

## Introduction

Article XXIV, Section 4(a) and (b) of the Articles of Agreement of the Fund provides that:

(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 Directors.

(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 Account as he is so satisfied.

Pursuant to these provisions, I am submitting to the Board of Governors a proposal for the allocation of special drawing rights during the first basic period. This proposal is set forth in Part III of this Report. The draft of a resolution of the Board of Governors approving the allocation of special drawing rights in accordance with this proposal is also set forth in Part III.

Before making this proposal, I have satisfied myself, as required by Article XXIV, Section 4(b), that the proposal will be consistent with the provisions of Section 1(a) of that Article. Section 1(a) provides that:

(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.

In addition, as is required by Article XXIV, Section 4(b), I have satisfied myself that the provisions of Article XXIV, Sec-

tion 1(b) have been met and that there is broad support among participants to begin allocations. Section 1(b) provides that:

(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.

Consultations have been conducted pursuant to Article XXIV, Section 4(b), which have enabled me to ascertain that there is broad support among participants for the proposal set forth in this Report.

It should be noted that Article XXIV, Section 4(b), requires the Managing Director to make a proposal for the first allocation as soon after the establishment of the Special Drawing Account as he is satisfied that the provisions of Section 1 of the same Article are met.

Parts I and II of this Report, which follow, discuss the reasons underlying my proposal and explain its various features. The proposal appears in Part III of the Report.