

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 83/169

2:30 p.m., December 5, 1983

J. de Larosière, Chairman  
W. B. Dale, Deputy Managing Director

Executive Directors

A. Alfidja  
B. de Maulde  
  
J. E. Ismael  
R. K. Joyce  
A. Kafka  
  
R. N. Malhotra  
  
A. R. G. Prowse  
G. Salehkhau  
  
J. Tvedt  
  
Zhang Z.

Alternate Executive Directors

w. B. Tshishimbi  
H. G. Schneider  
  
J. Delgadillo, Temporary  
D. C. Templeman, Temporary  
T. Alhaimus  
T. Yamashita  
Jaafar A.  
  
G. Grosche  
G. Gomel, Temporary  
  
J. E. Suraisry  
T. de Vries  
  
L. Kabbaj  
S. M. Hassan, Temporary  
S. E. Conrado, Temporary  
  
T. A. Clark  
Wang E.

L. Van Houtven, Secretary  
J. A. Kay, Assistant

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Also Present

Asian Department: H. O. Roden. European Department: K. A. Swiderski.  
Exchange and Trade Relations Department: D. K. Palmer, Associate Director;  
W. A. Beveridge, Deputy Director; S. Mookerjee, Deputy Director; M. Allen,  
H. W. Gerhard. Legal Department: G. P. Nicoletopoulos, Director;  
J. G. Evans, Jr., Deputy General Counsel; W. E. Holder, A. O. Liuksila,  
S. A. Silard. Middle Eastern Department: S. Thayanithy. Secretary's  
Department: J. W. Lang, Jr., Deputy Secretary; A. P. Bhagwat.  
Treasurer's Department: D. Williams, Deputy Treasurer; N. M. Bhuiyan,  
D. Gupta, Q. M. Hafiz, A. J. Mathuran, D. V. Pritchett, M. A. Tareen,  
T. M. Tran, G. Wittich. Western Hemisphere Department: S. T. Beza,  
Associate Director. Personal Assistant to the Managing Director:  
S. P. Collins. Advisors to Executive Directors: A. A. Agah, H. A. Arias,  
C. J. Batliwalla, K. A. Hansen, Y. Okubo, I. R. Panday, P. D. Pérez,  
P. Péterfalvy, D. I. S. Shaw. Assistants to Executive Directors:  
E. M. Ainley, H. Alaoui-Abdallaoui, J. Bulloch, L. E. J. M. Coene, G. Ercel,  
V. Govindarajan, D. Hammann, H. Kobayashi, M. J. Kooymans, J. A. K. Munthali,  
E. Portas, J. Reddy, A. A. Scholten, Shao Z., S. Sornyanontr, Wang C. Y.

1. POLICY ON ENLARGED ACCESS - SIMPLIFICATION; AND EXTENSION OF PERIOD UNDER PARAGRAPH 4, AND GUIDELINES ON ACCESS LIMITS

The Executive Directors continued from the previous meeting (EBM/83/168, 12/5/83) their consideration of papers on the simplification of the policy on enlarged access, together with a draft decision (EBS/83/245, 11/14/83), and on the extension of the period during which the Executive Board might grant arrangements under the policy on enlarged access and on the guidelines on access limits (SM/83/230, 11/7/83).

Simplification

Mr. de Vries said that he was not entirely happy with the proposed decision. It was true that the staff had tried to simplify the rather complicated mixing procedures, but he would like to see the process carried still further. Unfortunately, the Fund did not have sufficient ordinary resources, so that it would have to use a mixture of borrowed and ordinary resources. One major simplification would be to have a single mix for all credit transactions. To do so would overcome the problems raised by proposed paragraph 3. He would even extend his proposal to borrowing in the first credit tranche. In those circumstances, while the conditionality of the various tranches would vary, the mixture of resources would be constant. A second simplification would be not to base drawings on quotas that happened to be in effect at some time in the past when an arrangement had been concluded, but on current quotas. Then, for a given amount of resources drawn in the credit tranches, the member would always receive the same mix. He did not expect either of his proposals to be adopted at the present meeting, but he did believe that the Executive Board would have to return to them later.

The staff had explained, Mr. de Vries went on, that if the proposed mix were adopted, the Fund would have to borrow between SDR 2.5 billion and SDR 4 billion in 1984. He was not altogether confident that the Fund would be able to raise such amounts. Consequently, it might be necessary in due course to adjust the mix of resources to what was available. At that time he hoped that the Executive Board would return to his proposals. As the Executive Board was unlikely to go so far, he would accept proposed paragraphs 1 and 2, in the hope of reaching a compromise on proposed paragraph 3 sometime later.

Mr. Delgadillo remarked that in principle he had no difficulty with proposed paragraphs 1 and 2. However, the implications of proposed paragraph 3 prevented him from supporting it as it stood. Like Mr. Kafka and Mr. de Maulde, he was concerned by the legal ambiguities involved, as well as by the lack of a clear definition of extended arrangements as opposed to multiyear stand-by arrangements or successive stand-by arrangements. He would not like to see a decision adopted that might imply a lessening in the quality or quantity of the Fund's available resources.

Mr. Salehkhon commented that the provisions governing the use of the Fund's ordinary and borrowed resources under the enlarged access policy had developed into a complex system that was based on arbitrary rules and was confusing for member countries. The proposals set out in EBS/83/245 seemed reasonable, apart from paragraph 3; they should have a favorable impact on the Fund's liquidity by conserving ordinary resources. He welcomed the introduction of a unified mixing ratio for ordinary and borrowed resources under both stand-by and extended arrangements with no change in the availability of ordinary resources under each kind of arrangement, as well as the elimination of catching-up and reverse catching-up.

Regarding proposed paragraph 3, Mr. Salehkhon said that he could go along with the use of both ordinary and borrowed resources under both stand-by and extended arrangements when the member countries concerned were willing to request the Fund's assistance as part of a medium-term strategy, even if the drawings involved did not exceed the available ordinary resources. It should however be understood that a clear distinction would remain between the Fund's assistance under the temporary policy on enlarged access and its assistance under the facilities that had existed before the establishment of the enlarged access policy. Thus, members would still have the choice of using the Fund's ordinary resources, without having recourse to the enlarged access policy. Such a provision was essential for maintaining the character of the Fund's assistance; in particular, it would continue to encourage members to come to the Fund at an early stage of their difficulties.

Second, Mr. Salehkhon went on, he would appreciate hearing the staff explain the application of the modified mix to new drawings under existing arrangements and to arrangements approved after the modification of the mix in relation to the member's quotas and their corresponding credit tranches in effect when the arrangement was approved. He particularly wished to know whether it was legally possible to base members' access to the Fund's resources on former credit tranches and former quotas once the Eighth General Review came into effect.

Mr. Conrado stated that he had no problems with the staff proposal to unify the proportions of ordinary and borrowed resources used in stand-by and extended arrangements, and to eliminate the so-called catching-up and reverse catching-up provisions. Thus, he could support proposed paragraphs 1 and 2. As to paragraph 3, he had difficulties similar to those of Mr. Kafka not only with the wording but also with the concept. The acceptance of the proposal would be tantamount to a ratification of the concept that a succession of one-year stand-by arrangements was an acceptable alternative to a multiyear arrangement. While he could see the need for the use of successive stand-by arrangements in some special cases, the practice should not become the rule; nor should it serve as a basis for effectively diminishing the role of extended arrangements or multiyear stand-by arrangements when countries met required criteria. While he could see that the intent of proposed paragraph 3

was to safeguard the Fund's ordinary resources, to approve the proposed paragraph as it stood might effectively change the very essence of the enlarged access policy. He could not accept proposed paragraph 3 as it stood.

Mr. Gomel stated that he supported the staff proposals, possibly with an amendment to paragraph 3 along the lines suggested earlier by Mr. de Maulde.

Mr. Zhang said that in general he could support the proposed decisions, but he would like to have the concept of the mid-term strategy spelled out rather more clearly. His reaction was similar to that of Mr. Kafka.

Reverting to a point that he had raised earlier, Mr. Zhang wondered whether it was really desirable to impose on a country that did not wish to borrow as much as 100 percent of quota in one year a mix of ordinary and borrowed resources from the very beginning.

Mr. Malhotra stated that he could support proposed paragraphs 1 and 2; he had reservations on proposed paragraph 3. He did not wish to support introduction of any practice that would detract from the rights of members under existing Articles. If there were to be a change in the arrangements, he would prefer to see the matter left to the choice of the member, which should have the right to decide whether to draw a mix of resources or to make use of the Fund's resources alone, naturally within the agreed-upon limits. He hoped that no decision would be taken on proposed paragraph 3 at the present meeting.

Mr. Ismael stated that he too could support proposed paragraphs 1 and 2; a decision on proposed paragraph 3 should be deferred.

The staff representative from the Treasurer's Department recalled that Mr. Schneider had suggested applying the new proposed mixing ratio of one part ordinary to one part borrowed resources also to the first credit tranche, rather than to continue with the present ratio of two to one in that tranche as proposed by the staff. The proposal to apply the same mixing ratio to the first and upper credit tranches had been considered in connection with the discussion of simplification earlier in the summer. It was closely linked to the proposal to reconsider the floating nature of the extended Fund facility, under which the first credit tranche could be drawn without use of borrowed resources to the extent that it was still available. Most Executive Directors at earlier meetings had considered that it was not desirable to end the floating character of the extended Fund facility; the staff had therefore not pursued the proposal for changes in the present mixing arrangements for purchases in the first credit tranche.

Replying to Mr. Zhang, the staff representative from the Treasurer's Department explained that the intent of the proposed paragraph 3 had not been to limit a member's access to ordinary resources when the member's

request was expected to remain within the credit tranches, but to call for use of borrowed resources already in the first year if enlarged access were envisaged in the medium term. Mr. de Vries's suggestion of having a uniform mix for all the Fund's transactions in the credit tranches, with the possibility of changing the mix from time to time, had also been discussed earlier, including the implication of a unified schedule of charges for all credit transactions that did not differentiate between the use of ordinary-borrowed resources. After the discussion in the Executive Board in the summer, the staff had been under the impression that, in view of the rather wide ramifications of the proposal, the Executive Board did not wish to pursue the proposal at the present time.

Mr. de Vries commented that the present discussion had shown that partial simplification only led to difficulties. If "catching-up" were eliminated, it would be difficult to justify giving a member a choice of whether to draw ordinary resources or a mix of resources, as apparently intended in proposed paragraph 3.

The staff representative from the Treasurer's Department replied that there was not intended to be a direct connection between the proposal in paragraph 3 and proposed paragraphs 1 and 2 in the sense that adoption of one depended on adoption of the other. While there might be some liquidity effect on the Fund's ordinary resources if the latter were adopted and not the former, it was likely to be small. As to Mr. Zhang's proposal, while there would remain a difference between members that went slightly above 200 percent of quota and those that remained just below 200 percent of quota, the system of financing from ordinary resources the purchases of countries that applied for less than 100 percent of quota would certainly be workable. Indeed, that was what was done at present. The intention under the proposed paragraph had been to treat uniformly member countries that had the same access to Fund resources, if both exceeded the normal quota limits, whether under three one-year arrangements or in one three-year arrangement. On the other hand, a member whose needs could be met by an arrangement with the Fund that stayed below 200 percent of quota would not purchase under the enlarged access policy.

Mr. Malhotra suggested that the best approach might be to leave it to the members concerned to decide whether to draw under the enlarged access policy--thus paying higher charges but obtaining a longer repayment period than the normal three to five years--or to draw under the normal credit policies. He did not believe that members would act irresponsibly, and they might well be prepared to pay more for the benefits of the longer repayment period.

Mr. Tvedt commented that he did not agree with the staff that there was no relationship between the language proposed in paragraph 3 and the elimination of catching-up. There was a danger that in future the system might become rather arbitrary with possibilities for different resource mix in apparently similar cases.

The staff representative from the Treasurer's Department remarked that the proposed paragraph 3 had not been intended to affect access to the Fund's resources; indeed, a member could come to the Fund and have two stand-by arrangements in successive years with or without adoption of the proposal. The proposal referred only to the financing envisaged, if it were expected that the member would apply to the Fund twice for, say, 75 percent of quota each year--starting from a position of 100 percent of quota--borrowed resources would be used from the beginning. Under the existing system in exactly the same circumstances, the member would draw ordinary resources first; in the second year, it would draw ordinary and borrowed resources in the agreed proportions. Where a member approached the Fund for a one-year arrangement that was considered sufficient to meet the member's needs, under either the present system or under proposed paragraph 3, the arrangement would be completely financed from ordinary resources. If at the end of that one-year arrangement, it turned out that the balance of payments problem could not be solved in the time foreseen, the member could apply to the Fund for another arrangement that would be financed in a way that would depend on the situation at the time and on the amount involved.

Mr. de Vries commented that the staff representative's description had shown disadvantages of partial simplification. At present, while members were able to draw normal resources for a time, in the end payments conditions would become equal because of "catching-up" and "reverse catching-up." If paragraphs 1 and 2 were adopted but if paragraph 3 were not, a member coming to the Fund might perhaps qualify for a drawing of 102 percent of quota. It might decide to draw only 100 percent of quota, which it would be entitled to receive in normal resources. As there would be no "catching-up" or "reverse catching-up," a year later it could apply for a further drawing of 102 percent, which it would receive in the form of a mix. Nevertheless, it would have had two drawings at a price lower than a country that had not planned its drawings in that way. It would be inappropriate both to eliminate "catching-up" and "reverse catching-up" and to adopt proposed paragraphs 1 and 2 but not proposed paragraph 3.

Mr. Kafka stated that both Mr. de Vries and Mr. Ismael were correct. For the time being, Executive Directors should defer approval of proposed paragraph 3 because they did not sufficiently understand its implications. The staff should however prepare a different type of paragraph 3 that would preserve the useful features without the complications of the present catching-up and reverse catching-up policy. The basis could be that a country that did not request more than 100 percent of quota in one year, and did not wish to engage in an extended arrangement, should receive ordinary resources. If however within a period of three years, the member again came to the Fund for additional resources, the Fund would retrospectively oblige it to take borrowed resources as if it had come to the Fund in the first instance for a larger arrangement. He preferred the retrospective decision making that would be required following the principles that he had outlined rather than the prospective decision making involved in the proposed paragraph 3. As written, paragraph 3

seemed to him to force countries either to accept a drawing representing a rather small proportion of quota or to opt for a three-year extended arrangement that it might not want.

The Director of the Legal Department said that the staff would certainly examine the various proposals made by Executive Directors. The staff had however already made many calculations relating to the elimination of "catching-up" and "reverse catching-up." The actual effect on the Fund's resources was not great. In any arrangement going beyond 100 percent of quota, the country would in due course receive nothing but borrowed resources. Consequently, the difference between the present and the proposed methods was really one of timing.

Replying to Mr. Salehkhoul, the Director of the Legal Department explained that, even when the enlarged access policy had been extended, members would be able to avail themselves of the regular credit tranches. The language in the basic decision was "Access to the Fund's resources under other policies of the Fund will remain available in accordance with the terms of the policies," and he assumed that the decision would be extended as it stood. Consequently, there would be circumstances in which a country applying to the Fund for a drawing of less than 100 percent of quota would receive ordinary resources under the regular credit tranche policies, even if it had its own medium-term strategy. In fact, irrespective of whether proposed paragraph 3 was adopted or not, there would be cases in which a member would be able to obtain a stand-by arrangement under the regular credit tranches, which provided for assistance up to 100 percent of quota.

Mr. de Vries recalled that some Directors had spoken of preserving the rights of members under the Articles. While he agreed that the sentiment was appropriate, he wondered what the rights were. Article V, Section 3, for instance, said that the Fund should adopt policies on the use of its resources. The Fund had adopted certain policies, but he believed that it would be perfectly in order under the Articles to change those policies. Consequently, there did not seem to be a constitutional right of members to receive only ordinary resources in a drawing from the Fund. He would like to understand more clearly why a member that applied only for a small drawing should in a sense be treated more favorably than a country with large balance of payments problems, as seemed to have been implied by many Executive Directors.

The Director of the Legal Department observed that under the Articles members had certain rights, among which was the right to obtain assistance from the Fund in accordance with the provisions of the Articles, and in accordance with policies that the Fund had adopted. Mr. de Maulde, referring to the Fund's regular tranche policy on the use of its resources up to 100 percent of quota, urged that the Fund should stay with that policy, and that what the staff was proposing in paragraph 3 was in some way a change in that policy since it would amend or clarify the enlarged access policy in a way that would encompass certain cases that were currently treated as coming under the regular credit tranche policy. Naturally, the Fund, by the appropriate majority, could change its various policies.

It would not act inconsistently with the provisions of the Articles if it adopted a change in the regular tranche policy just because the change affected the right of members under that policy.

Mr. de Maulde stated that he considered Mr. de Vries to have made an excellent point. What the Fund was doing by allocating certain resources to certain uses and other sources to other uses was distributing a subsidy. It was demanding two different rates of interest on the resources that it made available, something that had perhaps not been envisaged in the Articles of Agreement. The question raised by Mr. de Vries was therefore a general policy matter, namely, how to handle the subsidy. In passing, the U.S. Congress had enjoined on the U.S. Executive Director to make representations to the Executive Board that the Fund should use market rates in all its transactions. A number of Executive Directors were not prepared to go so far, but he was by no means certain that the present practice of allocating the subsidy depending on whether resources were proportional to quotas or raised by borrowing was intellectually the best available. Nor was he sure that the complicated system that would remain even after so-called simplification would be in the best interests of members. He was not prepared to enter such a discussion during the present meeting. The starting point of the debate had been purely mathematical, but it had been complicated by the entry of a good deal of procedure, and the best course of action would probably be to eliminate proposed paragraph 3.

Mr. Prowse observed that the resources made available to members making use of larger programs with the Fund were bound to consist of some funds provided under the enlarged access policy and consequently to be borrowed funds. As borrowed funds cost more, members having access to the Fund's resources under the enlarged access policy ought to bear the cost of the more expensive funds. It would be more appropriate to think of members bearing the cost of larger programs rather than to consider them as receiving subsidized funds for that part of the resources that might not be borrowed.

The whole discussion, Mr. Prowse commented, was taking place because of the Executive Board's desire to be flexible and accommodating. If it were decided that a one-year stand-by arrangement should be financed according to the letter of the law, the discussion would not be necessary, and the proposed paragraph 3 of the decision would not have been suggested. For some members, there were clearly advantages in having a three-year extended arrangement with the Fund; members wishing to enjoy those advantages ought to pay the additional cost. Those that opted for a one-year stand-by arrangement did not have the advantages of the longer repayment periods available under an extended arrangement; consequently, they should not have to pay the higher charges. While he was a proponent of flexibility in general, there was a great deal to be said for keeping separate the rules for one-year stand-by arrangements from those for extended arrangements, and financing the two different sorts of arrangement accordingly. Naturally, when the enlarged access policy was phased out, the mixing provisions would also be unnecessary. All that was being discussed was an interim situation.

While in some cases he would like to see flexibility in the substance of a program, Mr. Prowse went on, he did not believe it desirable to formalize whatever flexibility was agreed upon in regard to the financing of the arrangements. Consequently, he would prefer not to accept the proposed paragraph 3, if only because not all the implications had been understood, and its adoption would be the opposite of simplification. In the longer run, there would be no mixing except in very special circumstances, and it would be more appropriate to consider the benefit of extended arrangements now as involving cost in terms of resources provided.

The staff representative from the Treasurer's Department, replying to a question by the Chairman, indicated that the effect on the Fund's liquidity of adopting the changes in the mixing rules proposed in paragraphs 1 and 2 of the draft decision would be small.

The Deputy Managing Director commented on an assumption made by an earlier speaker to the effect that the elimination of "catching-up" depended on proposed paragraph 3. As he understood it, it was paragraph 1 that eliminated catching-up because it spoke of mixing in given proportions, but always in terms of purchases. Purchases under the enlarged access policy made by virtue of proposed paragraph 1--which would replace paragraphs 8(a), (b), and (c) of the basic enlarged access decision--would not be subject to "catching-up," and the fact that the proposed paragraph 1 would replace paragraph 8 ought to be made evident in any new decision.

Mr. Grosche wondered whether the positive effect of the proposed paragraph 3, which would be the equal treatment of all members of the Fund as far as charges were concerned over time, could not as well be produced by implementing Mr. Kafka's proposal regarding the treatment of successive drawings. He therefore wondered whether that proposal ought not to be considered.

The Director of the Legal Department stated that while the staff would look into Mr. Kafka's proposal, the staff was not very keen on retroactive increases in charges, a step that might bring with it legal and operational problems.

Mr. Suraisry inquired what the position would be if paragraph 3 were abandoned. The last sentence stated: "A request for any such arrangement--i.e., successive stand-by arrangements in the context of a medium-term strategy--will be met under the policy on enlarged access." In the absence of that paragraph, how would such cases be treated?

The Director of the Legal Department explained that such cases would continue to be treated under the regular credit tranche policies. There was a provision in the basic decision on enlarged access that stated that cases other than those that came under the enlarged access policy were to be treated in accordance with established policies.

The Chairman, replying to a question by Mr. Delgadillo, gave a concrete example to clarify the intention of proposed paragraph 3. He assumed that a country coming to the Fund had not used its credit tranche positions. Feeling that the future was not too gloomy, the country might ask for a drawing amounting to 75 percent of quota. He further assumed that if proposed paragraph 3 were adopted, and the staff considered the balance of payments difficulties a problem that needed several arrangements to solve, they might persuade the country that its drawing should be part of its medium-term strategy and that it should accept a mix of 25 percent of quota in ordinary resources and 37.5 percent of quota in borrowed resources. If proposed paragraph 3 were not adopted, the country would clearly be entitled to draw 75 percent of quota as ordinary resources. Further assuming that things did not turn out as well as the country had expected, and that it returned to the Fund in due course with a request for a second program amounting to 75 percent of quota, if proposed paragraph 3 were adopted the two drawings together would enable the country to borrow 150 percent of quota over the two-year period, split between 75 percent ordinary resources and 75 percent borrowed resources. If proposed paragraph 3 were not adopted, the country, which would have drawn its first 75 percent in ordinary resources, and later obtained a second 75 percent consisting of 25 percent ordinary resources and 50 percent borrowed resources, would over two years have obtained 100 percent of quota in ordinary resources and 50 percent in borrowed resources. The consequences were not arithmetically equal.

Continuing, the Chairman remarked that he had to agree with Mr. de Vries that paragraph 3 would have some effect on the catching-up procedures. Similarly, Mr. Kafka had apparently suggested that countries should be brought into a catching-up procedure through an a posteriori operation. Perhaps too much attention was being paid to the effect of proposed paragraph 3 on the cost of various mixes of borrowed and ordinary resources, because in practice very few countries had not used their first credit tranche position in the Fund.

Consequently, the Chairman went on, it seemed likely that in nearly all cases countries would be using a mix of ordinary and borrowed resources. Moreover, the staff had indicated that it did not expect serious liquidity consequences for the Fund if proposed paragraph 3 were omitted. In those circumstances, he could very well live without proposed paragraph 3. If a country did in fact succeed in borrowing a slightly higher proportion of ordinary resources than might otherwise have been the case, the Fund should not be alarmed. While the country would be paying smaller charges, it would also have a shorter repurchase period. He agreed with Mr. Malhotra, who had said in effect that countries did not systematically try to circumvent the rules in order to benefit from slightly lower charges. It would also be possible to come back to the issue at a later time if staff and management perceived that the mix of ordinary and borrowed resources agreed upon was proving unsatisfactory in terms of the Fund's liquidity. His proposal therefore was to adopt proposed paragraphs 1 and 2 and eliminate proposed paragraph 3. The Board could come back to the issues when everyone concerned had had more time to consider them.

The Chairman proposed, and the Executive Directors agreed, to return to the matter on the basis described by the Chairman in connection with the discussions on access limits to be held on December 19, 1983.

Extension of period under paragraph 4, and guidelines on access limits

The Directors turned to SM/83/230 (11/7/83) concerning the extension of the period during which the Executive Board might grant arrangements under the policy of enlarged access, and the guidelines on access limits.

Mr. Suraisry commented that the paper was quite straightforward and consistent with the recommendations of the Interim Committee. He had two comments, the first of which was a matter of drafting. In both the proposed decision on the extension of the period, and in that on access limits, since the Eighth General Review of Quotas had become effective, it might be more reasonable simply to say that the policy on enlarged access would be extended until the end of 1984, provided that the Fund might extend that period. His second point was one of interpretation. The proposed decision on access limits set out the two-tier system as agreed by the Interim Committee. The fourth sentence read: "The Fund may approve stand-by or extended arrangements that provide for amounts in excess of these access limits in exceptional circumstances." He wished to record his understanding that access in excess of 125 percent of quota was considered to be "exceptional"; amounts between 102 percent and 125 percent of quota were points on the continuum that members would qualify for, depending on their needs and the strength of their adjustment efforts. With those two qualifications, he could support the proposed decisions.

Mr. Kafka said that he could approve the proposed decisions on the same understandings as Mr. Suraisry.

Mr. Grosche asked for an insertion in the decision with respect to the application of the present paragraph 15 regarding the review of the policy on enlarged access. Where the proposed decision read: "...in order to consider the future of the enlarged access policy," he would like to insert the words from the Interim Committee communiqué "including its termination, its gradual phasedown, or its extension."

Mr. Schneider stated that in principle he could accept the proposed decision on the extension of the policy of enlarged access. However, the limits for the enlarged access policy had been stated once in the form of a summing up by the Chairman and once in the Annual Report. He wondered whether it was desirable to state the limits once again in the proposed third decision in SM/83/230. Second, he would like to specify, as the Chairman had done in January 1981, that the access limits excluded outstanding drawings under the compensatory financing facility and the buffer stock financing facility.

Mr. de Maulde stated that he had no difficulty with the proposed decisions, and that he would go along with the amendments suggested by Mr. Suraisry and Mr. Grosche.

Mr. Templeman indicated that it had been his understanding at EBM/83/166 and EBM/83/167 (12/2/83) that the proposed decisions were to be part of a package, and that no formal decision would be taken at the present meeting.

The Chairman said that his understanding was the same as that of Mr. Templeman.

Mr. de Vries observed that the drafting appeared to be more or less correct at first sight. Like Mr. Suraisry, he would like to drop the reference to the entry into force of the Eighth General Review of Quotas. As to the extension of the period, he assumed that the extension beyond the end of 1984 would require the same 85 percent majority of total voting power as the present proposed decision, and he asked for a confirmation of that assumption. He also hoped that the Executive Directors would soon see the Chairman's summing up of the discussion at EBM/83/166 and EBM/83/167.

The Chairman stated that he would issue his summing up in a few days. Mr. de Vries was correct regarding the need for an 85 percent majority for any extension beyond the end of 1984.

Mr. Prowse commented that the policy on enlarged access which it was being proposed to extend was already a modification of the original policy. He therefore wondered whether it might not be appropriate to insert words such as "as amended by later decisions" or "as amended in line with the recommendations of the Interim Committee."

Mr. Malhotra said that while he could accept the proposed decisions, he noted that the one on access limits contained the sentence "The annual and triennial access limits shall not be regarded as targets." As it seemed self-evident that limits were not targets, he wondered whether it was necessary to include such a sentence in what was after all a legal document. He also agreed with Mr. Schneider that it would be correct to include reference to the exclusion of drawings under the compensatory financing facility and the buffer stock financing facility.

Mr. Alfidja said that he understood that the Fund at the moment had no policy on enlarged access, and that the Executive Board did not intend to take a decision at the present meeting. He therefore wondered how the Fund would conduct business with countries making applications for drawings that would involve use of the enlarged access policy in the meanwhile. The Executive Board had agreed to discuss the request from Mali, a country in his constituency, on Friday, December 9, 1983.

The Chairman recalled that at EBM/83/166 and EBM/83/167, Executive Directors from countries with substantial voting power--an important matter, since the decisions would have to be adopted by an 85 percent majority--had said that they wished to take the final decisions on the points under discussion after considering the Fund's income position later in the month. The Executive Board would therefore have to consider how to meet requests from Mali, scheduled for discussion on December 9, and from Zaïre, scheduled for discussion on December 16.

Mr. Malhotra remarked that he had deliberately refrained from raising the question when the Chairman had suggested that the decisions be postponed. Executive Directors had had time to study the three proposed decisions, which did no more than reproduce the recommendations of the Interim Committee. He therefore wondered whether it was really necessary to postpone action. It was his understanding that after conclusions reached in the Interim Committee, there would be no question of reopening the matter. From his standpoint, therefore, there would be no difficulty in taking decisions at the present meeting.

Mr. de Maulde commented that legislatures throughout the world were often faced with the problem raised by Mr. Alfidja. The normal solutions were either to extend the legislation that had recently expired or to make the impending legislation retroactive to the expiry date of the old. It would certainly be quite wrong to hold the countries mentioned by Mr. Alfidja hostage to negotiations in the Executive Board. The staff could surely find a solution.

The Director of the Legal Department noted that the staff had suggested that one course would be to approve in principle the requests by the countries in Mr. Alfidja's constituency, on the understanding that the relevant decisions approving the requests would become effective when a decision was taken on an extension of the enlarged access policy. Another course would be to provide for a brief extension of the lapsed policy on enlarged access.

Replying to points raised by Executive Directors, the Director agreed with Mr. Suraisry and Mr. de Vries that the language regarding the extension of the policy on enlarged access could be: "The period during which the Fund may approve a stand-by or extended arrangement that provides for enlarged access would be extended until the end of 1984." Mr. Suraisry's assumption with respect to the meaning of the term "exceptional circumstances" only applying to cases involving access above 125 percent of quota was correct. He would have no difficulty with including the language suggested by Mr. Grosche regarding the review of the future of the enlarged access policy, if the Board wished to do so.

Responding to Mr. Schneider's question as to why the staff was now proposing a decision setting out the limits of enlarged access, when previously the Executive Board had been satisfied with a summing up by the Chairman, the Director reminded Executive Directors that a summing up had the same effect as a decision by the Executive Board; a summing up reflected the views of the Executive Board in a more flexible form than a decision. It had seemed to the staff that it would be appropriate to record the access limits in the form of a decision, especially as the Interim Committee had put forward a rather precise recommendation, which the staff had not wished to paraphrase. Regarding Mr. Schneider's second question, there would of course be no difficulty in including language that would specifically provide for the exclusion of the compensatory financing facility and the buffer stock financing facility; the staff had thought that that exclusion was self-evident.

As to Mr. Prowse's question whether it would not be more exact to refer to the policy of enlarged access "as amended," the Director of the Legal Department recalled that the basic decision itself had not been amended; the access limits had been included not in that decision but in the Chairman's summing up. It was now being proposed that the basic enlarged access policy as reflected in the original decision should be applied until the end of 1984. That decision specifically provided that the limits could be changed by the Fund from time to time, and it was those limits that were being changed by the third proposed decision. Merely changing the limits would not be an amendment of the original decision. He could agree with Mr. Malhotra that the sentence indicating that limits should not be regarded as targets was unnecessary. The staff had sought to include it because of the emphasis placed on the point not only by Executive Directors but also by many members of the Interim Committee.

Mr. Grosche remarked that while he could well understand Mr. Malhotra's views as a lawyer, he would prefer to retain the sentence concerning limits not being regarded as targets.

Mr. de Vries stated that he agreed with Mr. Grosche regarding the sentence on targets; however, he had to differ from him on his proposal regarding the insertion of language in the proposed decision on the review of the policy on enlarged access. He would prefer to leave the text as proposed by the staff.

Mr. Schneider, returning to the question of the sentence on targets, remarked that the following sentence, which referred to action "within these limits," made it clear that the limits were not targets. Consequently, the sentence complained of by Mr. Malhotra was certainly redundant.

Mr. Templeman said that he would prefer to retain the sentence referring to targets. It had been a matter of some importance to the Interim Committee. Second, he was glad to hear that the staff would be able to make proposals for dealing with any transitional problem that might arise in the next two or three weeks. He would prefer to be able to accommodate requests from countries without taking a decision at the present meeting.

Mr. Malhotra observed that the sentence regarding targets was not only redundant; it gave the impression that the Fund should be very careful to avoid granting access up to the limits mentioned. He therefore hoped that there was a clear understanding that the language did not mean that countries would have to keep well below the limits, even if they had an appropriate program. Access to the Fund's resources ought to be determined by need and the presentation of an appropriate program. Indeed, it had been agreed that if there was exceptional need, a country would be entitled to access beyond the limits.

Mr. Clark stated that he could accept the three proposed decisions with the language as it stood, with the exception of the proposal for the decision extending the enlarged access policy. For that decision, he could support the language proposed by Mr. Suraisry and Mr. de Vries.

Mr. Alfidja stated that he could accept the proposed decisions, provided that contingency arrangements could be worked out for the transitional period.

The Chairman remarked that the staff would rewrite the proposed decisions in the light of the discussion; Executive Directors would be able to return to them later in the month. Meanwhile, the staff would propose some appropriate transitional arrangements.

The Executive Directors concluded for the time being their discussion on simplification of the Fund's enlarged access policy, on extension of the period of application of the policy, and on guidelines on access limits. They agreed to return to the subject on December 19, 1983.

#### DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/83/168 (12/5/83) and EBM/83/169 (12/5/83).

2. ANTIGUA AND BARBUDA - ACCEPTANCE OF OBLIGATIONS OF ARTICLE VIII, SECTIONS 2, 3, AND 4

The Fund notes that Antigua and Barbuda has accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement as of November 22, 1983. (EBD/83/303, 11/30/83)

Decision No. 7575-(83/169), adopted  
December 5, 1983

3. STAFF RETIREMENT PLAN - AMENDMENT

The Executive Board approves the proposal by the Pension Committee set forth in EBAP/83/291 (11/30/83), Attachment I and Attachment II.

Decision No. 7576-(83/169), adopted  
December 5, 1983

APPROVED: April 4, 1984

JOSEPH W. LANG, JR.  
Acting Secretary