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AGENDA**

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CONFIDENTIAL

December 16, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Decisions on Certain Aspects of the Policy on Enlarged Access
and the Access Limits for Special Facilities

The attached paper containing proposed decisions on certain aspects of the policy on enlarged access and the access limits for special facilities has been placed on the agenda of an Executive Board meeting scheduled for Monday, December 19, 1983.

Att: (1)

INTERNATIONAL MONETARY FUND

Decisions on Certain Aspects of the Policy on Enlarged Access
and the Access Limits for Special Facilities

Prepared by the Legal Department

(In consultation with Exchange and Trade Relations Department,
Research and Treasurer's Departments)

Approved by George P. Nicoletopoulos

December 16, 1983

This paper brings together for consideration and adoption by the *Executive Board* the various decisions that have been set forth in the papers entitled "Policy on Enlarged Access--Extension of Period Under Paragraph 4, and Guidelines on Access Limits," SM/83/230 (11/7/83) and "Simplification of the Policy on Enlarged Access," EBS/83/245 (11/14/83), revised in the light of the discussions in the Executive Board. In addition, the paper sets forth a draft decision on the access limits for the special facilities prepared on the basis of the compromise proposal made by the Managing Director during EBM/83/167 (12/2/83). The conclusions reached by the Executive Board on the criteria for the determination of the amount of access in individual cases have been set forth in the Managing Director's Summing-up in Buff 83/279, December 6, 1983. The broad thrust of the staff paper "Considerations Governing Amount of Access", particularly Section II, will provide guidance to the staff.

The voting majorities that would be required for the adoption of the proposed decisions are indicated below:

(a) Inasmuch as it would authorize the approval of stand-by and extended arrangements under the Policy on Enlarged Access for a further period, the first decision would require, for its adoption, an 85 percent majority of the total voting power. The reason is that the Enlarged Access Policy involves repurchase terms different from the normal repurchase period of three to five years, and the Fund's holdings resulting from purchases under that Policy are excluded under Article XXX(c) ("floating" character of the Policy). The inclusion of the words in brackets was proposed by an Executive Director.

(b) The second decision, which sets forth new guidelines on access limits under the Policy on Enlarged Access, and the third decision, which establishes new proportions of ordinary and borrowed resources under stand-by or extended arrangements, could be adopted by a simple majority of the votes cast. It

was suggested during the discussion in the Executive Board that the sentence in brackets be deleted because it was superfluous.

(c) The fourth decision, which establishes new access limits under the Special Facilities, would require an 85 percent majority of the total voting power because of one aspect of it, i.e., the continuation of the exclusion under Article XXX(c) in respect of currency holdings required by the Fund as a result of purchases under the revised decision on the Compensatory Financing of Fluctuations in the Cost of Cereal Imports ("floating" character of the Facility).

The following decisions are recommended for adoption by the Executive Board:

I. Period and annual review of Policy on Enlarged Access

(a) The Fund may approve a stand-by or extended arrangement that provides for enlarged access under Decision No. 6783-(81/40) until the end of 1984, provided that the Fund may extend this period.

(b) The Fund will review Decision No. 6783-(81/40) on the "Policy on Enlarged Access," not later than December 31, 1984, and annually thereafter as long as the Decision remains in effect, in order to consider the future of the Enlarged Access Policy [, including its termination, its gradual phase-down, or its extension] in light of all relevant factors, including the magnitude of members' payments problems and developments in the Fund's liquidity position.

II. Guidelines on access limits under Policy on Enlarged Access

(a) Access by members to the Fund's general resources under Decision No. 6783-(81/40) on the "Policy on Enlarged

Access" during the period ending on December 31, 1984 shall be subject to annual limits of 102 or 125 percent of quota, three year limits of 306 or 375 percent of quota, and cumulative limits of 408 or 500 percent of quota net of scheduled repurchases, depending on the seriousness of the member's balance of payments needs and the strength of its adjustment effort. [The annual and triennial access limits shall not be regarded as targets.] Within these limits, the amounts of access in individual cases will vary according to the circumstances of the member in accordance with criteria established by the Executive Board. The Fund may approve stand-by or extended arrangements that provide for amounts in excess of these access limits in exceptional circumstances.

(b) The guidelines will be reviewed before the end of 1984 at the time of the annual review of Decision on the Policy on Enlarged Access.

III. Use of ordinary and borrowed resources under the Policy on Enlarged Access

The Fund, having reviewed the proportions of ordinary and borrowed resources to be used under a stand-by or extended arrangement approved under Decision No. 6783-(81/40) on the "Policy on Enlarged Access," decides that:

1. The proportions after the Eighth General Review of Quotas becomes effective will be as follows:

(a) Under a stand-by arrangement purchases will be made with ordinary and borrowed resources in the ratio of 2 to 1 in the first credit tranche, and 1 to 1 in the next three credit tranches. Thereafter, purchases will be made with borrowed resources only.

(b) Under an extended arrangement, purchases will be made with ordinary and borrowed resources in the ratio of 1 to 1 until the outstanding use of the upper credit tranches and the Extended Fund Facility equals 140 percent of quota. Thereafter, purchases will be made with borrowed resources only.

2. In accordance with subparagraph 8(d) of Decision No. 6783-(81/40), the proportions in (1) above shall apply to amounts that may be purchased under existing arrangements after the effective date of this decision on the basis of the member's quota at the time the arrangement for the member was approved.

IV. Access limits under Special Facilities

(a) In paragraph 3 of Decision No. 6224-(79/135) "100 percent" shall be changed to "[85] percent" [and "50 percent" to "[42.5] percent," respectively].

(b) The following changes shall be made in paragraphs 9 and 14(a) of Decision No. 6860-(81/81):

(i) "125 percent" shall be changed to "[105] percent;"

(ii) ["50 percent" shall be changed to "[42.5] percent;" and

(iii)] "100 percent" shall be changed to "[85] percent."

(c) In paragraph 2 of Decision No. 2772-(69/47), as amended, "50 percent" shall be changed to "[45] percent."

(d) The new percentages of quota under (a), (b), and (c) above shall be reviewed [from time to time] [not later than December 31, 1984 and annually thereafter] [at the time of each review of the Policy on Enlarged Access] in the light of all relevant factors, including the magnitude of members' payments problems and developments in the Fund's liquidity position.