX, Article XXI(d), Article XXIV, Article XXIX(c), and Schedule H, or any agreement reached under Article XXIV subject to paragraph 4 of Schedule H, and Schedule I.

(c) Upon liquidation of the Special Drawing Rights Department, interest and charges that accrued to the date of liquidation and assessments levied before that date but not paid shall be paid in special drawing rights. The Fund shall be obligated to redeem all special drawing rights held by holders, and each participant shall be obligated to pay the Fund an amount equal to its net cumulative allocation of special drawing rights and such other amounts as may be due and payable because of its participation in the Special Drawing Rights Department.

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Section 1. *Right of members to withdraw*

Any member may withdraw from the Fund at any time by transmitting a notice in writing to the Fund at its principal office. Withdrawal shall become effective on the date such notice is received.

which, by an eighty-five percent majority of the total voting power, may extend a suspension for an additional period of not more than two years if it finds that the emergency or unforeseen circumstances referred to in (a) above continue to exist.

(c) The Executive Board may, by a majority of the total voting power, terminate such suspension at any time.

(d) The Fund may adopt rules with respect to the subject matter of a provision during the period in which its operation is suspended.

Section 2. *Liquidation of the Fund*

(a) The Fund may not be liquidated except by decision of the Board of Governors. In an emergency, if the Executive Board decides that liquidation of the Fund may be necessary, it may temporarily suspend all operations and transactions, pending decision by the Board of Governors.

(b) If the Board of Governors decides to liquidate the Fund, the Fund shall forthwith cease to engage in any activities except those incidental to the orderly collection and liquidation of its assets and the settlement of its liabilities, and all obligations of members under this Agreement shall cease except those set out in this Article, in Article XXIX (c), in Schedule J, paragraph 7, and in Schedule K.

(c) Liquidation shall be administered in accordance with the provisions of Schedule K.

Article XXVIII

Amendments

(a) Any proposal to introduce modifications in this Agreement, whether emanating from a member, a Governor, or the Executive Board, shall be communicated to the chairman of the Board of Governors who shall bring the proposal before the Board of Governors. If the proposed amendment is approved by the Board of Governors, the Fund shall, by circular letter or telegram, ask all members whether they accept the proposed amendment. When three-fifths of the members, having eighty-five percent of the total voting power, have accepted the proposed amendment, the Fund shall certify the fact by a formal communication addressed to all members.

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another by the member or withdrawing member, and an umpire who, unless the parties otherwise agree, shall be appointed by the President of the International Court of Justice or such other authority as may have been prescribed by regulation adopted by the Fund. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

Article XXX

Explanation of Terms

In interpreting the provisions of this Agreement the Fund and its members shall be guided by the following provisions:

(a) The Fund's holdings of a member's currency in the General Resources Account shall include any securities accepted by the Fund under Article III, Section 4.

(b) Stand-by arrangement means a decision of the Fund by which a member is assured that it will be able to make purchases from the General Resources Account in accordance with the terms of the decision during a specified period and up to a specified amount.

(c) Reserve tranche purchase means a purchase by a member of special drawing rights or the currency of another member in exchange for its own currency which does not cause the Fund's holdings of the member's currency in the General Resources Account to exceed its quota, provided that for the purposes of this definition the Fund may exclude purchases and holdings under:

- (i) policies on the use of its general resources for compensatory financing of export fluctuations;
- (ii) policies on the use of its general resources in connection with the financing of contributions to international buffer stocks of primary products; and
- (iii) other policies on the use of its general resources in respect of which the Fund decides, by an eighty-five percent majority of the total voting power, that an exclusion shall be made.

(d) Payments for current transactions means payments which are not for the purpose of transferring capital, and includes, without limitation:

- (1) all payments due in connection with foreign trade, other current business, including services, and normal short-term banking and credit facilities;

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- (1) all payments due in connection with foreign trade, other current business, including services, and normal short-term banking and credit facilities;

dance with its law and has taken all steps necessary to enable it to carry out all of its obligations under this Agreement.

(b) Each country shall become a member of the Fund as from the date of the deposit on its behalf of the instrument referred to in (a) above, except that no country shall become a member before this Agreement enters into force under Section 1 of this Article.

(c) The Government of the United States of America shall inform the governments of all countries whose names are set forth in Schedule A, and the governments of all countries whose membership is approved in accordance with Article II, Section 2, of all signatures of this Agreement and of the deposit of all instruments referred to in (a) above.

(d) At the time this Agreement is signed on its behalf, each government shall transmit to the Government of the United States of America one-hundredth of one percent of its total subscription in gold or United States dollars for the purpose of meeting administrative expenses of the Fund. The Government of the United States of America shall hold such funds in a special deposit account and shall transmit them to the Board of Governors of the Fund when the initial meeting has been called. If this Agreement has not come into force by December 31, 1945, the Government of the United States of America shall return such funds to the governments that transmitted them.

(e) This Agreement shall remain open for signature at Washington on behalf of the governments of the countries whose names are set forth in Schedule A until December 31, 1945.

(f) After December 31, 1945, this Agreement shall be open for signature on behalf of the government of any country whose membership has been approved in accordance with Article II, Section 2.

(g) By their signature of this Agreement, all governments accept it both on their own behalf and in respect of all their colonies, overseas territories, all territories under their protection, suzerainty, or authority, and all territories in respect of which they exercise a mandate.

(h) Subsection (d) above shall come into force with regard to each signatory government as from the date of its signature.

[The signature and depositary clause reproduced below followed the text of Article XX in the original Articles of Agreement]

Done at Washington, in a single copy which shall remain deposited in the archives of the Government of the United States of America, which shall transmit certified copies to all governments whose names are set forth in Schedule A and to all governments whose membership is approved in accordance with Article II, Section 2.

Schedule A

Quotas

(In millions of United States dollars)

Australia	200	Iran	25
Belgium	225	Iraq	8
Bolivia	10	Liberia .....	.5
Brazil	150	Luxembourg	10
Canada	300	Mexico	90
Chile	50	Netherlands	275
China	550	New Zealand	50
Colombia	50	Nicaragua	2
Costa Rica	5	Norway	50
Cuba	50	Panama .....	.5
Czechoslovakia	125	Paraguay	2
Denmark*	*	Peru	25
Dominican Republic	5	Philippine	
Ecuador	5	Commonwealth	15
Egypt	45	Poland	125
El Salvador	2.5	Union of South Africa	100
Ethiopia	6	Union of Soviet Socialist	
France	450	Republic	1200
Greece	40	United Kingdom	1300
Guatemala	5	United States	2750
Haiti	5	Uruguay	15
Honduras	2.5	Venezuela	15
Iceland	1	Yugoslavia	60
India	400		

* The quota of Denmark shall be determined by the Fund after the Danish Government has declared its readiness to sign this Agreement but before signature takes place.

Schedule B

Transitional Provisions with Respect to Repurchase, Payment of Additional Subscriptions, Gold, and Certain Operational Matters

I. Repurchase obligations that have accrued pursuant to Article V, Section 7(b) before the date of the second amendment of this Agreement

and that remain undischarged at that date shall be discharged not later than the date or dates at which the obligations had to be discharged in accordance with the provisions of this Agreement before the second amendment.

2. A member shall discharge with special drawing rights any obligation to pay gold to the Fund in repurchase or as a subscription that is outstanding at the date of the second amendment of this Agreement, but the Fund may prescribe that these payments may be made in whole or in part in the currencies of other members specified by the Fund. A non-participant shall discharge an obligation that must be paid in special drawing rights pursuant to this provision with the currencies of other members specified by the Fund.

3. For the purposes of 2 above 0.888 671 gram of fine gold shall be equivalent to one special drawing right, and the amount of currency payable under 2 above shall be determined on that basis and on the basis of the value of the currency in terms of the special drawing right at the date of discharge.

4. A member's currency held by the Fund in excess of seventy-five percent of the member's quota at the date of the second amendment of this Agreement and not subject to repurchase under 1 above shall be repurchased in accordance with the following rules:

- (i) Holdings that resulted from a purchase shall be repurchased in accordance with the policy on the use of the Fund's general resources under which the purchase was made.
- (ii) Other holdings shall be repurchased not later than four years after the date of the second amendment of this Agreement.

5. Repurchases under 1 above that are not subject to 2 above, repurchases under 4 above, and any specification of currencies under 2 above shall be in accordance with Article V, Section 7(i).

6. All rules and regulations, rates, procedures, and decisions in effect at the date of the second amendment of this Agreement shall remain in effect until they are changed in accordance with the provisions of this Agreement.

7. To the extent that arrangements equivalent in effect to (a) and (b) below have not been completed before the date of the second amendment of this Agreement, the Fund shall

(a) sell up to 25 million ounces of fine gold held by it on August 31, 1975 to those members that were members on that date and that agree to buy it, in proportion to their quotas on that date. The sale to a member under this subparagraph (a) shall be made in exchange for its currency and at a price equivalent at the time of sale to one special drawing right per 0.888 671 gram of fine gold, and

(b) sell up to 25 million ounces of fine gold held by it on August 31, 1975 for the benefit of developing members that were members on that date, provided, however, that the part of any profits or surplus value of the gold that corresponds to the proportion of such a member's quota on August 31, 1975 to the total of the quotas of all members on that date shall be transferred directly to each such member. The requirements under Article V, Section 12(c) that the Fund consult a member, obtain a member's concurrence, or exchange a member's currency for the currencies of other members in certain circumstances shall apply with respect to currency received by the Fund as a result of sales of gold under this provision, other than sales to a member in return for its own currency, and placed in the General Resources Account.

Upon the sale of gold under this paragraph 7, an amount of the proceeds in the currencies received equivalent at the time of sale to one special drawing right per 0.888 671 gram of fine gold shall be placed in the General Resources Account and other assets held by the Fund under arrangements pursuant to (b) above shall be held separately from the general resources of the Fund. Assets that remain subject to disposition by the Fund upon termination of arrangements pursuant to (b) above shall be transferred to the Special Disbursement Account.

Schedule C

Par Values

1. The Fund shall notify members that par values may be established for the purposes of this Agreement, in accordance with Article IV, Sections 1, 3, 4, and 5 and this Schedule, in terms of the special drawing right, or in terms of such other common denominator as is prescribed by the Fund. The common denominator shall not be gold or a currency.

2. A member that intends to establish a par value for its currency shall propose a par value to the Fund within a reasonable time after notice is given under 1 above.

3. Any member that does not intend to establish a par value for its currency under 1 above shall consult with the Fund and ensure that its exchange arrangements are consistent with the purposes of the Fund and are adequate to fulfill its obligations under Article IV, Section 1.

4. The Fund shall concur in or object to a proposed par value within a reasonable period after receipt of the proposal. A proposed par value shall not take effect for the purposes of this Agreement if the Fund objects to it, and the member shall be subject to 3 above. The Fund shall not object because of the domestic social or political policies of the member proposing the par value.

5. Each member that has a par value for its currency undertakes to apply appropriate measures consistent with this Agreement in order to ensure that the maximum and the minimum rates for spot exchange transactions taking place within its territories between its currency and the currencies of other members maintaining par values shall not differ from parity by more than four and one-half percent or by such other margin or margins as the Fund may adopt by an eighty-five percent majority of the total voting power.

6. A member shall not propose a change in the par value of its currency except to correct, or prevent the emergence of, a fundamental disequilibrium. A change may be made only on the proposal of the member and only after consultation with the Fund.

7. When a change is proposed, the Fund shall concur in or object to the proposed par value within a reasonable period after receipt of the proposal. The Fund shall concur if it is satisfied that the change is necessary to correct, or prevent the emergence of, a fundamental disequilibrium. The Fund shall not object because of the domestic social or political policies of the member proposing the change. A proposed change in par value shall not take effect for the purposes of this Agreement if the Fund objects to it. If a member changes the par value of its currency despite the objection of the Fund, the member shall be subject to Article XXVI, Section 2. Maintenance of an unrealistic par value by a member shall be discouraged by the Fund.

8. The par value of a member's currency established under this Agreement shall cease to exist for the purposes of this Agreement if the member informs the Fund that it intends to terminate the par value. The

Fund may object to the termination of a par value by a decision taken by an eighty-five percent majority of the total voting power. If a member terminates a par value for its currency despite the objection of the Fund, the member shall be subject to Article XXVI, Section 2. A par value established under this Agreement shall cease to exist for the purposes of this Agreement if the member terminates the par value despite the objection of the Fund, or if the Fund finds that the member does not maintain rates for a substantial volume of exchange transactions in accordance with § above, provided that the Fund may not make such finding unless it has consulted the member and given it sixty days notice of the Fund's intention to consider whether to make a finding.

9. If the par value of the currency of a member has ceased to exist under 8 above, the member shall consult with the Fund and ensure that its exchange arrangements are consistent with the purposes of the Fund and are adequate to fulfill its obligations under Article IV, Section 1.

10. A member for whose currency the par value has ceased to exist under 8 above may, at any time, propose a new par value for its currency.

11. Notwithstanding 6 above, the Fund, by a seventy percent majority of the total voting power, may make uniform proportionate changes in all par values if the special drawing right is the common denominator and the changes will not affect the value of the special drawing right. The par value of a member's currency shall, however, not be changed under this provision if, within seven days after the Fund's action, the member informs the Fund that it does not wish the par value of its currency to be changed by such action.

Schedule D

Council

1. (a) Each member that appoints an Executive Director and each group of members that has the number of votes allotted to them cast by an elected Executive Director shall appoint to the Council one Councillor, who shall be a Governor, Minister in the government of a member, or person of comparable rank, and may appoint not more than seven Associates. The Board of Governors may change, by an eighty-five percent majority of the total voting power, the number of Associates who may be appointed. A Councillor or Associate shall serve until a new appointment is made or until the next regular election of Executive Directors, whichever shall occur sooner.

- (b) Executive Directors, or in their absence their Alternates, and Associates shall be entitled to attend meetings of the Council, unless the Council decides to hold a restricted session. Each member and each group of members that appoints a Councillor shall appoint an Alternate who shall be entitled to attend a meeting of the Council when the Councillor is not present, and shall have full power to act for the Councillor.
2. (a) The Council shall supervise the management and adaptation of the international monetary system, including the continuing operation of the adjustment process and developments in global liquidity, and in this connection shall review developments in the transfer of real resources to developing countries.
- (b) The Council shall consider proposals pursuant to Article XXVIII(a) to amend the Articles of Agreement.
3. (a) The Board of Governors may delegate to the Council authority to exercise any powers of the Board of Governors except the powers conferred directly by this Agreement on the Board of Governors.
- (b) Each Councillor shall be entitled to cast the number of votes allotted under Article XII, Section 5 to the member or group of members appointing him. A Councillor appointed by a group of members may cast separately the votes allotted to each member in the group. If the number of votes allotted to a member cannot be cast by an Executive Director, the member may make arrangements with a Councillor for casting the number of votes allotted to the member.
- (c) The Council shall not take any action pursuant to powers delegated by the Board of Governors that is inconsistent with any action taken by the Board of Governors and the Executive Board shall not take any action pursuant to powers delegated by the Board of Governors that is inconsistent with any action taken by either the Board of Governors or the Council.
4. The Council shall select a Councillor as chairman, shall adopt regulations as may be necessary or appropriate to perform its functions, and shall determine any aspect of its procedure. The Council shall hold such meetings as may be provided for by the Council or called by the Executive Board.

5. (a) The Council shall have powers corresponding to those of the Executive Board under the following provisions: Article XII, Section 2(c), (f), (g), and (j); Article XVIII, Section 4(u) and Section 4(c)(iv); Article XXIII, Section 1; and Article XXVII, Section 1(a).
 - (b) For decisions by the Council on matters pertaining exclusively to the Special Drawing Rights Department only Councillors appointed by a member that is a participant or a group of members at least one member of which is a participant shall be entitled to vote. Each of these Councillors shall be entitled to cast the number of votes allotted to the member which is a participant that appointed him or to the members that are participants in the group of members that appointed him, and may cast the votes allotted to a participant with which arrangements have been made pursuant to the last sentence of 3(b) above.
 - (c) The Council may by regulation establish a procedure whereby the Executive Board may obtain a vote of the Councillors on a specific question without a meeting of the Council when in the judgment of the Executive Board an action must be taken by the Council which should not be postponed until the next meeting of the Council and which does not warrant the calling of a special meeting.
 - (d) Article IX, Section 8 shall apply to Councillors, their Alternates, and Associates, and to any other person entitled to attend a meeting of the Council.
 - (e) For the purposes of (b) and 3(b) above, an agreement under Article XII, Section 3(f)(ii) by a member, or by a member that is a participant, shall entitle a Councillor to vote and cast the number of votes allotted to the member.
6. The first sentence of Article XII, Section 2(a) shall be deemed to include a reference to the Council.

Schedule E

Election of Executive Directors

1. The election of the elective Executive Directors shall be by ballot of the Governors eligible to vote.

2. In balloting for the Executive Directors to be elected, each of the Governors eligible to vote shall cast for one person all of the votes to which he is entitled under Article XII, Section 5(a). The fifteen persons receiving the greatest number of votes shall be Executive Directors, provided that no person who received less than four percent of the total number of votes that can be cast (eligible votes) shall be considered elected.

3. When fifteen persons are not elected in the first ballot, a second ballot shall be held in which there shall vote only (a) those Governors who voted in the first ballot for a person not elected, and (b) those Governors whose votes for a person elected are deemed under 4 below to have raised the votes cast for that person above nine percent of the eligible votes. If in the second ballot there are more candidates than the number of Executive Directors to be elected, the person who received the lowest number of votes in the first ballot shall be ineligible for election.

4. In determining whether the votes cast by a Governor are to be deemed to have raised the total of any person above nine percent of the eligible votes the nine percent shall be deemed to include, first, the votes of the Governor casting the largest number of votes for such person, then the votes of the Governor casting the next largest number, and so on until nine percent is reached.

5. Any Governor part of whose votes must be counted in order to raise the total of any person above four percent shall be considered as casting all of his votes for such person even if the total votes for such person thereby exceed nine percent.

6. If, after the second ballot, fifteen persons have not been elected, further ballots shall be held on the same principles until fifteen persons have been elected, provided that after fourteen persons are elected, the fifteenth may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

Schedule F

Designation

During the first basic period the rules for designation shall be as follows:

- (a) Participants subject to designation under Article XIX, Section 5(a)(i) shall be designated for such amounts as will

promote over time equality in the ratios of the participants' holdings of special drawing rights in excess of their net cumulative allocations to their official holdings of gold and foreign exchange.

- (b) The formula to give effect to (a) above shall be such that participants subject to designation shall be designated:
- (i) in proportion to their official holdings of gold and foreign exchange when the ratios described in (a) above are equal; and
 - (ii) in such manner as gradually to reduce the difference between the ratios described in (a) above that are low and the ratios that are high.



Schedule G

Reconstitution

I. During the first basic period the rules for reconstitution shall be as follows:

- (a) (i) A participant shall so use and reconstitute its holdings of special drawing rights that, five years after the first allocation and at the end of each calendar quarter thereafter, the average of its total daily holdings of special drawing rights over the most recent five-year period will be not less than thirty percent of the average of its daily net cumulative allocation of special drawing rights over the same period.
- (ii) Two years after the first allocation and at the end of each calendar month thereafter the Fund shall make calculations for each participant so as to ascertain whether and to what extent the participant would need to acquire special drawing rights between the date of the calculation and the end of any five-year period in order to comply with the requirement in (a)(i) above. The Fund shall adopt regulations with respect to the bases on which these calculations shall be made and with respect to the timing of the designation of participants under Article XIX, Section 5(a)(ii), in order to assist them to comply with the requirement in (a)(i) above.
- (iii) The Fund shall give special notice to a participant when the calculations under (a)(ii) above indicate that it is unlikely

that the participant will be able to comply with the requirement in (a)(i) above unless it ceases to use special drawing rights for the rest of the period for which the calculation was made under (a)(ii) above.

(iv) A participant that needs to acquire special drawing rights to fulfill this obligation shall be obligated and entitled to obtain them, for currency acceptable to the Fund, in a transaction with the Fund conducted through the General Resources Account. If sufficient special drawing rights to fulfill this obligation cannot be obtained in this way, the participant shall be obligated and entitled to obtain them with a freely usable currency from a participant which the Fund shall specify.

(b) Participants shall also pay due regard to the desirability of pursuing over time a balanced relationship between their holdings of special drawing rights and their other reserves.

2. If a participant fails to comply with the rules for reconstitution, the Fund shall determine whether or not the circumstances justify suspension under Article XXIII, Section 2(b).

Schedule II

Termination of Participation

1. If the obligation remaining after the setoff under Article XXIV, Section 2(b) is to the terminating participant and agreement on settlement between the Fund and the terminating participant is not reached within six months of the date of termination, the Fund shall redeem this balance of special drawing rights in equal half-yearly installments within a maximum of five years of the date of termination. The Fund shall redeem this balance as it may determine, either (a) by the payment to the terminating participant of the amounts provided by the remaining participants to the Fund in accordance with Article XXIV, Section 5, or (b) by permitting the terminating participant to use its special drawing rights to obtain its own currency or a freely usable currency from a participant specified by the Fund, the General Resources Account, or any other holder.

2. If the obligation remaining after the setoff under Article XXIV, Section 2(b) is to the Fund and agreement on settlement is not reached within six months of the date of termination, the terminating participant

shall discharge this obligation in equal half-yearly installments within three years of the date of termination or within such longer period as may be fixed by the Fund. The terminating participant shall discharge this obligation, as the Fund may determine, either (a) by the payment to the Fund of a freely usable currency, or (b) by obtaining special drawing rights, in accordance with Article XXIV, Section 6, from the General Resources Account or in agreement with a participant specified by the Fund or from any other holder, and the setoff of these special drawing rights against the installment due.

3. Installments under either 1 or 2 above shall fall due six months after the date of termination and at intervals of six months thereafter.

4. In the event of the Special Drawing Rights Department going into liquidation under Article XXV within six months of the date a participant terminates its participation, the settlement between the Fund and that government shall be made in accordance with Article XXV and Schedule I.

Schedule I

Administration of Liquidation of the Special Drawing Rights Department

1. In the event of liquidation of the Special Drawing Rights Department, participants shall discharge their obligations to the Fund in ten half-yearly installments, or in such longer period as the Fund may decide is needed, in a freely usable currency and the currencies of participants holding special drawing rights to be redeemed in any installment to the extent of such redemption, as determined by the Fund. The first half-yearly payment shall be made six months after the decision to liquidate the Special Drawing Rights Department.

2. If it is decided to liquidate the Fund within six months of the date of the decision to liquidate the Special Drawing Rights Department, the liquidation of the Special Drawing Rights Department shall not proceed until special drawing rights held in the General Resources Account have been distributed in accordance with the following rule:

After the distributions made under 2(a) and (b) of Schedule K, the Fund shall apportion its special drawing rights held in the General Resources Account among all members that are participants in proportion to the amounts due to each participant after the

distribution under 2(b). To determine the amount due to each member for the purpose of apportioning the remainder of its holdings of each currency under 2(a) of Schedule K, the Fund shall deduct the distribution of special drawing rights made under this rule.

3. With the amounts received under 1 above, the Fund shall redeem special drawing rights held by holders in the following manner and order:

- (a) Special drawing rights held by governments that have terminated their participation more than six months before the date the Board of Governors decides to liquidate the Special Drawing Rights Department shall be redeemed in accordance with the terms of any agreement under Article XXIV or Schedule H.
- (b) Special drawing rights held by holders that are not participants shall be redeemed before those held by participants, and shall be redeemed in proportion to the amount held by each holder.
- (c) The Fund shall determine the proportion of special drawing rights held by each participant in relation to its net cumulative allocation. The Fund shall first redeem special drawing rights from the participants with the highest proportion until this proportion is reduced to that of the second highest proportion; the Fund shall then redeem the special drawing rights held by these participants in accordance with their net cumulative allocations until the proportions are reduced to that of the third highest proportion; and this process shall be continued until the amount available for redemption is exhausted.

4. Any amount that a participant will be entitled to receive in redemption under 3 above shall be set off against any amount to be paid under 1 above.

5. During liquidation the Fund shall pay interest on the amount of special drawing rights held by holders, and each participant shall pay charges on the net cumulative allocation of special drawing rights to it less the amount of any payments made in accordance with 1 above. The rates of interest and charges and the time of payment shall be determined by the Fund. Payments of interest and charges shall be made in special drawing rights to the extent possible. A participant that does not hold sufficient special drawing rights to meet any charges shall make the payment with a currency specified by the Fund. Special drawing rights received as charges in amounts needed for administrative expenses shall

not be used for the payment of interest, but shall be transferred to the Fund and shall be redeemed first and with the currencies used by the Fund to meet its expenses.

6. While a participant is in default with respect to any payment required by 1 or 5 above, no amounts shall be paid to it in accordance with 3 or 5 above.

7. If after the final payments have been made to participants each participant not in default does not hold special drawing rights in the same proportion to its net cumulative allocation, those participants holding a lower proportion shall purchase from those holding a higher proportion such amounts in accordance with arrangements made by the Fund as will make the proportion of their holdings of special drawing rights the same. Each participant in default shall pay to the Fund its own currency in an amount equal to its default. The Fund shall apportion this currency and any residual claims among participants in proportion to the amount of special drawing rights held by each and these special drawing rights shall be cancelled. The Fund shall then close the books of the Special Drawing Rights Department and all of the Fund's liabilities arising from the allocations of special drawing rights and the administration of the Special Drawing Rights Department shall cease.

8. Each participant whose currency is distributed to other participants under this Schedule guarantees the unrestricted use of such currency at all times for the purchase of goods or for payments of sums due to it or to persons in its territories. Each participant so obligated agrees to compensate other participants for any loss resulting from the difference between the value at which the Fund distributed its currency under this Schedule and the value realized by such participants on disposal of its currency.

Schedule J

Settlement of Accounts with Members Withdrawing

1. The settlement of accounts with respect to the General Resources Account shall be made according to 1 to 6 of this Schedule. The Fund shall be obligated to pay to a member withdrawing an amount equal to its quota, plus any other amounts due to it from the Fund, less any amounts due to the Fund, including charges accruing after the date of its withdrawal; but no payment shall be made until six months after the date of withdrawal. Payments shall be made in the currency of the withdrawing member, and for this purpose the Fund may transfer to the

not be used for the payment of interest, but shall be transferred to the Fund and shall be redeemed first and with the currencies used by the Fund to meet its expenses.

6. While a participant is in default with respect to any payment required by 1 or 5 above, no amounts shall be paid to it in accordance with 3 or 5 above.

7. If after the final payments have been made to participants each participant not in default does not hold special drawing rights in the same proportion to its net cumulative allocation, those participants holding a lower proportion shall purchase from those holding a higher proportion such amounts in accordance with arrangements made by the Fund as will make the proportion of their holdings of special drawing rights the same. Each participant in default shall pay to the Fund its own currency in an amount equal to its default. The Fund shall apportion this currency and any residual claims among participants in proportion to the amount of special drawing rights held by each and these special drawing rights shall be cancelled. The Fund shall then close the books of the Special Drawing Rights Department and all of the Fund's liabilities arising from the allocations of special drawing rights and the administration of the Special Drawing Rights Department shall cease.

8. Each participant whose currency is distributed to other participants under this Schedule guarantees the unrestricted use of such currency at all times for the purchase of goods or for payments of sums due to it or to persons in its territories. Each participant so obligated agrees to compensate other participants for any loss resulting from the difference between the value at which the Fund distributed its currency under this Schedule and the value realized by such participants on disposal of its currency.

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General Resources Account holdings of the member's currency in the Special Disbursement Account or in the Investment Account in exchange for an equivalent amount of the currencies of other members in the General Resources Account selected by the Fund with their concurrence.

2. If the Fund's holdings of the currency of the withdrawing member are not sufficient to pay the net amount due from the Fund, the balance shall be paid in a freely usable currency, or in such other manner as may be agreed. If the Fund and the withdrawing member do not reach agreement within six months of the date of withdrawal, the currency in question held by the Fund shall be paid forthwith to the withdrawing member. Any balance due shall be paid in ten half-yearly installments during the ensuing five years. Each such installment shall be paid, at the option of the Fund, either in the currency of the withdrawing member acquired after its withdrawal or in a freely usable currency.

3. If the Fund fails to meet any installment which is due in accordance with the preceding paragraphs, the withdrawing member shall be entitled to require the Fund to pay the installment in any currency held by the Fund with the exception of any currency which has been declared scarce under Article VII, Section 3.

4. If the Fund's holdings of the currency of a withdrawing member exceed the amount due to it, and if agreement on the method of settling accounts is not reached within six months of the date of withdrawal, the former member shall be obligated to redeem such excess currency in a freely usable currency. Redemption shall be made at the rates at which the Fund would sell such currencies at the time of withdrawal from the Fund. The withdrawing member shall complete redemption within five years of the date of withdrawal, or within such longer period as may be fixed by the Fund, but shall not be required to redeem in any half-yearly period more than one-tenth of the Fund's excess holdings of its currency at the date of withdrawal plus further acquisitions of the currency during such half-yearly period. If the withdrawing member does not fulfill this obligation, the Fund may in an orderly manner liquidate in any market the amount of currency which should have been redeemed.

5. Any member desiring to obtain the currency of a member which has withdrawn shall acquire it by purchase from the Fund, to the extent that such member has access to the general resources of the Fund and that such currency is available under 4 above.

6. The withdrawing member guarantees the unrestricted use at all times of the currency disposed of under 4 and 5 above for the purchase of goods or for payment of sums due to it or to persons within its territories.

General Resources Account holdings of the member's currency in the Special Disbursement Account or in the Investment Account in exchange for an equivalent amount of the currencies of other members in the General Resources Account selected by the Fund with their concurrence.

2. If the Fund's holdings of the currency of the withdrawing member are not sufficient to pay the net amount due from the Fund, the balance shall be paid in a freely usable currency, or in such other manner as may be agreed. If the Fund and the withdrawing member do not reach agreement within six months of the date of withdrawal, the currency in question held by the Fund shall be paid forthwith to the withdrawing member. Any balance due shall be paid in ten half-yearly installments during the ensuing five years. Each such installment shall be paid, at the option of the Fund, either in the currency of the withdrawing member acquired after its withdrawal or in a freely usable currency.

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5. Any member desiring to obtain the currency of a member which has withdrawn shall acquire it by purchase from the Fund, to the extent that such member has access to the general resources of the Fund and that such currency is available under 4 above.

6. The withdrawing member guarantees the unrestricted use at all times of the currency disposed of under 4 and 5 above for the purchase of goods or for payment of sums due to it or to persons within its territories.

It shall compensate the Fund for any loss resulting from the difference between the value of its currency in terms of the special drawing right on the date of withdrawal and the value realized in terms of the special drawing right by the Fund on disposal under 4 and 5 above.

7. If the withdrawing member is indebted to the Fund as the result of transactions conducted through the Special Disbursement Account under Article V, Section 12(f)(ii), the indebtedness shall be discharged in accordance with the terms of the indebtedness.

8. If the Fund holds the withdrawing member's currency in the Special Disbursement Account or in the Investment Account, the Fund may in an orderly manner exchange in any market for the currencies of members the amount of the currency of the withdrawing member remaining in each account after use under 1 above, and the proceeds of the exchange of the amount in each account shall be kept in that account. Paragraph 5 above and the first sentence of 6 above shall apply to the withdrawing member's currency.

9. If the Fund holds obligations of the withdrawing member in the Special Disbursement Account pursuant to Article V, Section 12(h), or in the Investment Account, the Fund may hold them until the date of maturity or dispose of them sooner. Paragraph 8 above shall apply to the proceeds of such disinvestment.

10. In the event of the Fund going into liquidation under Article XXVII, Section 2 within six months of the date on which the member withdraws, the accounts between the Fund and that government shall be settled in accordance with Article XXVII, Section 2 and Schedule K.

Schedule K

Administration of Liquidation

1. In the event of liquidation the liabilities of the Fund other than the repayment of subscriptions shall have priority in the distribution of the assets of the Fund. In meeting each such liability the Fund shall use its assets in the following order:

- (a) the currency in which the liability is payable;
- (b) gold;
- (c) all other currencies in proportion, so far as may be practicable, to the quotas of the members.

2. After the discharge of the Fund's liabilities in accordance with 1 above, the balance of the Fund's assets shall be distributed and apportioned as follows:

- (a) (i) The Fund shall calculate the value of gold held on August 31, 1975 that it continues to hold on the date of the decision to liquidate. The calculation shall be made in accordance with 9 below and also on the basis of one special drawing right per 0.888 671 gram of fine gold on the date of liquidation. Gold equivalent to the excess of the former value over the latter shall be distributed to those members that were members on August 31, 1975 in proportion to their quotas on that date.
- (ii) The Fund shall distribute any assets held in the Special Disbursement Account on the date of the decision to liquidate to those members that were members on August 31, 1975 in proportion to their quotas on that date. Each type of asset shall be distributed proportionately to members.
- (b) The Fund shall distribute its remaining holdings of gold among the members whose currencies are held by the Fund in amounts less than their quotas in the proportions, but not in excess of, the amounts by which their quotas exceed the Fund's holdings of their currencies.
- (c) The Fund shall distribute to each member one-half the Fund's holdings of its currency but such distribution shall not exceed fifty percent of its quota.
- (d) The Fund shall apportion the remainder of its holdings of gold and each currency
 - (i) among all members in proportion to, but not in excess of, the amounts due to each member after the distributions under (b) and (c) above, provided that distribution under 2(a) above shall not be taken into account for determining the amounts due, and
 - (ii) any excess holdings of gold and currency among all the members in proportion to their quotas.

3. Each member shall redeem the holdings of its currency apportioned to other members under 2(d) above, and shall agree with the Fund within three months after a decision to liquidate upon an orderly procedure for such redemption.

4. If a member has not reached agreement with the Fund within the three-month period referred to in 3 above, the Fund shall use the currencies of other members apportioned to that member under 2(a) above to redeem the currency of that member apportioned to other members. Each currency apportioned to a member which has not reached agreement shall be used, so far as possible, to redeem its currency apportioned to the members which have made agreements with the Fund under 3 above.

5. If a member has reached agreement with the Fund in accordance with 3 above, the Fund shall use the currencies of other members apportioned to that member under 2(a) above to redeem the currency of that member apportioned to other members which have made agreements with the Fund under 3 above. Each amount so redeemed shall be redeemed in the currency of the member to which it was apportioned.

6. After carrying out the steps in the preceding paragraphs, the Fund shall pay to each member the remaining currencies held for its account.

7. Each member whose currency has been distributed to other members under 6 above shall redeem such currency in the currency of the member requesting redemption, or in such other manner as may be agreed between them. If the members involved do not otherwise agree, the member obligated to redeem shall complete redemption within five years of the date of distribution, but shall not be required to redeem in any half-yearly period more than one-tenth of the amount distributed to each other member. If the member does not fulfill this obligation, the amount of currency which should have been redeemed may be liquidated in an orderly manner in any market.

8. Each member whose currency has been distributed to other members under 6 above guarantees the unrestricted use of such currency at all times for the purchase of goods or for payment of sums due to it or to persons in its territories. Each member so obligated agrees to compensate other members for any loss resulting from the difference between the value of its currency in terms of the special drawing right on the date of the decision to liquidate the Fund and the value in terms of the special drawing right realized by such members on disposal of its currency.

9. The Fund shall determine the value of gold under this Schedule on the basis of prices in the market.

10. For the purposes of this Schedule, quotas shall be deemed to have been increased to the full extent to which they could have been increased in accordance with Article III, Section 2(b) of this Agreement.



BANK INDONESIA

No.31/209/USDMP/LP

Jakarta, 1998

Kepada

Fakultas Hukum
Universitas Hasanuddin
UJUNG PANDANG

Up. SDR. FAISAL ABDULLAH, SH., M.Si

Perihal : Keterangan Selesai Riset

Menunjuk surat Saudara No. 1458/J04.6.3/PL.06/98 Ujung Pandang, tanggal 9 Oktober 1998 (fotokopi terlampir), dengan ini diberitahukan bahwa mahasiswa Saudara :

<u>Nama</u>	<u>No. BP.</u>
BERKAN PAGALLUNGAN	93 02 042

telah selesai melaksanakan riset di kantor kami pada bulan Desember 1998.

Sehubungan dengan hal tersebut kami harapkan bantuan Saudara, agar mahasiswa dimaksud menyerahkan 1 (satu) buah skripsi yang telah disusun ke Bagian Pendidikan dan Latihan Pegawai Bank Indonesia, Jl. Budi Kemuliaan No.1 (Gedung Tipikal lantai 14), Jakarta Pusat.

Demikian agar Saudara maklum.

BANK INDONESIA

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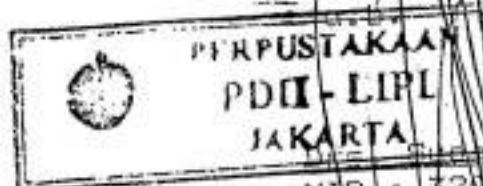
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