

INTERNATIONAL MONETARY FUND

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The Executive Board of the International Monetary Fund has taken a number of decisions that will enable the Fund to continue to provide financial assistance, on an appropriate scale, to members experiencing payments imbalances that are large in relation to members' quotas. One set of decisions relates to the policy of enlarged access. Another decision is on members' access to the compensatory financing and buffer stock financing facilities. The Executive Board also adopted a decision on gradually raising the rate of remuneration in relation to the SDR interest rate. Remuneration is paid to Fund members for the use of their currencies that are subscribed by way of quotas. Raising the rate of remuneration will have the effect of improving members' reserve tranche positions by narrowing the disparity in the remuneration on these positions relative to other Fund-related claims.

Decisions on the enlarged access policy were necessary because the Fund could not approve stand-by and extended arrangements under the enlarged access policy following the coming into effect of the Eighth General Review of Quotas on November 30, 1983. Under the action taken by the Executive Board, the Fund can now resume approving such stand-by or extended arrangements until the end of 1984 and, subject to a further decision by the Board, beyond that date. In determining members' access under this policy, the Executive Board agreed on guidelines which follow closely the recommendations made by the Interim Committee at its meeting in Washington on September 25 and 26, 1983. Access by members during 1984 will 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 efforts. The annual and triennial access limits are not to be regarded as targets. Within these limits the amounts of access in individual cases will vary according to the circumstances of the member. As in the past, the Fund can approve stand-by or extended arrangements that provide for amounts in excess of these access limits in exceptional circumstances. The guidelines will be reviewed before the end of 1984.

Under another decision relating to the policy of enlarged access, the Executive Board simplified the mixing of ordinary and borrowed resources under stand-by and extended arrangements in the interest of the better administration of the policy.

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On the question of compensatory financing, the Executive Board agreed that members may draw up to 83 percent of quota under the facility relating to shortfalls in receipts from exports as well as the facility relating to excesses in the cost of cereal imports. Purchases which would increase the amounts outstanding under the compensatory financing facility relating to shortfalls in export receipts beyond 50 percent of the member's quota will be met only if the Fund is satisfied that the member has been cooperating with the Fund in an effort to find appropriate solutions for its balance of payments difficulties. Purchases up to 50 percent of a member's quota are subject to a less strict requirement of conditionality. For members making use of compensatory financing from the Fund for both export shortfalls and excesses in cereal import costs, an overall limit of 105 percent has been set. The new limits compare to previous limits of 100 percent of quota (maximum access under either part of compensatory financing), and 125 percent (overall limit for the use of compensatory financing under the export shortfall and the cereal import provisions), respectively.

On the question of the buffer stock financing facility, the Executive Board agreed to a maximum access of 45 percent of quota as compared with the previous limit of 50 percent.

Members' access under the compensatory financing and buffer stock financing facilities will be reviewed before the end of 1984 and annually thereafter in the light of all relevant factors, including the magnitude of members' payments problems and developments in the Fund's liquidity.

Although access limits have been lowered in percentage terms, access in absolute terms for most members will be somewhat larger than before the Eighth General Review of Quotas came into effect, as quotas have been raised more in percentage terms than access has been reduced.

On the rate of remuneration, the Executive Board agreed on a formula under which this rate would be raised from the present level of 85 percent of the SDR interest rate by increases of 3.33 percentage points on May 1 of each year 1984, 1985, and 1986 or higher, when the SDR interest rate was falling. A review of the rate of remuneration will be held between May 1, 1986 and May 1, 1987, taking into account all relevant factors, including the SDR interest rate and the rate of charge. Beginning on May 1, 1987, adjustments of the rate of remuneration will continue beyond the level attained on the basis of movements in the SDR interest rate. The SDR interest rate is the weighted average of money market interest rates in the United States, the Federal Republic of Germany, France, Japan, and the United Kingdom. Remuneration is payable on the amount by which a specified proportion of a member's quota, the "norm", exceeds the average daily balances of a member's currency held in the General Resources Account below the quota level.