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April 20, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Review of Enlarged Access Policy

The attached paper reviewing the policy on enlarged access to Fund resources has been tentatively scheduled for Executive Board consideration on Wednesday, May 18, 1983.

Att: (1)

INTERNATIONAL MONETARY FUND

Review of Enlarged Access Policy

Prepared by the Treasurer's and the Exchange and Trade Relations Departments

Approved by Walter O. Habermeier and C. David Finch

April 19, 1983

I. Introduction

The policy on enlarged access to the Fund's resources was established on March 11, 1981 under Decision No. 6783-(81/40). Paragraph 15 of this Decision provides for a review not later than June 30, 1983, and annually thereafter as long as the Decision remains in effect. Under the Decision, the Fund may approve arrangements involving borrowed resources under the enlarged access policy at any time until the Eighth General Review of Quotas becomes effective, but may also decide to extend this period.

An important aspect of the enlarged access policy concerns the amount of resources to be made available under a stand-by or extended arrangement approved under the Decision. These amounts are determined according to guidelines adopted by the Fund from time to time. Following its meeting in Washington on February 10-11, 1983, the Interim Committee issued a communique which read in part:

> 4. The question of the limits on access to the Fund's resources was raised in the Committee. It was noted that the Executive Board will review this matter before June 30, 1983. The Committee invited the Executive Board to take note of the views expressed in the Committee by those favoring maintenance of the present enlarged limits in terms of multiples of quotas and also by those stressing the need to have regard to developments in the Fund's liquidity. It also invited the Managing Director to report on this matter at the next meeting of the Committee.

The next meeting of the Committee is scheduled to be held on September 25, 1983.

Among other aspects of the decision on enlarged access that need to be reviewed are the proportions of ordinary and borrowed resources provided under the policy.

The first section of this paper deals with the use of the Fund's resources under the policy on enlarged access. It focuses on the amount of access to Fund resources that has been been available to members and the nature of the adjustment programs supported by the policy. The second section treats the application of the policy under current conditions in both the period preceding and that following the effective date of the Eighth General Review of Quotas. The third section treats the relationship between the enlarged access policy and the Fund's liquidity. The fourth section discusses the mix of ordinary and borrowed resources and related matters, such as charges and repurchase terms. The paper concludes with proposed new access guidelines. A draft decision will be issued in the light of the Board discussion. A separate paper to be issued shortly will discuss access limits under the compensatory and buffer stock financing facilities.

II. The Use of the Fund's Resources Under the Policy on Enlarged Access

1. Annual and triennial access limits

The Annex traces the evolution of the policy on access limits. As described in the Annex, these limits have been altered several times during the past six years both in magnitude and with respect to the conditions under which exceptions and waivers might be considered. The present limits of 150 per cent of quota per year or 450 per cent of quota over a three-year period, with a cumulative limit, net of repurchases, of 600 per cent, have been in effect since December 1980 when the Seventh General Review of Quotas became operative. The 150/450 limits may be exceeded in exceptional circumstances, e.g., when the quota of a member is unusually low in relation to its economic size. In practice, the Fund has been very vigilant not to allow these limits, or the access limits that were effective previously, to become the norm in the design of arrangements. The amount of resources provided in any particular case has depended upon a number of considerations, such as the nature of the payments problem, the speed and intensity of adjustment, the need for financing and the extent to which this could be met from other sources, and the outstanding use of the Fund's resources by the member. This pragmatic and prudent approach is reflected in Appendix Tables 1-3 which show the amounts of the Fund's resources as a proportion of the member's quota for arrangements approved since 1975.

Appendix Table 1 deals with stand-by arrangements that are generally for one year, although in some cases the period is a few months longer or shorter. Between 1975 and mid-1980, when there were no explicit annual access limits in effect, 1/ there was a wide distribution of the amounts approved as a fraction of quota and no arrangement involved more than 100 per cent of quota until 1979. As shown in the chart to the Annex of this paper, substantial resources

1/ Other than the provision of Article V: 3(iii) (until the Second Amendment) that the Fund's holding of a member's currency would not increase by more than 25 per cent of its quota during a twelve-month period.

up to 200 per cent of quota were made available to members under the 1974 and 1975 oil facilities. 1/ In 1979 and 1980 three out of thirteen arrangements exceeded this amount. Following the establishment of the 150/450 rule in December 1980, 16 of the 37 arrangements were above 100 per cent. Of these, the arrangement for Korea exceeded the limit of 150 per cent; the smallness of Korea's quota in regard to its economic size justified this exceptional treatment.

The size and distribution of drawings in the multiyear stand-by arrangements is shown in Appendix Table 2. The total size and annual access again shows wide variation and no tendency of clustering at the access limits. In the first half of 1980, both Korea and Turkey were given exceptionally large amounts because of their needs, while in the second half of the year, only Tanzania approached the 200 per cent annual access limit then in force. Since December 1980, there has been only one two-year arrangement for as much as 300 per cent of quota (Thailand).

The experience with extended arrangements is slightly different (Appendix Table 3). Between 1975 and 1978, each of the first six arrangements reached or exceeded the existing access limit of 140 per cent. In the cases of Jamaica and Egypt, special circumstances warranted amounts in excess of 140 per cent of quota. Since then, the size of extended arrangements has varied considerably with relatively few cases reaching or approaching the limit. Since the limits were set at 150/450 in December of 1980, five extended arrangements have been approved for 450 per cent of quota (Brazil, Costa Rica, Dominican Republic, Ivory Coast, and Mexico), 2/ four more were at or above 350 per cent of quota (Morocco, Sierra Leone, Zaire, and Zambia), and the remaining five were between 200 and 350 per cent of quota. While an extended arrangement or three-year stand-by arrangement for 450 per cent of quota may be phased to allow access of more than 150 per cent in a given 12-month period (see "Enlarged Access to Fund Resources," EBS/80/262, December 4, 1980, p.6), this has rarely been the case in practice.

In the recent period, access at the current limits in support of members' adjustment programs has been considered appropriate when the member's need for temporary balance of payments assistance is particularly large in relation to quota, when the program adopted by the authorities represents a determined and substantial effort to reverse the course of policy of earlier years, and when the completion of the greater part of the necessary adjustment is expected within the confines of a three-year period. In such cases, a substantial commitment of Fund resources is frequently necessary to enhance internal and external confidence in the program. Brazil and Mexico are recent examples of three-year extended arrangements where maximum access was deemed

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1/ In addition, for low income-countries there were disbursements from the Trust Fund between 1976 and 1981.

2/ The Brazilian, Ivory Coast, and Mexican arrangements included a first credit tranche purchase.

warranted, while Uganda is a case of a comprehensive adjustment program supported by maximum access in the form of a series of annual stand-by arrangements.

Somewhat smaller access was deemed appropriate in cases such as India and Peru, where the three-year extended arrangements are for 291 and 264 per cent of quota, respectively. In these cases the member came to the Fund at an early stage in its balance of payments problems. The immediate balance of payments need was not particularly large, but there was the clear expectation that a financing gap might emerge over the period of the arrangement. Nevertheless, these programs also envisage that the Fund's resources would be supplemented by substantial capital inflows from other sources, in part because of the catalytic effect of Fund support for comprehensive programs of adjustment.

Other arrangements have generally provided annual access at or about the 75-100 per cent level, primarily in the form of one-year stand-by arrangements. In some of these cases the balance of payments need did not warrant larger amounts, or larger access was not required to inspire confidence. Moreover, many of these arrangements, for example, those for Liberia, Malawi, the Philippines, or Senegal, the program is regarded as only one stage in a longer term effort to overcome the country's problems. There is clearly a need for continued Fund assistance over a number of years and thus the commitment of larger amounts was not considered prudent.

A final group of arrangements involve access even below this level. Access below 75 per cent of quota a year is appropriate when the balance of payments need is relatively small (for example, South Africa) or where the member's existing debt situation is such that a further substantial increase in net external debt is inadvisable (for example, Bangladesh and Togo). Programs at this level of access do, however, continue to indicate Fund support of the adjustment effort and can thus enhance internal and external confidence in the member's economic management. In most recent one-year stand-by arrangements for less than 75 per cent of quota, borrowed resources under the enlarged access policy have not been involved.

2. Cumulative access limit

At their meeting on November 10, 1982 (COW/Quotas/82/14-15) a number of Executive Directors expressed concern that over time there would be a tendency for many members' access to approach the cumulative access limit. This section of the paper examines the relationship between the cumulative access limits and actual access by member countries since the early 1970s.

Appendix Table 4 shows the level of cumulative holdings of members' currencies in the credit tranches as a percentage of quota for members using Fund resources. 1/ With the introduction of the extended Fund facility in 1974, the supplementary financing facility in 1977, and the policy on the enlarged access in 1981, there has been a marked increase over the period in the number of members with cumulative drawings of more than 100 per cent of quota. The proportion of members using more than 100 per cent of quota in the credit tranches to all members using Fund resources in the credit tranches has risen sharply from 3 per cent in 1978 to 47 per cent at the end of 1982. The first time in recent years a member's holdings exceeded 200 per cent of quota was in 1979, 300 per cent of quota in 1981, and 400 per cent of quota in 1982.

Appendix Table 5 shows the same data, but as a percentage of the cumulative access limits in effect on the dates in question. Here the trend is less pronounced. The percentage of those members using resources whose use exceeded 40 per cent of the cumulative access limit has not shown any marked upward change over the period. Since the higher limit of 600 per cent of quota was only introduced at the end of 1980, members' use of Fund resources under regular facilities may be expected to continue to rise closer to this limit over the next few years. However, Appendix Table 5 by itself presents no indication that it is likely to rise to an abnormally high level. Until the end of 1982 no member had used more than 70 per cent of the cumulative limit, although by the end of February 1983 there were two members whose use exceeded that level.

Appendix Table 6 shows the result of mathematical calculations to indicate the access levels that might be achieved as a result of a regular succession of stand-by or extended arrangements of equal magnitude. These calculations are based on the current rules for mixing ordinary and borrowed resources and assume repurchases are made according to the standard schedules. The figures show that access reached under stand-by arrangements tends to peak at about 4.4 times the annual access. For extended arrangements the peak is about five times the annual access. This larger figure results from the longer average repurchase terms of the ordinary resources used under extended arrangements (4-10 years) compared with those used under stand-by arrangements (3-5 years). When the present cumulative access limits are compared with the maximum reached under the annual access limits, it can be seen that the latter are some 10 per cent higher than the former in the case of stand-by arrangements and 23 per cent higher in the case of extended arrangements.

These calculations are of course hypothetical and in practice, it is highly unlikely that the present cumulative access limits would be reached as a result of arrangements at the current annual or triennial

1/ The figures in Appendix Table 4 show cumulative holdings as a percentage of quota at the end of the period in question. It is possible that for other dates in the years considered, holdings may have been at higher levels than indicated in the Appendix table.

access limits if repurchases are made on schedule. For one thing, a continuous series of arrangements (other than of a precautionary nature) would rarely be approved in practice. For another, disbursements under an arrangement are frequently missed or take place later than planned for a variety of reasons. It should also be noted that Appendix Table 6 does not take into account possible quota increases at future dates; such increases are likely to diminish further the possibility of exceeding the cumulative limits.

3. The length of arrangements

Until the mid-1970s, the great majority of stand-by arrangements have been for 12 months (Appendix Table 7). Such arrangements were normally designed to correct difficulties that did not require an extended adjustment period. However, there were also cases where imbalances were so large or deeply entrenched that rapid adjustment was impossible. In such cases the Fund was prepared to enter into a series of consecutive annual stand-by arrangements, where the initial arrangement aimed explicitly at partial adjustment, and was followed by other arrangements which carried the adjustment process forward.

Subsequently, it became evident that the step-by-step approach to adjustment was not adequate. Where large and protracted disequilibria had caused disruptions in the structure of production and trade, the restoration of a viable balance of payments position necessarily involved a major reallocation of resources within the economy. In order to design and coordinate such a program properly, a medium-term perspective was necessary. This line of reasoning formed the main rationale for establishing the extended Fund facility, which provides for extended arrangements covering periods of not more than three years. As shown in Appendix Table 7, this has almost invariably been the actual length, shorter arrangements having been approved on technical grounds for Jamaica (1979) and Pakistan (1981) in order to augment or reapportion the amount.

The rationale for longer arrangements was reaffirmed in the decision establishing the supplementary financing facility, which provided that the period of a stand-by arrangement involving the supplementary financing facility "will normally exceed one year and may extend up to three years in appropriate cases" (Decision No. 5508-(77/127), August 19, 1977). Three-year stand-by arrangements have been approved in the case of Romania, Turkey, and Yugoslavia. In reviewing the guidelines on conditionality in 1979, the Executive Board again decided that the normal period for stand-by arrangements would be one year, but, in appropriate cases, might extend up to, but not beyond three years (Decision No. 6230-(79/140), August 3, 1979). The same approach was adopted in the policy on enlarged access, which again states that "the period of a stand-by arrangement approved under this Decision [(No. 6783-(81/40)] will normally exceed one year, and may extend up to three years in exceptional cases. The period of an extended arrangement will normally be three years."

The movement toward longer arrangements can be seen clearly from Appendix Table 7. While at the start of the 1970s all upper tranche arrangements were for 12 months, by 1977 42 per cent of such arrangements were for a longer period. This figure showed a big increase in the next two years, reaching 78 per cent in 1980.

As discussed in the "Review of Recent Extended and Upper Credit Tranche Stand-by Arrangements" (EBS/82/97, June 9, 1982), the implementation of many of these longer term arrangements fell short of expectations, as some of the major assumptions on which they were framed were not fulfilled, in part because of exogeneous developments. As practical experience accumulated, it became evident that monitoring the adjustment effort by means of consecutive shorter term arrangements was in some circumstances preferable to following a pre-established framework, because of the flexibility of such arrangements in coping with new developments. As a consequence, the number of upper credit tranche arrangements exceeding the one-year period dropped to 67 per cent of all arrangements in 1981 and further to 39 per cent in 1982; and those exceeding 18 months amounted to 52 per cent of all arrangements in 1981 and only 13 per cent of those approved in 1982. However, as an indication of the continuous nature of the Fund's association with some members, it should be noted that 12 of the 19 one-year stand-by arrrangements approved in 1982 immediately followed or replaced earlier arrangements.

The policy with respect to the appropriate period of Fund arrangements was recently restated by the Managing Director in his concluding remarks to the Executive Board during the discussion of the Fund's liquidity position and financing needs in October 1982. 1/ Three-year programs, and in particular those supported by the extended Fund facility, should have a genuinely medium-term character and emphasize structural measures aimed at mobilizing, and improving the utilization of resources, and a reduced reliance on external restrictions. There also needs to exist a reasonable degree of confidence that the major part of the necessary adjustment measures would be put in place within the confines of a three-year program.

For other countries that need medium-term adjustment, but where for a variety of reasons it is impossible to enter into an extended arrangement, the Fund is prepared to proceed with a series of one-year arrangements. Such arrangements are designed within the context of a medium-term adjustment strategy, and progress needs to be ensured from one arrangement to another, so that after a time there is a progressive reduction in the net indebtedness to the Fund. Nevertheless, the need to ensure their revolving character limits the period during which the Fund can contemplate a member's continued use of its resources. This of course does not preclude the approval of an indefinite succession of "precautionary" stand-by arrangements.

1/ EBM/82/139, October 29, 1982.

III. The Application of the Enlarged Access Policy in the Near Future

The decision on enlarged access provides that the policy will continue until the entry into force of the Eighth General Review of Quotas, although the Fund may extend the period during which it approves arrangements under the policy. During the discussion at COW/Quotas/82/14-15, (November 10, 1982) Executive Directors generally supported the idea that the enlarged access policy should continue beyond the date of the Eighth General Review of Quotas becoming effective, but also indicated that it might be necessary to adjust the limits on access at that time. The Interim Committee at its recent meeting stressed the enhanced importance in current circumstances of the Fund's role in providing balance of payments assistance to member countries that engage in adjustment programs. It is proposed, therefore, that the policy on enlarged access should continue; indeed this policy is a necessary complement to the initiatives taken by the Interim Committee to agree ahead of schedule on the Eighth General Review of Quotas and on the enlargement of the General Arrangements to Borrow. The question that the Committee has invited the Executive Board to consider at this time concerns the limits on access to the Fund's resources under the enlarged access policy.

1. Access limits

A number of members of the Interim Committee favored the "maintenance of the present enlarged limits in terms of multiples of quotas." If this position is interpreted to mean the continued application of the present limits of 150 per cent of quota a year or 450 per cent over three years with a cumulative ceiling of 600 per cent in terms of the new quotas, each member's potential access to Fund resources would increase by the amount its quotas has been raised under the Eighth General Review. These amounts vary from 22.1 per cent 1/ to 182.1 per cent, and the median increase is 38.3 per cent.

At the Executive Board discussion on November 10, 1982 referred to above, reference was made to the desirability of at least maintaining access in absolute terms following the entry of the new quotas into force. However, unlike the situation following the Seventh General Review of Quotas, where the proposed uniform increase in quotas combined with the subsequent adjustment in access limits 2/ had the same effect on each member's potential access, there are a number of possible interpretations of the "maintenance of access in absolute terms" in the current circumstances.

1/ Excluding Democratic Kampuchea for which no quota increase has been proposed.

2/ From 200/600 per cent of old quotas to 150/450 per cent of new quotas.

In the first place, since the total of Fund quotas will increase by 47.5 per cent, the maintenance of absolute access might be interpreted as requiring a similar adjustment in the access limits from the current 150/450 per cent to 102/305 per cent of the new quotas. However, this would result in 108 members (6 industrial countries, 3 oil-exporting developing countries, and 99 non-oil developing countries) having reduced potential access in absolute terms by up to 21 per cent. This would apply to all except one of the members using Fund resources in the credit tranches under arrangements approved in 1982 and 1983, as well as all those using resources at the current access limits.

The effect of the quota increase for the typical member is more closely indicated by the median quota increase of 38.3 per cent if the maintenance of absolute access were interpreted in terms of access for the average member, the access limits following the completion of the Eighth Quota Review might be set at 108/324 per cent of quota. 1/ By definition this would reduce potential access in absolute terms for half the Fund's membership; the amounts involved range up to 13 per cent. All except three of these countries with reduced access would be non-oil developing countries, and the total includes 24 of the 32 members with arrangements approved in 1982 or 1983, and 4 of the 8 with programs at the current access limits.

Finally, the maintenance of absolute access could be interpreted in terms of no member, or very few members, having reduced potential access. For no member to have reduced access, the current limits would have to be adjusted in proportion to the smallest quota increase of 22.1 per cent. This would give limits of 123/369 per cent of the new quotas. If the new limits were set at 118/354 per cent of quota, only 10 per cent of members would have reduced potential access, while if they were set at 120/360, only 5 per cent would suffer such a reduction.

The determination of the appropriate access limits, both immediately following the present review and after the entry into force of the Eighth General Review of Quotas, is primarily a matter of judgment. There are two main considerations which bear upon this judgment. The first is the need of members for balance of payments financing and what part of this need can appropriately be met by the Fund. The second consideration is the relationship between access limits and the Fund's liquidity. This section concentrates on the first issue, while the latter is dealt with in a subsequent section of the paper.

Developments on international financial markets have been less favorable than was anticipated at the end of 1980 when the present guidelines on access limits were agreed. The deterioration of the balance of payments situation of non-oil developing countries between 1980 and 1981 was greater than foreseen. In 1982 their combined deficit

1/ For members with outstanding purchases, the median quota increase is 36 per cent and the corresponding access limits 110/330 per cent of quota.

is estimated to have fallen somewhat and a further decline is forecast for 1983. This improvement, however, in large part reflects the difficulties countries have been having in financing their deficits. Doubts about the ability of some countries to service their external debt, a problem exacerbated by the high interest rates prevailing on that portion borrowed from the capital markets, have led to a reassessment by commercial banks of their exposure in a large group of countries. Net lending by private banks to non-oil developing countries fell from US$53.5 billion in 1981 to an estimated US$25 billion in 1982 and is expected to decline further to US$20-25 billion in 1983. 1/ It seems possible that in the next few years, the international banks will play a smaller direct role in the current account financing of developing countries than has recently been the case.

One indicator of the magnitude of potential problems that might arise in certain circumstances is given in Table 1. This shows for the 27 largest borrowers outside the BIS area the amount of borrowing from banks reporting to the BIS which was due for repayment in the twelve months following the end of June 1982. This amount is expressed as a multiple of present and new quotas. At the end of June 1982, bank debt principal falling due within one year for this group was on average 12.15 times quota, well above where it had stood at the end of 1978. Even as a multiple of the quotas agreed under the Eighth General Review of Quotas, the figure at mid-1982 is larger than it was then.

It is, of course, to be expected that the debt will be to a varying degree rolled over, and countries will take policy actions, as some have already done, to keep their external payments situation under control. Moreover, for many of the countries on the table, confidence in their creditworthiness on the part of banks is not in question. However, should there be a serious break in the normal financial flows, the country involved might have to seek emergency support and adjust precipitately. Difficulties of this kind may spread rather quickly with adverse repercussions on the stability of the financial system.

The sudden interruption of normal financing flows can cause severe damage by jeopardizing a country's ability to continue servicing its debts. Frequently this leads to an accumulation of payments arrears, thereby further reducing the likelihood of obtaining external financing. In the ensuing cutback on imports, a country's efforts to tackle its fundamental structural problems can be seriously undermined; such a cutback may also have serious implications for other countries. Thus appropriate adjustment programs with adequate finance over the entire period of the adjustment need to be put in place promptly to maintain or restore the confidence of the international financial community. In these circumstances, it is the responsibility of the Fund to act to prevent abrupt shocks to the financial system by mobilizing the support of concerned parties to enable the debtor countries to pursue an adjust-

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1/ "World Economic Outlook - General Survey" (ID/83/1, January 17, 1983).

Table 1. Major Debtors Among Non-BIS Countries 1/: Comparison of Bank Debt Coming Due Within One Year and Fund Quotas

	Debt of up to One Year of Remaining Maturity				
	Dec. 1978	June 1982	Dec. 1978	June 1982	June 1982
	(In billions of U.S. dollars)		(As a multiple of actual quota)		(As multiple of proposed quota)
Four industrial countries					
Spain	5.147	9.450	7.09	10.25	6.66
Australia	1.883	5.369	1.81	4.11	3.01
Norway	2.462	4.568	6.41	9.86	5.92
Finland	2.580	3.911	7.56	9.02	6.17
Nineteen non-oil developing countries					
Mexico	7.344	32.208	10.54	36.38	25.05
Brazil	8.079	18.663	9.32	16.97	11.58
Argentina	3.241	13.106	4.65	14.81	10.67
Korea	3.669	11.403	17.60	40.39	22.32
South Africa	3.618	8.411	6.55	11.99	8.33
Chile	1.208	4.877	4.27	13.58	10.03
Philippines	1.710	6.894	6.25	19.84	14.19
Yugoslavia	1.225	2.639	3.39	5.76	3.9
Greece	1.791	3.304	7.43	10.79	7.49
Portugal	1.315	3.235	5.87	11.37	7.80
Hungary	3.728	2.128	...	5.14	3.64
Israel	2.819	4.147	10.55	12.23	8.41
Colombia	1.320	2.452	5.25	7.60	5.64
Egypt	1.140	3.922	3.84	10.39	7.68
Malaysia	0.858	1.768	2.60	4.22	2.91
Peru	1.696	3.361	7.94	12.38	9.21
Thailand	2.053	2.738	8.71	9.13	6.43
Ecuador	1.294	2.487	14.19	21.48	14.98
Romania	1.237	1.802	3.87	4.44	3.12
Four oil-exporting countries					
Venezuela	7.581	16.270	8.82	14.90	10.75
Indonesia	1.980	3.162	3.17	3.98	2.84
Algeria	1.330	1.527	3.58	3.24	2.22
Nigeria	.818	2.176	1.74	3.65	2.32
Average multiple of quota			6.65	12.15	8.27

Sources: Bank for International Settlements; and International Financial Statistics.

1/ These countries were the 27 largest borrowers from the BIS reporting area at the end of 1981 and are listed within each category in the descending order of their gross debt to banks in the BIS area.

ment course that is not "destructive of national and international prosperity." A successful effort of this kind would call for a substantial financial commitment from the Fund.

In practice, substantial Fund assistance, in addition to the approval of an arrangement by the Fund, is required if other lenders are to be willing to increase their exposure to a country. This is particularly true where the resolution of a member's balance of payments problems requires a reorganization of its external debt. Frequently, the Fund needs to increase its exposure in line with what is asked of other lenders. Thus the annual access limits must be sufficiently liberal to allow for such a net contribution to the financing of a member's balance of payments.

The foregoing considerations would tend to argue in favor of the need for the Fund to provide larger balance of payments financing than was envisaged at the end of 1980 when the current guidelines on access was determined. As indicated before, any ratios significantly lower than 123/369 per cent of proposed quotas or, for convenience, 125/375 per cent would reduce the absolute access of some members likely to be potential users of the Fund. For the median member, such limits would increase potential access by 15 per cent, and in terms of all members by 23 per cent. If Executive Directors were to consider such new limits, it might be noted that the increase in potential access would broadly parallel the nominal increase in world imports of 18 per cent between 1980 and 1983. A reduction--even for only a part of the membership--may give wrong signals at this time to the financial community by implying that the Fund might be turning away from an active role in overseeing the adjustment process. Nevertheless, access limits cannot be set without taking liquidity considerations into account. These are treated in Section IV below.

At present the cumulative access limit of 600 per cent of quota is set at four times the annual access limit. As discussed above (Section II, 2) a member would have to make all possible drawings under stand-by arrangements at the annual access limit for five successive years before approaching the cumulative access limit, or for four years under extended arrangements. If the cumulative limit were set much higher than this, say at five times the annual access limit, it would have no constraining effect at all on the amount of an arrangement, providing annual purchases did not exceed those limits and repurchases were made as scheduled. Nevertheless, there are good grounds for continuing a cumulative access limit. As the Managing Director pointed out in his summing up establishing the current guidelines, it is useful to indicate an outside limit that a country which has already had recourse to the Fund can envisage reaching in exceptional circumstances. The present relationship, whereby the cumulative limit is set at four times the annual limit would seem appropriate. Thus, if the annual and three-year limits were set at 125/375 per cent of quota, for example, the corresponding cumulative limit would be 500 per cent of quota.

2. Access within the limits

Within the access limits, the amount of Fund assistance, given the member's need, should be related to the magnitude and speed of recovery of the balance of payments that the member is capable of and for which the program provides. The use of the Fund's resources must remain temporary; and the magnitude of such use should depend upon expectations as to the balance of payments improvement. With the establishment of the extended Fund facility in 1974, the supplementary financing facility in 1977, and the lengthening of the repurchase terms of the former in 1979, the Fund recognized that longer repurchase schedules than the traditional three to five years were appropriate in view of the protracted nature of many countries' adjustment problems. The Fund also recognized for the same reasons the need for longer association between the Fund and member countries than the traditional one-year stand-by arrangement. This lengthening of arrangements and of repurchase terms should not, however, obscure the temporary nature of the use of Fund resources.

Access to Fund resources at the limit is thus appropriate in cases where the member has a large need for balance of payments assistance and where a substantial adjustment in the balance of payments can be expected by the time repurchases fall due, thus allowing the member to make the repurchases at the scheduled time without undue strain. In such cases, the authorities would normally be expected to be in a position to put the necessary adjustment measures in place within the time frame of a three-year program. Annual stand-by arrangements at this level of access would ordinarily be formulated within the confines of a comprehensive adjustment strategy.

In the majority of cases, however, access is likely to fall below the annual or three-year limit for a number of reasons. A member may be able to finance a part of its balance of payments need from the financial market or from official sources, thus limiting its recourse to the Fund's resources. The Fund's role in these cases is that of a catalyst contributing to the maintenance of creditor confidence in the economic policies of the country. The availability of financing from other sources may allow the member to opt for a gradual adjustment and the Fund's support, in limited annual amounts, may also extend over a number of years.

Cases may arise where members approach the Fund for assistance at a time when they already have significant outstanding use of the Fund's resources. Further assistance may be sought because the programs in support of which past drawings were made did not achieve the desired balance of payments adjustment, whether because of inadequate implementation or because of the impact of unexpected exogenous factors. If the member is willing and able to undertake renewed adjustment designed to achieve the necessary balance of payments improvement over a reasonable period, this would justify new Fund assistance. But the annual amount of such assistance has to be related to the prospective balance of payments improvement resulting from the adjustment program, and in most cases net financing by the Fund may have to be rather limited.

In other cases, the balance of payments of a member may be fundamentally so weak that a substantial and sustained improvement cannot be expected over the medium term. In these cases the need for assistance is not temporary and cannot be met by use of Fund resources. Just as in such cases recourse to short- and medium-term financing on commercial terms may be inappropriate, substantial use of Fund resources of relatively short maturity can be burdensome, and indeed unadvisable, for a country. This is not to say that no use of Fund resources is appropriate in such circumstances. The Fund has and will continue to make resources available to such countries and allow the authorities to frame and implement adjustment programs that will give other lenders and donors confidence in the economic management of the country. It may be appropriate to enter into a series of stand-by arrangements for this purpose but the amounts of such arrangements would necessarily be relatively small. At the same time the bulk of finance would have to be provided in the form of long-term concessional assistance from official and intergovernmental sources.

It is important to avoid allowing situations to arise where the servicing of a country's obligations to the Fund becomes a major part of its balance of payments difficulties. While this is largely a question of ensuring that adjustment policies do not let this happen, it should also influence the appropriate level of use of the Fund's resources by the member. It has become the practice in use of resources papers to project elements of the balance of payments well into the repurchase period for the Fund's resources involved in the program. This should allow a clear picture to be drawn of the member's balance of payments situation at the time when repurchases to the Fund fall due.

As stated in the decision establishing enlarged access, resources under this policy are to be made available in cases where members' needs are large in relation to their quotas and where a longer repurchase period than three to five years is appropriate. The decision further states that stand-by arrangements involving enlarged access will normally be for a longer period than one year, and extended arrangements will normally last three years. The decision establishing the extended Fund facility limits support under the facility to cases where the member has adopted a comprehensive program to correct structural imbalances. Such arrangements are almost invariably for three years. In other cases, the appropriate length of an arrangement will depend on the period for which the authorities can reasonably enter into policy commitments. When one-year stand-by arrangements are formulated within a medium-term strategy of steady progress toward a sustainable balance of payments position, use of enlarged access resources may be appropriate if the other conditions are met, for example, that the member faces a serious payments imbalance that is large in relation to its quota. There remains the case, however, where the balance of payments problem is large and the members' need for Fund financing is greater than the amount available to it under the four credit tranches or the extended Fund facility but where a strong one-year program of adjustment can be expected to resolve the difficulties. A case might be made for permitting access to Fund resources under the enlarged access policy in these circumstances.

3. Exceptional circumstances

While the present guidelines on access provide that in exceptional circumstances the annual and triennial access limits may be exceeded, in practice no exceptions have been made since early 1981. Nevertheless, in the cases of Brazil and Mexico, for example, access even at the current limits was clearly small compared with the financing needs. The resolution of the balance of payments difficulties in both countries depends crucially on the restoration of confidence in the countries' economic management and prospects, and the focus of each adjustment program is to regain this confidence through a pronounced shift in economic policies. Once this is done, some reversal of net capital flows can be expected, and the countries will be in a position to repay the assistance they have received from the Fund.

As an initial response to the emergence of balance of payments difficulties, each country entered into negotiations with the Fund for assistance and with commercial creditors for a restructuring of debt and new loans. Bridging finance was arranged from official sources and the Bank for International Settlements, and in the case of Brazil from the commercial banks. In each case, the financing of the prospective 1983 balance of payments deficit has been extremely tight and was only assured by negotiations involving official creditors, commercial banks, and the Fund. The negotiations hinged on agreement with the Fund on a program, and this in turn depended upon the closing of any financing gap for 1983. Since neither country had any outstanding use of Fund resources, the Fund was able in both cases to approve extended arrangements for the maximum amount available under current guidelines, i.e., 450 per cent of quota, including first credit tranche drawings of 25 per cent of quota.

Nevertheless, the amount of financial assistance that the Fund was in a position to provide under the current access guidelines was limited, as compared to the amount of assistance provided by the commercial banks. In both cases, it was small relative to the amount of bridging finance arranged when the severity of the countries' financing problems became apparent. This form of finance was explicitly designed to tide the countries over the short period until the Fund's resources became available. However, the immediate financing needs of the countries and the consequent amounts of bridging finance were much larger than the amount the Fund could provide in 1983 and much greater than the initial drawings from the Fund in anticipation of which they were given. Larger financing by the Fund would have provided a cushion of reserves that would have enabled countries to pursue their adjustment policies with initially more liberal exchange and trade policies.

The current access guidelines provide for exceptional access in a number of circumstances. While such treatment is not explicitly related to the financing needs faced by the member, this is not ruled out. Such exceptional circumstances calling for larger access could well arise in the coming months and also following the introduction of new access limits at the time of the Eighth General Review of Quotas. These may be cases where the member has exceptionally large financing needs, where failure to provide for orderly adjustment might impair the stability of the international monetary system, and where a rapid turnaround in the balance of payments can be expected to materialize. In such cases there may be a need for a massive injection of funds at the early stages of the program and the Fund might allow the annual access limit to be surpassed. However, it would be prudent to ensure that the cumulative access under the tranche policies not exceed the cumulative access limit, now 600 per cent of quota.

IV. Access Limits and Fund Liquidity

The most recent review of the Fund's liquidity position and financing needs indicated that by the end of December 1983 the Fund's holdings of uncommitted usable ordinary resources will be at very low levels even on the assumption that the Fund will cover the then existing commitment gap by further borrowing arrangements in the order of SDR 5.7 billion. 1/ Without such new borrowing arrangements, the Fund's net uncommitted resources are likely to be close to zero by the end of 1983, the date at which the increase in quotas under the Eighth Review is expected to come into effect. This means that the additional demands for Fund resources that will arise after the new quotas come into effect will, apart from resources provided by repurchases, need to be financed out of the usable assets resulting from the increase in quotas and from further borrowing by the Fund, including activation of the GAB, if the proceeds from the quota increase prove to be insufficient.

The demands for the Fund's resources that were estimated in EBS/83/59 for the period January 1, 1984 to April 30, 1986 were based on expected balance of payments needs of member countries that would adopt appropriate adjustment programs and on the assumption that access expressed in absolute amounts remained unchanged from its present level. In addition, it was assumed in that paper that the present mixing proportions which determine the amount of ordinary and borrowed resources in arrangements involving EAR continued to apply. The access limits and the combination of ordinary with borrowed resources will play an important role in the assessment of the evolution of the Fund's liquidity position over the next few years. Indeed, the determination of the limits of access to the Fund's resources in terms of the new quotas, and the appropriate mixing or funding, require not only an assessment of member's needs

1/ See "The Fund's Liquidity Position and Financing Needs," EBS/83/59 (3/18/83).

for balance of payments financing from the Fund but also an analysis of the effects of various levels of access to the Fund's resources, and of varying mixing ratios, on the Fund's liquidity position.

1. Potential use of Fund resources under various access limits

Table 2 has been constructed to provide a starting point for an analysis of the effects of various access limits on the likely demand for the Fund's resources under stand-by and extended arrangements. It reproduces (in Column 4) the estimated commitments for the period January 1984 to April 30, 1986 contained in the recent semi-annual review of the Fund's liquidity position. These estimates are based on country-by-country projections of new commitments under stand-by and extended arrangements during the period from 1984 to 1986 prepared on the assumption that the present absolute level of maximum access to the Fund's resources is maintained unchanged. 1/ Potential demand shown in Column 4 has been recalculated on the basis of a range of illustrative access limits for use of the Fund's resources under stand-by and extended arrangements, expressed in terms of proposed quotas under the Eighth General Review.

For the purpose of the recalculation, developing countries included in the earlier forecast have been divided into three groups with different financing needs; in addition an estimate has been made for the smaller industrial countries. Group I includes developing countries in very constrained external positions; these countries account for SDR 4.6 billion (7.5 per cent) of present quotas and SDR 6.5 billion (7.2 per cent) of proposed quotas. They are assumed to make substantial use of such higher access as may be permitted by revised annual or cumulative access limits but very few of them would reach potential maximum access. 2/ For another group of countries with substantial financing requirements (Group II), hypothetical demand was based on commitments that are at a relatively high proportion (up to 75 per cent) of maximum access. For the remaining developing countries forecast to require Fund finance (Group III) and a few smaller industrial

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1/ See EBS/83/59 (3/18/83), p. 4. The total of SDR 14.6 billion in Column 4 of Table 1 comprises: SDR 2.1 billion for January-April 1984 and the mid-point (SDR 12.5 billion) of the range of SDR 10-15 billion estimated in EBS/83/59 for the two years to April 30, 1986, including commitments to small industrial countries. No major commitments to industrial countries were indicated by Area Departments.

2/ For comparability with the estimates in EBS/83/59, and to reflect the fact that not all members are projected to reach the maximum cumulative limit, members are expected to augment or increase their arrangements such as to bring their use of Fund's resources up to the same proportion of the cumulative limit as originally estimated in EBS/83/59. It is possible to estimate the additional demand if these members were to obtain maximum use at the cumulative limits; this would add approximately SDR 3-5 billion to the totals shown in Columns 5-8 of the table, as well as to that estimated in EBS/83/59.

countries, commitments projected in connection with the liquidity review have been increased in proportion to the average increase in access limits.

The estimates of use of Fund resources assume four different annual and cumulative access limits ranging from 102/305 per cent to 125/375 per cent of proposed new quotas. The lower end of the range maintains in aggregate terms (that is, on average but not for individual members) the present absolute levels of maximum access at 150/450 per cent of present quotas. The higher end of the range, i.e., 125/375 per cent, as noted in the preceding section of this paper, represents approximately the limit under the new quotas at which no individual member's present absolute access amount is reduced. (The weighted average increase in annual access would be 22.9 per cent.) Included within the range of alternative access limits is 110/330 per cent, the median limit for all Fund debtor members at which exactly half of these members would experience increases and half declines in absolute access compared to their present position, and 116.7/350 per cent as an intermediate position.

In conformity with existing practice, cumulative access limits at four times the annual access have been applied to each set of alternative access limits (e.g., for an access limit of 102/305 per cent over three years, the cumulative access would not exceed 407 per cent).

The result of these recalculations of potential commitments are shown in Columns 5 to 8 of Table 2. With an access limit of 102 per cent of quota per year and 305 per cent over a three-year period, the distribution of the increases in quotas under the Eighth Review implies potential commitments of Fund resources which are somewhat smaller than they would be if the limit of 150/450 per cent of present quota remained in effect, because the aggregate quota share of members with arrangements at or close to the present maximum limits (Group I countries) declines when the proposed quotas come into effect. For these members the decline in absolute amount of maximum access would be approximately SDR 1 billion. If access limits are set at or in excess of 110/330 per cent of proposed quotas, none of the groups of countries projected to use Fund resources would be expected to experience a reduction in the absolute amounts that at present are equal to 150/450 per cent of quota. Finally, an access limit of 125/375 per cent would provide for an increase in estimated commitments in the period of 1984 to 1986 for most members that would bring their use of Fund resources beyond that available at present.

It will be recalled that continued substantial need for Fund resources had been projected in EBS/83/59 on the basis of present quotas and access limits for the two years following the expected effective date of the increased quotas. With access limits that take into account the new quotas and are set so as to avoid a reduction in the absolute amount of Fund assistance available to all or most member countries, the likely call on Fund resources may be projected at an increased level, rising to commitments of SDR 20.1 billion with access limits of

Table 2. Effect of Alternative Access Limits on Estimated Commitments of Fund Resources Under Arrangements

(In billions of SDRs, except as indicated)

Debtor Fund members classified according to estimated propensity to use Fund resources in relation to proposed quota 1/	Present quota (1)	Proposed quota (2)	Use of Fund resources at end-1983 2/ (3)	Estimated commitments, January 1984 to April 1986: As in EBS/83/59 3/ (4)	Under alternative access limits 4/: 305 per cent (5)	330 per cent (6)	350 per cent (7)	375 per cent (8)
Developing countries								
I. Members in very constrained external position	4.6	6.5	*17.6* (379)	5.6 (332)	4.6	6.0	7.1	8.7
II. Members with relatively high potential financing needs	3.9	5.4	*10.8* (277)	3.9 (238)	4.1	4.4	4.6	5.2
III. Other members with present and prospective arrangements	6.8	9.3	*11.0* (162)	1.5 (123)	1.5	1.6	1.7	1.8
Subtotal (developing countries)	15.3	21.2	*39.4* (258)	11.0 (211)	10.2	12.0	13.4	15.7
Industrial countries	2.4	3.6	-- (--)	3.6 (100)	3.6	3.9	4.1	4.4
Total (all debtor members)	18.4	25.7	*39.4* (214)	14.6 (192)	13.8	15.9	17.5	20.1
Use of Fund resources at April 1986				*49.3*	*48.5*	*50.6*	*52.2*	*54.8*

Note: Use of Fund resources under arrangements, shown in italics, is defined for the purposes of this table as actual (estimated) outstanding purchases plus prospective use as measured by undrawn balances under stand-by and extended arrangements.

1/ The classification of present and potential debtor members shown in this table is based on the probabilistic assessment by Area Departments of prospective use and commitment of Fund resources to individual developing countries under stand-by and extended arrangements. Group I contains two types of countries--those that are constrained by the annual limits implied by proposed quotas and those that obtain further access on the basis of the cumulative limit. For comparability with the estimates in EBS/83/59, not all members are projected to reach the maximum cumulative limit; if some members were to obtain maximum use at the cumulative limits, approximately SDR 3-5 billion more of commitments would need to be added to the totals shown in Columns 5-8 of the table, as well as to that estimated in EBS/83/59 as shown in Column 4. For the members in Group II, commitments increase to a proportion (up to 75 per cent) of maximum access as indicated by the alternative access limits. Commitments for the remaining developing members (Group III) and for industrial countries are assumed to increase from those shown in Columns 4 and 5 in proportion to the average increase in access limits. Estimates for industrial countries, which are not based on a country-by-country approach, reflect a provision for the likelihood of arrangements with some of these members whose aggregate quota share could amount to 4 per cent of total quotas.

2/ Figures in parentheses represent use of Fund resources in relation to present quota, in per cent.

3/ These estimates reflect present access limits of 450 per cent of quota over a three-year period. Figures in parentheses are percentage ratios of use of Fund resources at April 1986 in relation to proposed quota.

4/ Access limits are expressed in terms of limits in relation to proposed quotas over a three-year period. Each of these alternative access limits is combined with a cumulative limit of four times the annual limit.

125/375 per cent of proposed quotas. While this reflects a considerable increase in potential commitments over levels projected earlier, it may be noted that the corresponding rise in the total use of Fund resources (including commitments) at the end of FY 1986 is proportionately less in view of the high level of oustanding Fund credit at the end of 1983. However, and as discussed further below, these estimates make no provision for exceptional use going beyond the stipulated limits, for purchases by major industrial countries, under the Compensatory Financing and Buffer Stock Facilities, or for use of the reserve tranches.

2. New access limits and the mix of resources

As mentioned, the estimate of new commitments under stand-by and extended arrangements for the period 1984-86 was based on a country-by-country analysis of the likely requests for support of adjustment programs. In compiling these estimates, no distinction has been made between the potential commitment of ordinary resources and of borrowed resources--i.e., the projections presented in Table 2 do not indicate whether the funding is to be from ordinary resources or from borrowed resources, or how these two sources of funds might be combined. It is apparent, however, that the Fund would need to supplement its ordinary resources by borrowing on a substantial scale in the event that new commitments were entered into on the scale indicated in Table 2.

The combination of ordinary and borrowed resources has a major impact on the timing of the Fund's use of ordinary resources and, depending on the access limits, on its needs for borrowed resources. As discussed further below, the EAR decision provides for the proportions of ordinary and borrowed resources to be reviewed periodically and the Fund can decide to modify the proportions. Under present policies and the appropriate conditions, a member is entitled to purchase ordinary resources up to the equivalent of 100 per cent of quota under a stand-by arrangement and up to 140 per cent under an extended arrangement and these amounts of ordinary resources are accompanied by broadly equivalent amounts of borrowed resources; purchases beyond these amounts are financed completely from borrowed resources. 1/ A change in the mix in favor of more borrowed resources would normally only delay the use of ordinary resources, unless the mixing ratio was set at such a high level that the member's needs for Fund resources would be met without exhausting its access to ordinary resources. 2/

1/ The procedures for determining use of ordinary and borrowed resources are discussed in more detail in Section V below.

2/ The reason why the relative use of ordinary and borrowed resources is not very sensitive to changes in the mixing ratio is that most arrangements included in Table 2 provide for an exhaustion of access to ordinary resources. A moderate change in the mixing ratio would thus affect the timing, but not the overall division, of use of borrowed and ordinary resources.

If the Fund wished to avoid too rapid a depletion of its ordinary resources, a number of different approaches could be considered. One possibility would be to substitute larger use of borrowed resources under stand-by and extended arrangements. For a material change in the relative use of ordinary and borrowed resources it would, as mentioned, be necessary to adopt very substantial modifications in the relative use of ordinary and borrowed resources. 1/ Alternatively, procedures could be devised to reduce what is now considered normal access to ordinary resources, i.e. an amount equivalent to a member's quota in the credit tranches, and to 140 per cent of quota under the extended facility. Such a change in present practices--the implications of which are not pursued further in the present paper--could be considered in order to put the Fund in the financial position to meet the need for balance of payments finance considered appropriate by an adaptation to its financing needs of the Fund's gearing ratio, that is to say the relation between subscribed and borrowed resources. Finally, consideration could be given to the use of borrowed instead of ordinary resources in purchases under special facilities that do not require the adoption of an agreed program of adjustment policies.

The Fund's prospective liquidity position after the coming into effect of the new quotas would suggest that the Fund should on balance tend to avoid a rapid decline of its ordinary resources, particularly because the Fund's uncommitted ordinary resources will already be very low when the new quotas are expected to come into effect. Demands on the Fund's resources are expected to continue to be large, and the size of reserve tranche positions and loan claim liabilities are expected to be very large.

3. Financing new access limits

Projections of the Fund's liquidity position through April 30, 1986 with alternative access limits are shown in Table 3. In these projections it is assumed that any commitment gap arising before the end of 1983, when the increased quotas are expected to enter into effect, will be covered by new lines of credit, so that net uncommitted resources at the beginning of 1984 may be of the order of SDR 5.5 billion. The usable assets provided by the quota increases would be in the range of SDR 13-16 billion, with a possible point estimate at SDR 15 billion. 2/ These assets will be augmented by about SDR 5.4 billion from scheduled

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1/ For example, if the mix were raised from use of equal amounts of ordinary and borrowed resources to a ratio of 1:2 up to the limits for ordinary resources, additional use of borrowed resources in financing arrangements through April 1986 shown in Table 3 below would be about SDR 1 billion, with a corresponding reduction in the use of ordinary resources. With a ratio of 1:5, the use of borrowed resources would increase, and of ordinary resources decline, by an estimated SDR 3.0 billion.

2/ See EBS/83/59, Table 6, page 15.

repurchases net of repayments to lenders over the period January 1, 1984-April 30, 1986, with the result that total usable resources available to the Fund over the period may be some SDR 26 billion. 1/

Several points are of interest as regards the demand for Fund resources, the components of which are shown in Section 2 and 3 of Table 3. First, it is assumed that commitments under all arrangements will be financed with a mix of ordinary and borrowed resources of 1:1 up to the limits for ordinary resources, and thereafter entirely from borrowed resources. With these mixing proportions it is estimated that the actual aggregate use will be about 2/5 ordinary to 3/5 borrowed resources at the lower levels of access, and in a ratio of about 1 to 2 with access of 125/375 per cent of quota. This means that relatively large amounts of the financing would need to come from newly established borrowing arrangements (including the enlarged GAB--if the conditions for use of these arrangements are met). The Fund's need for new EAR lines of credit to cover commitments under the policy of enlarged access over the range of access limits used above would thus continue after the quota increases. Second, the level of purchases under the compensatory and buffer stock facilities will depend on any decisions affecting access to these facilities that may be taken by the Executive Board when this matter is reviewed. The lower end of the estimate (SDR 4 billion) in Table 3 reflects present access in absolute amounts and is consistent with the estimate in EBS/83/59; the higher end (SDR 6 billion) is highly tentative but assumes access to the CFF at 100 per cent of new quotas. However, these estimates do not provide for substantial use of the compensatory financing facility by oil exporting countries. The question of access limits under compensatory and buffer stock financing facilities will be examined in a separate staff paper. 2/ Third, unlike the practice in the liquidity papers, a specific estimate (of SDR 5 billion) is shown for reserve tranche purchases. This estimate is no more than a tentative indication of use of positions in the Fund by those members that have at present projected current account deficit positions, although reserve tranche use may not be restricted to that category of members. Fourth, no provision has been made for repayment of loan claims other than repayment of short-term EAR borrowings. To the extent that these latter repayments would be financed out of new borrowing, the call on ordinary resources would be reduced but the borrowing requirements in the period January 1, 1984-April 30, 1986 would be increased.

1/ The supply of resources could be somewhat higher if currencies of one or more members that are not now judged sufficiently strong or are judged strong but that have outstanding purchases were added to the list of usable currencies.

2/ As indicated in the Managing Director's statement on the Work Program (Executive Board Meeting 83/51, 3/21/83), a staff memorandum reviewing the CFF and BSF is under preparation. This paper, scheduled for Executive Board consideration in June 1983, will inter alia cover the size of quota limits applicable to access to these two facilities.

Table 3. Estimates of the Fund's Liquidity Position
January 1, 1984 - April 30, 1986
with Illustrative Limits for Enlarged Access

1. Supply of Uncommitted Ordinary Resources to April 30, 1986	(SDR billions)		
(a) Available at January 1, 1984 (see EBS/83/59, Table 2)	5.5 1/		
(b) Add: (i) From quota payments (see EBS/83/59, Table 6)	15		
(ii) Repurchases, net of repayments to lenders	5.4		
(c) Total supply of usable ordinary resources to April 30, 1986	26 2/		
2. Commitments under Arrangements through April 30, 1986	With Access Limits of		
	305%	330%	375%
Total (see Table 2)	13.8	15.9	20.1
-of which: (i) ordinary resources	5.5	6.0	7.0
(ii) borrowed resources (Assuming use of ordinary and borrowed resources in equal proportion)	8.3	9.9	13.1
3. Financing from Ordinary Resources through April 30, 1986 (assuming no use of the enlarged GAB)			
(a) Usable uncommitted ordinary resources (line 1(c) above)	26	26	26
(b) Deduct: Demands on ordinary resources			
(i) Commitments of ordinary resources under arrangements (line 2(i) above)	5.5	6.0	7.0
(ii) Repayment of short-term borrowing 3/	1.3	1.3	1.3
(iii) CF and BS purchases 4/	4.0-6.0	4.0-6.0	4.0-6.0
(c) Balance of uncommitted usable ordinary resources without allowance for any encashment of reserve tranche positions	13.2-15.2	12.7-14.7	11.7-13.7
Less encashment of reserve tranche positions 5/	5.0	5.0	5.0
(d) Balance of uncomitted usuable ordinary resources allowing for estimated encashment of reserve tranche positions	8.2-10.2	7.7-9.7	6.7-8.7

4. Memorandum Items

(a) Need for Borrowed Resources to cover commitments: January 1, 1984 - April 30, 1986 (see line 2(ii) above)	8.3	9.9	13.1
(b) GAB Resources (see EBS/83/59, Table 6)	12.2	12.2	12.2
(c) Liquid Claims on the Fund	66-68	67-69	70-72
- of which Reserve Tranche Positions	41-43	41-43	42-44
Loan Claims	25	26	28
(d) Liquidity ratio 6/	12-15	11-14	9-12

Note: The figures are subject to a substantial margin of error in view of the many uncertainties.

1/ Assuming that the borrowing need of SDR 5.7 billion through December 31, 1983 as estimated in EBS/83/59 is met in full before that date.

2/ This total could be smaller or larger to the extent members' currencies are either excluded or added to the list of usable currencies.

3/ Credit lines under the arrangements with the BIS and central banks that are to be repaid prior to the corresponding repurchases.

4/ The lower figure corresponds to the estimate in EBS/83/59; the higher figure includes a provisional estimate for additional purchases as discussed in the text.

5/ It is assumed that encashment of reserve tranche positions through April 30, 1986 may be of the same order as those held by members that now have current account deficit positions. This includes the estimate in EBS/83/59 of use of reserve tranche position in the order of SDR 1.5 - 2.0 billion through April 30, 1984.

6/ Ratio of uncommitted adjusted ordinary resources (including SDRs) to total Fund borrowing and total reserve tranche positions.

It will be recalled that in EBS/83/59 it was indicated that even with the additions to the Fund's usable resources from payment of quota increases, the ratio of the Fund's uncommitted ordinary resources to its liquid liabilities would be at about 45 per cent at the end of 1983, about the same level as in December 1982, and the ratio could be expected to fall substantially in the course of 1984 and 1985. With access limits of 102/305 and 110/330 per cent of proposed quotas, the Fund's uncommitted ordinary resources may fall to a range of SDR 8-10 billion on the assumption of use of ordinary and borrowed resources as mentioned above. The borrowing need over the same period could be SDR 8-10 billion. With access limits of 125/375 per cent of proposed quotas, the projections of use of the Fund's resources suggest a serious depletion in the Fund's ordinary resources to the order of SDR 7-9 billion by April 30, 1986, and a projected need for borrowed resources of SDR 12-14 billion. Under all of these access limits and the assumed use of ordinary and borrowed resources, the level of uncommitted ordinary resources would appear very low in relation to the substantial expansion of liquid claims on the Fund and the Fund's liquidity would again come under pressure well before the end of the period to April 1986. This raises the question of the manner in which access to the Fund's resources decided by the Executive Board should be financed. This question would need to be considered further when the appropriate level of access has been determined.

The total of outstanding borrowing and unused lines of credit at December 31, 1983 is estimated at SDR 26 billion in EBS/83/59 (Appendix Table 1, page 23). The magnitude of potential borrowing needs indicated above would mean, net of repayment to lenders, totals in the range of SDR 32-37 million which would be around 35-40 per cent of the total of proposed new quotas. To the extent that a larger part of members' use of Fund resources were financed by borrowed resources, borrowing needs would, of course, be larger than these estimates. In this context, it may be noted that the guidelines on borrowing by the Fund will need to be reviewed before the new quotas come into effect.

V. Some Operational Aspects of Enlarged Access Financing

The present review of the enlarged access policy, and the pending increase in quotas, provide an opportunity to consider the main operational features of EAR, in particular the provisions determining the "mix" of ordinary and borrowed resources under stand-by and extended arrangements which it would be desirable to simplify. Other features which may deserve reconsideration are the schedule of charges for use of borrowed resources, and the repurchase terms arising from purchases financed with borrowed resources, but no changes are proposed.

1. The mix of resources

The EAR provides for simultaneous use of ordinary and borrowed resources until the customary limits on access to the Fund's ordinary resources are reached. 1/ In cases requiring further assistance, recourse thereafter is financed by borrowed resources exclusively to the agreed limits on use of the Fund's resources. This simultaneous use reflected a desire to safeguard the Fund's liquidity by avoiding premature exhaustion of its ordinary resources. Furthermore, because resources under EAR were to be provided for longer periods than use of the credit tranches under a stand-by arrangement, concurrent use of resources with different repurchase terms would result in a more even repurchase schedule. Finally, an appropriate mix of ordinary resources carrying concessionary charges and more costly borrowed resources would lead to more stable average cost of purchases from the Fund than would be the case if the Fund's own resources were used before borrowed funds.

The mixing procedures established for the EAR, which continued those adopted for the Supplementary Financing Facility (SFF) in 1977, have over time posed considerable operational difficulties, and on occasion have produced results that are difficult to explain to member countries or to defend on economic grounds. Two features in particular make the administration of the policy on enlarged access especially cumbersome:

a. Catching up--Because use of Fund resources in the credit tranches and under extended arrangements in the years preceding the

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1/ The existing proportions between ordinary and borrowed resources under EAR are as follows:

(i) In conjunction with a stand-by arrangement

	Ordinary Resources	Borrowed Resources
	(Per cent of Quota)	
1st credit tranche	25	12.5
2nd credit tranche	25	30.0
3rd credit tranche	25	30.0
4th credit tranche	25	30.0
Beyond 4th credit tranche	(-)	all borrowed resources

(ii) In conjunction with an extended arrangement

140 per cent of quota	140	140
Beyond 140 per cent of quota	(-)	all borrowed resources

It is to be noted that EFF arrangements float above the first credit tranche, and that prior use of Fund resources is taken into account, as discussed further below.

coming into effect of the SFF and EAR differed widely among members, the Executive Board decided that members with purchases outstanding at the time they entered into arrangements agreed under the SFF or EAR would first use borrowed resources until use of ordinary and borrowed resources reached the proportions appropriate to the facility, i.e., members use of borrowed resources would catch up with prior use of ordinary resources. Members that had made little use of Fund resources in the past and those that had already made extensive purchases in the credit tranches or under extended arrangements would thus be treated equitably. The amounts and the ratios of ordinary to borrowed resources are established at the time the arrangement is granted by the Fund, and will continue to govern purchases under the arrangement notwithstanding changes in the size of the member's quota or reductions of outstanding purchases as a result of subsequent repurchases.

Considerations of equity supported the "catching up" features of the SFF and EAR as the use of borrowed resources was considered a temporary and exceptional characteristic of Fund operations. However, with the passage of time and relatively large-scale use of borrowed funds by many members over a considerable period of time, sometimes involving a succession of arrangements, the catching up provisions have become much less meaningful as a means of ensuring uniform treatment of members; moreover, the provisions have become very complicated to administer. It is often unclear to what extent drawings that remain outstanding of ordinary resources are (or ought to be) matched by purchases of borrowed resources, and vice versa. As noted below, the proportions of ordinary and borrowed funds to be used differ not only between different facilities but also between the first and upper credit tranches. Furthermore, not all use of ordinary resources can be taken into account in view of the floating nature of the EFF. Finally, when Fund holdings of a member's currency are reduced, a need arises to "re-match" use of ordinary resources to outstanding purchases financed with borrowed resources when a new arrangement is agreed by the Executive Board.

b. Arbitrage of facilities--A major anomaly arises in the administration of the SFF and EAR as a consequence of the fact that extended arrangements float with respect to the credit tranches. The Decision establishing the Extended Fund Facility stipulates the exclusion of holdings related to EFF purchases for the determination of a member's credit tranche position. 1/ Accordingly, no catching-up is called for if a member has made use of ordinary resources only under an extended

1/ The decision establishing the Extended Fund Facility prescribes that "the Fund will apply its tranche policies to requests by members for purchases...as if the Fund's holdings of the member's currency did not include holdings resulting from any purchase outstanding under this decision." (Executive Board Decision No. 4377-(74/114) as amended by Executive Board Decision No. 6339-(79/179) and No. 6830-(81/65), paragraph 4(b). See Selected Decisions, Ninth Issue, p. 29.

arrangement, and thereafter requests a stand-by arrangement. Conversely, account would be taken of earlier use of ordinary resources under a stand-by arrangement that is followed by an extended arrangement: in this case, the catching-up rules require a full matching of outstanding use of ordinary resources with purchases of borrowed resources before further use of ordinary resources is permitted. A member that switched from using the Fund's resources under an extended arrangement to a stand-by arrangement would thus be able to continue to use ordinary resources while the opposite switch would require initial use of borrowed resources until ordinary resources already purchased are fully matched. These differences, depending on the type of arrangement under which Fund assistance is extended, do not appear to have any economic rationale. Moreover, the continued use of ordinary resources not only adversely affects the Fund's liquidity position but also affects the cost to the member of Fund resources in ways that would appear arbitrary. In view of these consequences, incentives exist for a member to effectively arbitrage use of the Fund's resources under a stand-by arrangement and under an extended arrangement.

c. Effect of increase in quotas--An increase in quota automatically increases a member's access to the credit tranches and to the EFF, and the absolute amount of ordinary resources involved in an arrangement would be greater in an arrangement approved after the increase in quota as compared with an arrangement agreed prior to the quota increase. In some cases, an issue of the augmentation of arrangements entered into prior to the new quotas coming into effect could be raised which, if approved, would also result in an increase in use of ordinary resources. In practice, some members may request replacement of an existing arrangement by a new one in order to have a larger use of ordinary resources, and a lesser use of borrowed resources, on the undrawn balances of the arrangement. The potential shift to greater use of ordinary resources following an increase in quota also suggests that consideration might need to be given to alter the mix of ordinary to borrowed resources, in order to neutralize that shift as a means of helping to strengthen the Fund's liquidity position. 1/

d. Possible simplification--It would seem reasonable to consider changes in present procedures and perhaps in policies that would help alleviate the operational difficulties discussed above and also make the Fund's policy on the use of ordinary and borrowed resources more transparent to members.

1/ Following the coming into effect of the Seventh General Review, the mixing proportions were maintained unchanged with a consequential greater use of ordinary as compared with borrowed resources in arrangements entered into after the new quotas came into effect and as a result of the augmentation of some pre-Seventh Review arrangements that were approved after the new quotas had come into effect.

One important change which could be considered is to standardize, and thereby simplify, the mix of ordinary and borrowed resources. This could most readily be implemented by disregarding previous use of Fund resources, whether made under stand-by or extended arrangements and whether financed from ordinary or from borrowed resources, in determining the mix of ordinary and borrowed resources under a new arrangement for a member. In other words, there would no longer be an attempt to bring the use of borrowed resources up to the level of earlier use of ordinary resources, or vice versa.

A further, and closely-related change that might be considered would be to abandon the distinction between use of resources under stand-by and EFF arrangements in determining the mix of resources under new arrangements and to apply the same mixing ratio to both stand-by and to extended arrangements. The applicable ratio of ordinary to borrowed resources could be chosen to reflect the anticipated use of Fund resources under all its facilities, and the degree to which Executive Directors considered it prudent to commit ordinary resources in the light of the Fund's immediately encashable liquid liabilities.

While it would be possible to standardize the mixing provisions, it may also be opportune to change the mixing ratio in favor of use of more borrowed resources in view of the prospective liquidity position of the Fund, as discussed above. A mixing ratio of 1:1 or equal use of ordinary and borrowed resources for both the credit tranches and the EFF would broadly continue in the present proportions. However, as indicated earlier, a policy to slow down a decline in the Fund's ordinary resources would require a substantial increase in the proportion of purchases financed from borrowed resources (see page 21 above). 1/

An important anomaly would continue to exist even if the same mixing proportions were adopted for both stand-by and extended arrangements, namely the use of borrowed resources together with purchases in the first credit tranche. At present, the mix of resources for the first credit tranche under a stand-by arrangement is 2:1; the first credit tranche is, of course, not included in an extended arrangement and no borrowed resources are used even if the first credit tranche is drawn at the time an extended arrangement is approved. Consideration could be given to eliminating the use of borrowed resources in the first credit tranche, which would have the overall effect of postponing use of the borrowed resources to later in the period covered by the arrangement. This could usefully be combined with the elimination

1/ Executive Board Decision No. 6783-(81/40) provides for the possibility of a change in the mix of ordinary and borrowed resources for purchases under the policy of enlarged access. The revised ratios would apply to arrangements approved after the change in ratio was agreed as well as to future purchases under existing arrangements.

of the floating character of the EFF above the first credit tranche. The change would have little effect on the total amount of available assistance, though again it would change somewhat the composition of an amount of an arrangement that would be financed by ordinary and by borrowed resources in favor of the latter.

e. Timing--A change of the mixing procedures along the lines noted above would not have any effects on other terms of enlarged access, such as periods of repurchase or the determination of charges, and would thus not need to be accompanied by amendment of the relevant provisions of the facility. However, an issue of timing would arise. As has been mentioned earlier, more flexibility regarding later adaptations of the terms of purchases had been incorporated in the EAR than existed under the SFF. The prescriptions on the use of ordinary and borrowed resources are one example: the EAR allows an amendment of the relevant parts of the decision, with the revised method applying not only to future arrangements but also for purchases subsequent to the decision under arrangements that have been concluded in the past. In contrast, the SFF decision precludes such changes unless the Fund's borrowing arrangements were amended accordingly, which would require the explicit agreement of all lenders. This might be considered too cumbersome a procedure, particularly as disbursements of resources derived from SFF borrowing arrangements will need to be completed before February 22, 1984. As some of the present arrangements making use of enlarged access permit financing not only with EAR resources but also with SFF resources, to the extent available, it would seem reasonable to delay introduction of any changes in the mixing procedures until after all resources available under the SFF have been disbursed or to the last permissible date for disbursement of SFF resources in February 1984, whichever is the earlier.

f. Abolition of the mixing provisions--A possible alternative both to present procedures and the suggestions made above, which would represent a much more sweeping change in the Fund's policy of relating member's access to its resources to the means of financing this access, would be to eliminate entirely the mixing ratio of ordinary and borrowed resources for financing individual purchases. Under this approach the Fund could consider making available its resources on uniform terms as regards charges and repurchases, either under specific facilities or in general, and independent of the resources employed to finance these purchases. The need for complicated mixing procedures would be obviated, and the terms for use of Fund resources would be independent of the liquidity management policies of the Fund.

The question of making the Fund's ordinary and borrowed resources fungible raises a number of major issues, even if the funding from borrowed and ordinary resources were confined, as at present, to purchases under EAR in the credit tranches or under extended arrangements.

2. Charges

The rates of periodic charges payable by members on amounts purchased under both the SFF and EAR are equal to the rates of interest payable by the Fund on the amounts borrowed for the purpose of financing transactions under the respective facilities, plus a small margin. The rates of charges are adjusted semi-annually in accordance with the Fund's costs over the period of borrowing for each of these facilities. One of the significant differences between the SFF and policy of enlarged access is in the determination of the charges. Under the SFF, the rate of interest payable by the Fund for each half year is the average yield for that period on U.S. Government securities with a maturity of five years, rounded upwards to the nearest one-eighth of one per cent; the rate of charge to debtors is the interest cost of borrowing plus 0.2 per cent per annum for the first three and one-half years after a purchase, and 0.325 per cent per annum thereafter. 1/

Under the policy of enlarged access, the Fund has concluded a number of borrowing arrangements and the cost to the Fund of borrowing from these diverse sources is not identical, though it is based on yields of a basket containing the five currencies in the SDR. As a consequence, the cost of borrowing to the Fund is averaged, and also takes into account any income earned on the temporary investment of funds drawn in advance of purchases by member countries. The rate of charge to users of the EAR is determined as the average net cost of borrowing to the Fund, adjusted semi-annually, plus a fixed margin of 0.2 per cent.

Use of the ordinary resources of the Fund in conjunction with the use of supplementary financing or EAR is subject to the normal rate of charge for purchases in the credit tranches. 2/ A service charge of one-half of one per cent will be payable whether the purchases are met with ordinary resources or borrowed resources under the SFF and EAR. It will also be recalled that the cost of using SFF resources is reduced

1/ Charges on purchases under the exceptional use policy in effect between April 1978 and the coming into effect of the SFF in February 1979 are closely related to the SFF rate of charge, except that the Fund margin is slightly higher on average; these charges are levied on purchases in excess of 100 per cent of quota under a stand-by arrangement or exceeding 140 per cent of quota for purchases under the EFF.

2/ Charges on the use of the Fund's ordinary resources have been uniform for all holdings subject to charge since May 1981, and at present amount to 6.6 per cent. In the past, charges have been graduated, both by the amount of holdings of a member's currency in relation to its quota, and by the time period for which currency balances were held by the Fund. However, on purchases financed with ordinary resources charges have not varied according to the facility under which purchases had been made.

for low-income developing members through payments from the SFF Subsidy Account established in December 1980. 1/ Subsidy payments are made annually and the rate of subsidy cannot exceed 1.5 per cent or 3 per cent per annum, on holdings subject to SFF charges, depending on the member's per capita income, or reduce the effective charge below the cost to the member of using the Fund's ordinary resources under the same arrangement. Subsidies are presently being paid to 23 members, and so far have been paid at the maximum permissible rate.

As mentioned above, the separate schedules of charges for members using the SFF and EAR in conjunction with use of the credit tranches derive from the view that it is appropriate for members requiring supplementary access to the Fund's resources to bear the cost to the Fund of acquiring the extra financing. In other words, the Executive Board when discussing the establishment of the SFF in 1977 and EAR in 1981 took the view that members which did not need to use the Fund's resources in excess of the customary limits in the credit tranches (100 per cent of quota) and under the EFF (140 per cent) and which are normally financed from the Fund's ordinary resources, should pay a rate of charge that normally reflects the Fund's cost of ordinary resources (its operational expense, i.e., the rate of remuneration, its administrative expense and, to some extent, the desired increase in its reserves). These considerations are still valid and would justify the maintenance of separate schedules of charges. The continued subsidization of charges through the SFF Subsidy Account would probably preclude the unification of charges in connection with use of the credit tranches in conjunction with use of the SFF.

However, at the time of the introduction of the policy of enlarged access, the possibility of introducing a uniform rate of charge was raised. While the periodicity for the payment of charges would need to be made uniform, 2/ a uniform rate of charge would eliminate incentives to use greater amounts of the cheaper funds. Furthermore, members would readily know the effective average cost of using the Fund's resources which is not the case now when EAR is involved. It is doubtful, however, whether these advantages would outweigh the drawbacks of introducing yet another new schedule of charges to the Fund's operations and which would also need to apply not only to a new revised policy of enlarged access but also to any use of the credit tranches, whether in conjunction with SFF or EAR or not.

This is not to say, of course, that detailed consideration might not be given in due course to the application of a uniform rate of charge for the use of any of the conditional facilities in the Fund, whether

1/ Subsidies are also paid on purchases made under the policy on exceptional use.

2/ Charges on drawings in the credit tranches are paid on a quarterly basis, while charges on holdings acquired under the SFF and EAR are paid semi-annually.

borrowed resources are involved or not. In present circumstances, it would not seem appropriate that the cost of Fund borrowing for financing transactions under a special policy should also be borne in part by members using only the Fund's ordinary resources. In the event that the Fund should replenish its ordinary resources by borrowing, then the cost of borrowing will need to be considered as part of the cost of using the ordinary resources.

3. Repurchases

The Executive Board Decision establishing the SFF, and which is also reflected in the policy of enlarged access, stated inter alia, that the Fund had to be satisfied "that the member needs financing from the Fund that exceeds the amounts available to it in the four credit tranches and its problem requires a relatively long period of adjustment and a maximum period of repurchase longer than the three to five years under the credit tranche policies." Under the SFF and EAR, repurchases are to be made in eight equal semi-annual installments that begin at three and one-half years after the purchase and are to be completed at the end of seven years. This compares with repurchases, made in quarterly installments, of ordinary resources in three to five years under a stand-by arrangement and for an EFF arrangement, in semi-annual installments starting at the end of four years after the date of a drawing and ending ten years after the date of the drawing. 1/ It is also to be noted that the early repurchase provisions apply if a member's balance of payments and reserve position improve sufficiently.

The difference in the repurchase periods under a stand-by arrangement, under the EFF, and under EAR is a substantive matter for members that use EAR, because the effective average maturity of use of the Fund's resources depends not only on the mix of ordinary and borrowed resources, but also on whether the use of EAR is in conjunction with a stand-by arrangement or an extended facility. However, longer adjustment periods, as provided for in the decisions establishing the SFF and EAR, do not necessarily require that existing repurchase provisions be lengthened or necessarily be made more homogeneous. The ability of the Fund to provide a member with balance of payments assistance for a succession of years allow for the effective use of its resources for periods longer than the formal repurchase periods indicate, and also help to maintain a program of adjustment. Furthermore, it would be difficult to standardize repurchase terms on those at present applicable

1/ It will be recalled that in December 1979, the Executive Board approved two changes in the repurchase terms under the EFF: the frequency of repurchase was reduced from 24 quarterly repurchases with respect to each drawing to 12 six-monthly installments and the period over which repurchases were made was increased from 4-8 years to 4-10 years. The effect of these two changes was to increase the average life of a drawing outstanding under the EFF from 6.125 years to 7.25 years, an increase of almost one fifth.

to the EFF, not only in view of the impact on the Fund's liquidity but also because questions may arise whether the temporary use of the Fund's resources would be safeguarded if the repurchase terms were generally set at four to ten years.

On the other hand, circumstances at present would also not seem propitious to make the repurchase terms more homogeneous by standardizing the period for repurchase to, say, three to five years, which has been the standard terms for repurchase under stand-by arrangements for more than 30 years. However, the periods for which the Fund might be able to borrow to finance the policy of enlarged access in the future may be shorter than the repurchase period of three and one-half to seven years under EAR. 1/ In these circumstances, the Fund might need to engage increasingly in maturity transformation, on a significant scale, thereby adding a further potential drain on the Fund's liquidity when it has to repay debt before repurchases with respect to drawings financed with borrowed funds fall due.

The issue of the various repurchase terms raises major issues both of policy on the temporary use of the Fund's resources and of practice, e.g., managing the Fund's liquidity position. The present three-tier structure of repurchases determined according to the type of facility being used seems to meet members' needs to a reasonable extent. In terms of the Fund's liquidity, the structure of repurchases may not be optimal over the medium term, in particular if the Fund's borrowing becomes significantly shorter in duration than the purchases which such borrowing helped finance.

VI. Conclusions

The world economic situation would suggest that the Fund continue to give substantial support to the adjustment programs of many member countries. The Fund will, therefore, have to remain in a position to make resources available under the policy of enlarged access in the period following the effective date of the Eighth General Review of Quotas. This difficult economic situation and the need for continued financial support by the Fund in appropriate circumstances was a major factor in the decision to increase rapidly the resources available to the Fund through quota increases and through the revised and enlarged GAB. The question of the levels of access that members would have to Fund resources under arrangements was left for later consideration and is the subject of this review.

1/ Of total borrowing for the policy of enlarged access of SDR 9.3 billion, SDR 1.3 billion is for maximum periods of two and one-half years. The revised and enlarged GAB continues to provide for lending for up to only five years.

The choice of limits on access under arrangements has implications both for the amount of financing that individual members may receive from the Fund and for the liquidity and borrowing needs of the Fund. Some of the members using Fund resources will receive smaller increases in quotas than the 47.5 per cent increase in total quotas, and if the new limits were set at 102 per cent of quota per year or 305 per cent over three years corresponding to this increase, these countries would face a reduction in their potential absolute access. New access limits set at 110/330 per cent of quota would maintain potential absolute access on average for members now using Fund resources. For several members where large financing needs are foreseen, such access limits might not be sufficient, and may need to be exceeded on a number of occasions. Limits of 125/375 per cent, which would ensure that no member has reduced potential absolute access, would be more consistent with the present economic conditions. The new cumulative access limit could be set at four times the annual access limit, the same ratio as at present. The new access limits will have to be reviewed periodically in the light of developments in the world economy and the Fund's financial position.

Average use of Fund resources would, in any case, be expected to continue to be significantly below the amounts of maximum access. Maximum access would only be appropriate for those countries with large needs for temporary balance of payments financing, with strong adjustment programs in place, and where there was an expectation of a rapid recovery in their external positions. For other countries where the problems are of a more deep-seated nature and where consequently the balance of payments position was not expected to turn around rapidly, access would normally be expected to remain well below the potential maximum. In view of the already pressing needs of a few members for greater access in the interim period until the new quotas and limits come into effect, it may be necessary to anticipate the new access levels and exceed current limits on occasion.

The foregoing discussion on the potential new access limits reflects the persisting strain in the international financial system and the continuing need of member countries for balance of payments assistance from the Fund. It is evident from the projections presented in the paper that the potential demand for Fund resources would put the Fund's liquidity position under considerable strain within the two years following the increase in quotas. If it is decided to adopt the limits on access to the Fund's resources of 125 per cent of quota a year or 375 per cent over a three-year period, it would appear necessary for the Fund to increase its recourse to borrowing. Further borrowing would appear necessary for the two-year period after the quota increases even under the present access limits. These borrowing needs would tend to increase as access levels rise. Under certain specified circumstances, new borrowing may come from the enlarged GAB, but to the extent that the conditions relating to the use of the GAB are not met the Fund may need to borrow from other sources.

The Fund would also have to consider whether it would be desirable to adopt changes in the proportions of ordinary and borrowed resources used in purchases in order to avoid an early decline in the Fund holdings of uncommitted usable resources to levels that might be considered imprudent. In any event, it is proposed that the present procedures for mixing ordinary and borrowed resources be simplified, independent of the actual proportions adopted.

The Development of the Guidelines on Access Limits

The conditions governing member countries' access to Fund resources are set out in Article V of the Articles of Agreement. In particular, Section 3(b)(iii) provides that a member's normal access to Fund credit not exceed 100 per cent of quota, while, Section 4 of the same article provides that the Fund may at its discretion waive this condition, especially in the case of members with a record of avoiding large or continuous use of the Fund's resources. It also states that periodic or exceptional requirements of the member requesting the waiver shall be taken into consideration. In the original Articles, Article V: 3 also provided an annual access limit of 25 per cent of quota, a limit which was often waived. This provision was deleted under the Second Amendment.

Until 1979 there were no formal guidelines regarding the upper limits on the cumulative use of Fund resources when the conditions of Article V: 3(b)(iii) were waived. When new facilities were established with their own access limits, the text of the relevant decision provided for the routine issue of a waiver for purchases exceeding the limit on the Fund's holdings of the member's currency of 200 per cent of quota. 1/ Similarly, in September 1974, the extended Fund facility was introduced, allowing for drawings up to 165 per cent of quota. 2/ Between January 1976 and March 1978, the credit tranches were temporarily enlarged by 45 per cent, permitting normal access of up to 145 per cent under stand-by arrangements, with the possibility of further assistance in exceptional circumstances. 3/ In February 1979 the supplementary financing facility became operational which, in the case of purchases under the extended Fund facility, provided for the doubling of purchases beyond the first credit tranche and thus allowed cumulative purchases from the Fund of 305 per cent of quota (again excluding any purchases under the compensatory, buffer stock financing, or oil facilities). For credit tranche purchases, this facility allowed access of 12.5 per cent in addition to the first credit tranche and 30 per cent access in addition to the next three tranches, to a normal maximum of 202.5 per cent of quota. Further, the supplementary financing facility decision stated that a member could make purchases exceeding these limits in special circumstances.

During 1979, this "special circumstances" clause was applied when the extended arrangement for Jamaica was replaced and augmented to an amount of 351 per cent of quota (of which borrowed resources accounted for 306 per cent of quota). It was subsequently proposed to permit other members to have access to the special circumstances clause, when their needs were large. However, it was also indicated that, for the time being, in most instances use of supplementary financing would be held

1/ See the decisions establishing the compensatory, buffer stock financing, and oil facilities.

2/ Decision No. 4377-(74/114), September 13, 1974, as amended.

3/ Decision No. 4939-(76/5), January 19, 1976.

within 300 per cent of quota. 1/ This approach implied that the limit on maximum access including supplementary financing would be 465 per cent of quota, of which the limit on use of the supplementary financing facility was 300 per cent of quota. Purchases under the compensatory, buffer stock financing, and oil facilities were excluded from this total. At the time no formal guidance was given on annual use. In practice the aggregate amount of the arrangement was distributed within the program period broadly in line with the proportions in other arrangements not involving exceptionally large access.

Subsequently, the Executive Board relaxed the interpretation of the 465 per cent of quota limit as a ceiling on the use of Fund resources in exceptional cases. Thus in concluding the March 19, 1980 discussion on "Fund Financing and the Increasing Payments Imbalances," the Managing Director summarized the views expressed by Directors as "a combination of flexibility and caution, with a readiness to go beyond the existing ceilings if and when special circumstances arise." 2/

The staff paper "Fund Policies for Adjustment Under Current Conditions" (EBS/80/146, 6/30/80) suggested an annual access limit of "around 200 per cent" as a general policy guideline. While noting that such a limit, over a period of three years, would amount to 600 per cent of quota, the paper placed no explicit limit on cumulative use, merely stating that "aggregate use would need to be watched closely..." The annual/three-year limit of 200/600 per cent of quota was supported by the Executive Board 3/ and subsequently endorsed by the Interim Committee on September 28, 1980. The Committee also recommended that the guideline should be reviewed at the time of the increase in quotas under the Seventh General Review in the light of information available to the Board at that time.

This review was conducted by the Executive Board in December 1980 on the basis of the staff paper "Enlarged Access to Fund Resources" (EBS/80/262, 12/4/80). In striking a balance between the financing needs of members and of the Fund, the staff suggested that the annual use guideline be changed to 150 per cent of the new quota (corresponding generally to 225 per cent of the old quota). 4/ The corresponding three-year use ceiling was set at 450 per cent of quota. It was also suggested

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1/ "Statement on Present Payments Difficulties and the Use of Supplementary Financing by the Managing Director" (Informal Session 79/7, 9/12/79).

2/ (Chairman's Summing Up, EBM/80/70, March 21, 1980.) These same words were used in the Managing Director's Introductory Remarks to the Interim Committee on April 25, 1980 in Hamburg, which supported a growing role for the Fund in adjustment and financing and endorsed the views set forth by the Managing Director.

3/ EBM/80/107, July 18, 1980, Chairman's Summing Up, p. 31.

4/ One explicitly stated reason in the staff paper for the increase in access was to pass on to the members some of the benefits of the quota increase.

that larger amounts could be provided in exceptional circumstances. In regard to cumulative use of Fund resources, a limit of 600 per cent of quota was suggested as a working rule encompassing all cases where large commitments had been made.

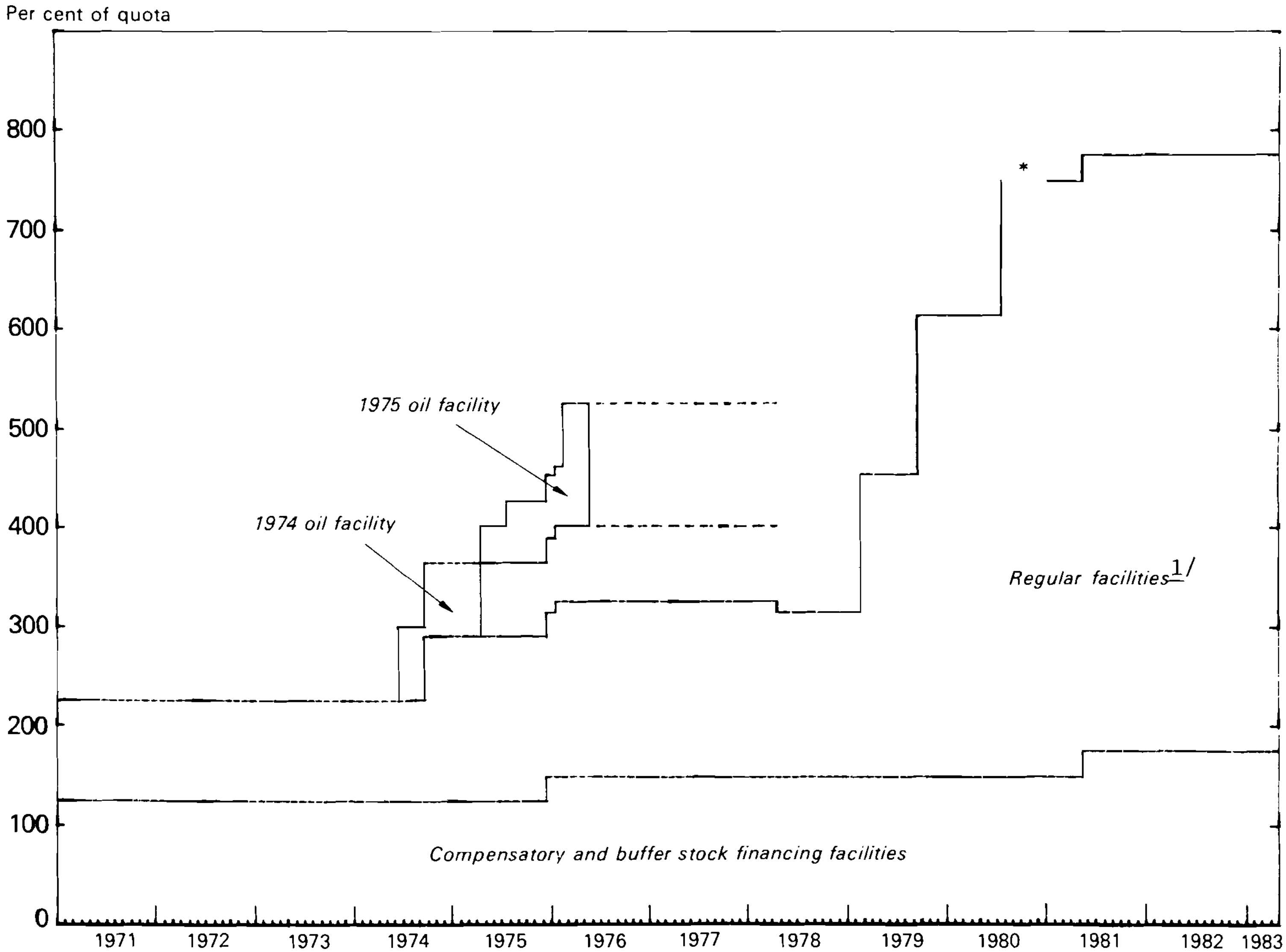
These suggestions were incorporated in the Chairman's Summing Up (EBM/80/188, 12/19/80), which constitutes the current guidelines on access. On this occasion the Managing Director stated:

> I am satisfied that the majority of the Board has agreed today--for the time being--with the staff proposal of an access of up to 150 per cent of quota per year or 450 per cent over a three-year period. But--and this is what I need to add to make things very clear--this guideline should not be interpreted in a narrow and irrevocable way. First, we fully agreed that members should be able to borrow large amounts in some cases than these limits would allow. The staff paper has noted some of these cases. One is when the quota of a member is unusually low in regard to its economic size, and the other is when there is such an exceptionally strong program of adjustment that it does warrant a higher figure. I think we should keep some flexibility on this matter. And this should reassure those of you who have said that access of up to 200 per cent should not be a general rule but something which should be reached only exceptionally. Secondly, the 150 per cent annual guideline, or 450 per cent over three years should not be irrevocable....
>
> On the cumulative use of the Fund's resources, I think the figure of 600 per cent of quota, which has no magic content, is consistent with the application of a 450 per cent limit over three years. And if we were today ready to accept a higher figure than 450 per cent, then the 600 per cent would have had to be correspondingly raised. So the issue of the cumulative limit is in a sense ancillary to the issue of what should be the guideline for annual access. But I agree with Mr. de Vries that it is good to have a signpost which indicates the maximum use that a country who have already had recourse to the Fund can in exceptional cases envisage to reach.

The access limits in force at various times are shown in the accompanying table and chart. After the first oil price increase, the Fund made larger access available to members by establishing the oil facility. The oil facility of 1974 permitted access up to 75 per cent of quota, while that of 1975 eventually permitted access of 125 per cent of quota. Since members were permitted to draw in both years, these limits are essentially cumulative and qualified members could draw up to 200 per cent of quota through these two facilities. If at the same time a member had also made use of the maximum access under an extended arrangement, the cumulative access limit in effect at the end of 1975 may be considered to be some 365 per cent of quota.

Following the second wave of oil price increases at the end of the 1970s, the policy of enlarged access played an analogous role to the oil facility in earlier years. The use of borrowed resources, in parallel with ordinary resources under stand-by and extended arrangements, allowed the bulk of Fund assistance during the latter period to be more conditional than during the earlier period, thus promoting adjustment in member countries.

ACCESS LIMITS UNDER FUND FACILITIES



Source: Executive Board Decision.

* Between July and December 1980, no explicit cummulative unit on access to regular facilities existed.

1/ As supplemented by temporary facilities using borrowed resources.

Table: Cumulative Access Limits
under the Tranche Policies and the Oil Facilities 1/

(In per cent of quota)

	Stand-By Arrangements	Extended Arrangements 2/	Oil Facilities 3/	Total
Up to September 1974	100	--	75	175
September 1974 to January 1976	100	165	200	365
January 1976 to March 1978	145 4/	176.25 4/	--	175.25
April 1978 to February 1979	100	165	--	165
February 1979 to September 1979	202.5 4/	305 4/	--	305
September 1979 to July 1980	465 4/	465 4/	--	465
July 1980 to December 1980 5/	n.a. (200/600)	n.a. (200/600)	--	600
December 1980 to date 5/	600 (150/450) 4/	600 (150/450) 4/	--	600

1/ That is, purchase under all facilities except the compensatory and buffer stock financing facilities.

2/ Including first credit tranche.

3/ The 1974 oil facility came into effect in June 1974 and provided for access of up to 75 per cent of quota. The facility expired in April 1975 when the 1975 facility, providing eventually for access of up to 125 per cent of quota, came into effect. The two facilities are shown cumulated here, since it was possible for a country to have drawn under both facilities. The 1975 facility expired in March 1976, but some purchases remained outstanding to the end of the repurchase period in April 1983. Thus from March 1976, it was possible for members to have larger outstanding drawings than indicated in the final column to the extent that oil facility drawings remained outstanding.

4/ These amounts could be exceeded in exceptional circumstances.

5/ Annual and three-year access in parentheses. Between July and December 1980, no cumulative access limit existed.

Table 1. Size of One-Year Upper Credit Tranche Stand-By Arrangements 1/

	Country	Amount Approved (Millions of SDRs) Total	Of which Borrowed	Per Cent of Quota
1975	Chile	79.0	--	50
	Israel	32.5	--	25
	Finland	95.0	--	50
	Bangladesh	62.5	--	50
	Haiti	4.75	--	25
	Tanzania	10.5	--	25
	Romania	95.0	--	50
	Korea	20.0	--	25 2/
1976	Zambia	62.0	--	81.6
	Haiti	6.9	--	36.2
	Argentina	260.0	--	59.1
	South Africa	152.0	--	47.5
	Israel	29.3	--	22.5
1977	Egypt	125.0	--	66.5
	Burma	35.0	--	58.3
	Pakistan	80.0	--	34
	Argentina	159.5	--	36.3
	Romania	64.1	--	33.8
	Sri Lanka	93.0	--	94.9
	Zaire	45.0	--	39.8
1978	Gabon	15.0	--	50
	Panama	25.0	--	56
	Portugal	57.4	--	36.3
	Burma	30.0	--	41
	Guyana	6.3	--	25
1979	Ghana	53.0	--	50
	Panama	30.0	--	67
	Congo	4.0	--	23.5
	Philippines	105.0	--	50 2/
	Turkey	250.0	169.6	129
	Bangladesh	85.0	--	55.9
	Western Samoa	0.75	--	25
	Sierra Leone	17.0	--	54.8
1980	Bolivia	66.4	32.6	148
	Somalia	11.5	--	50
	Eq. Guinea	5.5	--	55
	Lao, P.D.R.	14.0	--	87
	Mauritius	35.0	31.9	130
1981	Korea	576.0	454.3	225
	C.A.R.	10.4	--	43 2/
	Madagascar	109.0	62.0	213 3/
	Ethiopia	67.5	32.5	125 3/
	Grenada	3.4	--	76
	Solomon Islands	1.6	--	50
	Mauritania	25.8	11.2	101 2/
	Uganda	112.5	59.0	150 3/
	Burma	27.0	--	25
	Somalia	43.1	22.6	125
	Liberia	55.0	24.4	99 3/
	Senegal	63.0	33.6	100
	Mauritius	30.0	13.3	74
1982	Kenya	151.5	96.8	146
	Sudan	198.0	136.4	150
	Gambia	16.9	8.9	125
	Morocco	281.2	166.2	125
	Panama	29.7	--	44
	Mali	30.4	--	75
	Madagascar	51.0	26.1	100
	El Salvador	43.0	--	66.7
	Malawi	22.0	8.6	77
	Haiti	34.5	17.6	100 3/
	Uganda	112.5	97.6	150
	Liberia	55.0	44.1	99
	South Africa	364.0	--	57 3/
	Honduras	76.5	44.6	150 3/
	Thailand	271.5	189.2	100 3/
	Senegal	47.3	23.9	75
	Guinea	25.0	--	55.6
	Hungary	475.0	229.3	126.7 3/
	Costa Rica	92.2	45.9	150
1983	Argentina	1,500.0	754.4	186.8 3/
	Sudan	170.0	134.8	128.8
	Philippines	315.0	150.3	100
	Togo	21.4	12.0	75 3/
	Bangladesh	68.4	--	30 2/
	Zambia	211.5	140.6	100

Source: Executive Board Papers.

1/ Covers arrangements planned to last up to 15 months.
2/ Less than 12 months' duration.
3/ More than 12 months' duration.

Table 2. Size of and Distribution of Drawings Under Multiyear Stand-By Arrangements 1/

Year	Country	Amount Approved (Mns. of SDRs) Total	Of which Borrowed	Per Cent of Quota	Per Cent of quota to be Drawn in 2/ 1st Year	2nd Year	3rd Year
1977	United Kingdom	3,360.0	--	120	69.6 (14)	50.4 (10)	
	Italy	450.0	--	45 4/	15 (13)	30 (7)	
	Jamaica	64.0	--	120.8	84.6 (13)	36.2 (11)	
	Peru	90.0	--	73.2	32.5 (12)	40.7 (13)	
1978	Turkey	300.0	--	198.7	96 (13)	102.7 (11)	
	Zambia	250.0	--	177	88.5 (12)	88.5 (12)	
	Peru	184.0	--	112	39 (11)	73 (17)	
1979	Nicaragua	34.0	--	100 4/	62.5 (11)	37.5 (8)	
	Togo	15.0	--	78.9 4/	51.8 (12)	27.1 (7)	
	Peru	285.0	232.1	174 4/	121.4 (12)	42.6 (5)	
	Kenya	122.0	62.1	177.5	112.4 (13)	65.1 (11)	
	Zaire	118.0	--	77.6 4/	51.8 (12)	25.8 (6)	
	Malawi	26.3	13.8	158.6	114.4 (15)	44.2 (11)	
	Mauritius	73.0	54.0	270.4	148.2 (12)	122.2 (12)	
1980	Philippines	410.0	330.0	195	99.8 (12)	95.2 (10)	
	Korea	640.0	480.0	400	200 (11)	200 (13)	
	Costa Rica	60.5	29.7	147.5	74.1 (11)	73.4 (13)	
	Panama	90.0	32.6	133.3 4/	67.7 (12)	65.6 (8)	
	Malawi	49.9	35.6	262.3	157.9 (12)	104.4 (11)	
	Yugoslavia	339.3	200.8	122.5 4/	90.3 (11)	32.2 (7)	
	Turkey	1,250.0	1,211.4	625	230 (12)	200 (12)	195 (12)
	Madagascar	64.5	34.9	189.6	92.9 (11)	96.7 (13)	
	Mauritania	29.7	17.4	174.7 4/	101.7 (11)	73 (9)	
	Liberia	65.0	36.9	175.7	60.1 (8)	115.6 (16)	
	Tanzania	179.6	137.5	326.5	181.9 (12)	144.6 (10)	
	Kenya	241.5	84.4	233	115.8 (11)	117.2 (13)	
1981	Yugoslavia	1,662.0	1,357.8	400	133.2 (11)	133.2 (12)	133.2 (13)
	Togo	47.5	29.9	166.7	100 (12)	66.7 (12)	
	Thailand	814.5	566.6	300	165 (10)	135 (12)	
	Romania	1,102.5	746.0	300	99.9 (12)	3/	3/
1982	Somalia	60.0	49.4	173.9 4/	123.1 (13)	50.8 (5)	
	Barbados	31.9	15.4	125	63.9 (8)	61.1 (12)	
1983	Chile	500.0	246.8	153.6	87.3 (13)	66.3 (11)	
	Kenya	176.0	166.2	170 4/	98.2 (7)	71.8 (11)	
	Zimbabwe	300.0	187.5	200 4/	116.7 (10)	83.3 (8)	

Source: Executive Board Papers.

1/ Includes all arrangements between 1975 and the present with initial planned duration in excess of 15 months.

2/ Figures in parentheses indicate the number of months over which the indicated purchases were spread.

3/ Not determined at the time of the initial request for resources.

4/ Arrangements of 20 months or less.

Table 3. Size of and Distribution of Drawings Under Extended Arrangements

Year	Country	Amount Approved (Mns. of SDRs) Total	Of which Borrowed	Per Cent of Quota	Per Cent of quota to be Drawn in: 1st Year	2nd Year	3rd Year
1975	Kenya	67.2	--	140	47	57	36
1976	Philippines	217.0	--	140	58 1/	45	37
1977	Mexico	518.0	--	140	54	49	37
1978	Egypt	600.0	--	263	110	76	76
	Haiti	32.2	--	140	46	47	47
	Jamaica 4/	200.0(260.0)	--(227.0)	270(351)	95(-)	89(175)	86(175)
1979	Sri Lanka	260.3	--	219	67	75	76
	Sudan	200.0	100.0	227	68 1/	79	79 1/
	Honduras	47.6	--	140	47	23	69
	Guyana	62.8	35.0	251	100	80	71
1980	Gabon	34.0	--	113	33 1/	40	40
	Guyana	100.0	66.0	400	250 1/	78	72
	Senegal	184.8	126.0	440 3/	180 1/	132	128
	Morocco	810.0	600.0	540 3/	2/	2/	2/
	Pakistan 4/	1,268.0(918.0)	869.0(490.1)	445 3/(215)	168(-)	145(127)	131(88)
	Bangladesh	800.0	480.8	351	133	117	100
1981	Dominica	8.5	4.5	295 3/	98	98	99
	Ivory Coast	484.5	324.9	425 3/	155 1/	135	135 1/
	Morocco	817.0	567.8	363 3/	125 1/	136	102 1/
	Sierra Leone	162.7	121.8	350	160	120	70 1/
	Jamaica	477.7	390.6	213 3/	79	67	67
	Zambia	800.0	674.2	378	142	118	118
	Costa Rica	276.7	190.7	450	150	150	150
	Zaire	912.0	632.9	400	149	136	115
	India	5,000.0	2,595.5	291	52 1/	105	134 1/
1982	Peru	650.0	311.6	264	56	102	106
	Mexico	3,410.0	2,287.0	425 3/	125	150	150
1983	Brazil	4,239.4	2,842.9	425 3/	125	150	150
	Dom. Republic	371.3	255.8	450	150	150	150

Source: Executive Board Papers.

1/ Indicated years refer to program years which were not 12 month periods.
2/ In this arrangement there were four periods of 3.5, 12, 12, and 10 months respectively with purchases in these periods of the following percentages of quota: 98, 182, 157, 103.
3/ Partial or full first credit tranche purchase made at the time of approval of extended arrangement.
4/ Arrangement replaced in succeeding year for amounts in parentheses.

Table 4. Cumulative Use of Fund Resources in the Credit Tranches Compared to Quotas 1/

	End of Year								End Feb.
	1971	1976	1977	1978	1979	1980	1981	1982	1983
	(Number of members)								
Per cent of quota									
Up to 50	29	29	29	30	31	34	24	24	25
50-100	1	4	8	5	5	8	13	11	12
100-150	0	1	1	1	5	8	10	10	10
150-200	0	0	0	0	0	1	5	9	8
200-250	0	0	0	0	1	0	4	5	4
250-300	0	0	0	0	0	0	1	3	4
300-350	0	0	0	0	0	0	2	2	3
350-400	0	0	0	0	0	0	0	0	0
400-450	0	0	0	0	0	0	0	2	2
Total number	30	34	38	36	42	51	59	66	68
Memorandum item:									
Over 100 per cent	0	1	1	1	6	9	22	31	31
	(Per cent of members using resources)								
Per cent of quota									
Up to 50	97	85	76	83	74	67	41	36	37
50-100	3	12	21	14	12	16	22	17	18
100-150	0	3	3	3	12	16	17	15	15
150-200	0	0	0	0	0	2	8	14	12
200-250	0	0	0	0	2	0	7	8	6
250-300	0	0	0	0	0	0	2	5	6
300-350	0	0	0	0	0	0	3	3	4
350-400	0	0	0	0	0	0	0	0	0
400-450	0	0	0	0	0	0	0	3	3
Memorandum item:									
Over 100 per cent	0	3	3	3	14	18	37	47	46

Source: IMF Data Fund.

1/ Comprises drawings under stand-by and extended arrangements of ordinary and borrowed resources and other drawings in the credit tranches.

Note: The figures in this table show cumulative holdings as a percentage of quota at the end of the period in question. It is possible that for other dates in the years considered, holdings may have been at higher levels than indicated here. The figures in this table are not strictly comparable with the percentages mentioned in EB/CQuota/82/9 (October 13, 1982) page 16, since the latter data include undrawn balances under stand-by and extended arrangements.

Table 5. Cumulative Use of Fund Resources in the Credit Tranches Compared to Cumulative Access Limits 1/

	End of Year								End Feb.
	1971	1976	1977	1978	1979	1980	1981	1982	1983
				(Number of members)					
Per cent of cumulative access limit									
Up to 10	5	9	9	9	27	35	26	28	28
10-20	12	6	5	15	9	11	17	11	12
20-30	6	14	17	6	3	4	8	11	11
30-40	3	2	4	0	2	1	4	9	6
40-50	3	2	2	4	1	0	2	3	6
50-60	1	1	0	1	0	0	2	2	3
60-70	0	0	1	1	0	0	0	2	0
70-80	0	0	0	0	0	0	0	0	2
Total number	30	34	38	36	42	51	59	66	68
Memorandum item:									
Over 40 per cent	4	3	3	6	1	0	4	7	11
				(Per cent of members using resources)					
Per cent of cumulative access limit									
Up to 10	17	26	24	25	64	69	44	42	41
10-20	40	18	13	41	21	22	29	17	18
20-30	20	41	45	17	7	8	14	17	16
30-40	10	6	10	0	5	2	7	14	9
40-50	10	6	5	11	2	0	3	5	9
50-60	3	3	0	3	0	0	3	3	4
60-70	0	0	3	3	0	0	0	3	0
70-80	0	0	0	0	0	0	0	0	3
Memorandum items:									
Over 40 per cent	13	9	8	17	2	0	7	11	16
Cumulative access limit, as a per cent of quota 2/	100	176	176	165	465	600	600	600	600

Sources: IMF Data Fund; and text.

1/ Comprises drawings under stand-by and extended arrangements of ordinary and borrowed resources and other drawings in the credit tranches.

2/ For a discussion of the original nature of these limits, see the Annex to this paper, pp. 00-00.

Table 6. Cumulative Access Under a Continuous Series of Arrangements

(In per cent of quota)

End of Year	Unbroken Series of One-Year Stand-By Arrangements for 50	75	100	125	150	Unbroken Series of Extended Arrangements for 75	100	125	150
	Per Cent of Quota					Per Cent of Quota a Year			
1	50.0	75.0	100.0	125.0	150.0	75.0	100.0	125.0	150.0
2	100.0	150.0	200.0	250.0	300.0	150.0	200.0	250.0	300.0
3	150.0	225.0	300.0	375.0	450.0	225.0	300.0	375.0	450.0
4	179.8	270.7	361.6	452.6	543.5	281.3	378.1	475.0	571.9
5	191.5	289.2	386.9	490.1	593.5	324.0	437.5	551.0	664.6
6	200.3	304.0	413.6	528.7	644.0	363.5	488.5	604.8	720.4
7	202.3	311.8	431.4	545.6	659.5	382.0	503.8	619.6	735.2
8	202.3	312.5	425.0	533.8	643.4	386.3	502.9	615.6	728.1
9	202.3	307.0	413.8	525.0	637.5	385.5	495.8	602.3	708.5
10	202.3	306.9	421.5	537.1	651.8	378.4	482.5	590.0	697.8
11	202.3	311.2	427.2	539.7	651.5	360.1	464.4	574.5	684.9
12	202.3	309.7	419.4	529.4	640.5	354.5	464.0	578.8	693.9
13	202.3	306.9	417.6	531.1	644.6	366.0	485.5	601.3	716.9
14	202.3	309.0	424.4	538.8	651.6	362.1	480.1	594.8	709.4
15	202.3	310.4	423.3	534.6	646.0	366.4	482.6	596.2	709.7
Steady State	202.3	308.9	421.4	533.9	646.4	369.3	481.8	594.3	706.8
Maximum	202.3	312.5	431.4	545.6	659.5	386.3	503.8	619.6	735.2
Maximum as a multiple of annual access	4.05	4.17	4.31	4.36	4.40	5.15	5.04	4.96	4.90

Source: Staff calculations.

Table 7. Duration of Stand-By and Extended Arrangements, 1971-1983 1/

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983 2/
Total number of stand-by arrangements	15	17	15	15	16	14	22	13	22	21	21	21	9
12 months	15	17	14	14	15	13	17	10	13	9	10	14	3
Of which:													
First credit tranche arrangements	(5)	(8)	(8)	(9)	(7)	(10)	(11)	(5)	(7)	(4)	(4)	(0)	(0)
Other	--	--	1	1	1	1	5	3	9	12	11	7	6
Of which:													
Less than 9 months	--	--	--	1	1	--	1	--	1	--	--	--	1
9-11 months	--	--	1	--	--	1	--	--	--	--	3	--	--
13-18 months	--	--	--	--	--	--	--	--	3	--	4	6	3
19-24 months	--	--	--	--	--	--	3	2	4	11	2	1	2
25-36 months	--	--	--	--	--	--	1	1	1	1	2	--	--
Total number of extended arrangements	--	--	--	--	1	1	1	3	5	6	10	2	2
Of which:													
Two year 3/	--	--	--	--	--	--	--	--	1	--	1	--	--
Three year	--	--	--	--	1	1	1	3	4	6	9	2	2

Source: Executive Board Papers.

1/ Includes first credit tranche arrangements.
2/ To mid-April.
3/ Two-year extended arrangements were approved for Jamaica (1977) and Pakistan (1979) to replace three-year extended arrangements approved the previous year, and augment or reapportion the amount.