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To: Members of the Executive Board

From: The Secretary

Subject: Policy on Enlarged Access - Extension of Period Under
Paragraph 4, and Guidelines on Access Limits

The attached paper on the extension of the period during which the Executive Board may grant arrangements under the policy on enlarged access and the guidelines on access limits has been scheduled for discussion by the Executive Board on Monday, December 5, 1983.

A companion paper on the simplification of the administration of the policy on enlarged access, also scheduled for discussion on December 5, is to be issued soon.

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1950

INTERNATIONAL MONETARY FUND

Policy on Enlarged Access: Extension of Period under Paragraph 4,
and Guidelines on Access Limits

Prepared by the Legal Department, the Treasurer's Department,
and the Exchange and Trade Relations Department

Approved by George P. Nicoletopoulos, Walter O. Habermeier,
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November 4, 1983.

I. Introduction

The Press Communiqué of the Interim Committee states in paragraph 5:

5. The Committee considered the subject of the access to the Fund's resources after the quota increase under the Eighth General Review becomes effective, taking note of the temporary and revolving nature of the Fund's balance of payments support. The conclusions reached by the Committee are set forth in the following paragraphs. A few members of the Committee stated that they did not agree with all the conclusions on the access limits.

(a) While noting that adjustment appeared to be under way, the Committee recognized that the needs of many members for the type of temporary balance of payments financing that the Fund provides are and may remain large in relation to their quotas. It concluded, therefore, that the policy on enlarged access, which is of a temporary character, should continue for 1984, in accordance with (b), (c), and (d) below.

(b) The access limits and the enlarged access policy will be reviewed yearly to consider the future of the 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.

(c) Access to the Fund's resources under the policy during the period of extension specified in (a) will be subject to annual limits of 102 or 125 per cent of quota, three-year limits of 306 or 375 per cent of quota, and cumulative limits of 408 or 500 per cent of quota, depending on the seriousness of the balance of payments

needs and the strength of the adjustment effort. These limits would be examined periodically in conjunction with the reviews of the enlarged access policy itself. As at present, the Executive Board should retain the flexibility to approve stand-by or extended arrangements for amounts above the access limits in exceptional circumstances.

(d) As at present, the annual and triennial access limits should not be regarded as targets; within these limits, the amount of access in individual cases should vary with the circumstances of the member, in accordance with criteria established for this purpose by the Executive Board.

(e) On the question of access to the Fund's resources under the special facilities after the Eighth General Review becomes effective, some of the members of the Committee would prefer the retention of the present limits. Other members would prefer a lesser amount ranging from 68 to 85 per cent. Accordingly, the Committee asked the Executive Board to consider the matter and to reach a conclusion at the earliest possible date. These limits should be reviewed at the time of each review of the enlarged access policy.

(f) In implementing its policies on access to its resources, the Fund should be particularly mindful of the very difficult circumstances of the small-quota, low-income member countries.

(g) The Committee requested the Executive Board to take, as soon as possible, the necessary action in order to implement the conclusions reached in the Committee.

The extension through 1984 of the Fund's authority to grant arrangements under the decision establishing the "Policy on Enlarged Access" (Executive Board Decision No. 6783-(81/40), March 11, 1981) is discussed in Section II below, including a proposal to change the time at which the annual review is to be held from the end of June to the end of the calendar year. Proposed decisions on these two proposals for consideration by the Executive Board are set forth in that section. In Section III, new access limits for arrangements approved under the Policy on Enlarged Access are set forth in a decision proposed for adoption by the Executive Board.

II. Extension of the Period for Approval of Stand-by and Extended Arrangements and Annual Review

1. Paragraph 4 of the decision establishing the "Policy on Enlarged Access" states:

"4. The Fund may approve a stand-by or extended arrangement that provides for Enlarged Access at any time until the Eighth General Review of Quotas becomes effective, provided that the Fund may extend this period."

The authority of the Fund to approve arrangements providing for Enlarged Access will thus lapse when "the Eighth General Review of Quotas becomes effective", i.e., when the participation requirement for increases in quotas under the Eighth General Review has been met in accordance with the provisions of the relevant resolution of the Board of Governors (Resolution No. 38-1), unless an appropriate decision extending the authority has been taken by that time. Pursuant to the terms of that resolution, increases in quotas under the Eighth General Review cannot become effective until the date on which the Fund determines that members having not less than 70 percent of the total of quotas on February 28, 1983 have consented to the increases in their quotas. The quota of each member will become effective only after the member has paid the increase in its subscription. A member must pay the increase in its subscription not later than 30 days after the determination by the Fund that members with 70 percent of the quotas in effect on February 28, 1983 have consented, or after the date the member consents, whichever is later. Members may make arrangements for payment on or in advance of the date on which the Fund determines that the critical level of consents has been met, so that the quotas of some members could become effective on that date. The extension until the end of 1984 of the period during which arrangements may be approved in accordance with paragraph 4 of the decision, will run from the date on which the Fund makes the determination that consents have been received from members having 70 percent of the total quotas.

Two aspects of the decision establishing the "Policy on Enlarged Access" can be made effective only by action of the Executive Board taken by a majority of 85 percent of the total voting power in the Fund. These are: first, the repurchase period of three and one half to seven years for purchases of borrowed resources prescribed by Paragraph 10(a) of the decision; and, second, the exclusion of holdings resulting from purchases of borrowed resources for the purpose of determining a member's reserve tranche position (Paragraph 12 of the decision). The repurchase period prescribed by the decision deviates from the norm established by Article V, Section 7(c) and would have to be adopted pursuant to Article V, Section 7(d). The exclusion for the purpose of the definition of a reserve tranche purchase would have to be adopted pursuant to Article XXX(c)(iii). Action under either of these two provisions would require a majority of 85 percent of the total voting power. A decision to extend the authority of the Fund to approve arrangements on the terms of the Enlarged Access decision after the Eighth General Review of Quotas becomes effective would involve the reestablishment of that authority and must be taken by the same 85 percent majority as the original decision which adopted the Policy on Enlarged Access.

To effect the desired extension, the following decision, which requires an 85 percent majority of the total voting power for adoption, is proposed for adoption by the Executive Board:

The period during which the Fund may approve a stand-by or extended arrangement that provides for Enlarged Access is extended from the time the Eighth General Review of Quotas becomes effective, until the end of 1984, provided that the Fund may extend this period.

2. Paragraph 5(b) of the Interim Committee Communiqué calls for a yearly review of the access limits and of the Enlarged Access Policy to consider the future of the policy, including its termination, its gradual phasedown, or its extension. This review is to be made in light of all relevant facts, including the magnitude of members' payments problems and developments in the Fund's liquidity position. Paragraph 15 of the present decision calls for a review of the decision "not later than June 30, 1983 and annually thereafter as long as the decision remains in effect."

As the future of the Enlarged Access Policy is to be considered before the end of 1984, the following decision with respect to the application of the present Paragraph 15 is proposed for adoption by the Executive Board:

The Fund will review the decision 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 in light of all relevant factors, including the magnitude of members' payments problems and developments in the Fund's liquidity position.

III. Access limits

Paragraph 7 of the decision on the "Policy on Enlarged Access" states:

"The amounts that will be made available under stand-by or extended arrangements approved under this decision will be determined according to guidelines adopted by the Fund from time to time."

The present access limits were originally stated in a summing-up by the Managing Director at the end of EBM/80/188, December 19, 1980 (Buff 81/4, 1/9/81). The latest formulation was set forth on pages 87-88 of the 1981 Annual Report of the Executive Board to the Board of Governors and reproduced on page 42 of the Tenth Issue of the Selected Decisions. In order to implement the new access limits 1/ the following draft text is proposed for adoption by the Executive Board:

Access by members to the Fund's general resources under the decision on the "Policy on Enlarged Access" during the period from the date the Eighth General Review of Quotas becomes effective until the end of 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 amount 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

1/ The new access limits, when effective, would apply to a member's quota at the time an arrangement is granted.

