

EBS/83/233
Correction 1

CONFIDENTIAL

November 9, 1983

To: Members of the Executive Board
From: The Secretary
Subject: Criteria for the Amount of Access in Individual Cases

The following correction has been made in EBS/83/233
(10/31/83):

Page 6, second full para.: Second sentence deleted and replaced by
three other sentences.

A corrected page is attached.

Att: (1)

Table 1. Annual Rates of Access, 1982-83 ^{1/}

Percent of Quota	Corresponding Range Under New Limits	Number of Programs		Total	Total in Percent
		1982	1983		
135 - 150	92 - 102/125	5	7	12	22
105 - 134	72 - 91	5	8	13	24
90 - 104	62 - 71	2	6	8	15
75 - 89	51 - 61	7	6	13	24
45 - 75	31 - 50	3	4	7	13
Below 45	Below 31	<u>1</u>	<u>0</u>	<u>1</u>	<u>2</u>
		23	31	54	100

^{1/} Covers all stand-by and extended arrangements approved between January 1, 1982 and October 18, 1983. Arrangements are classified according to the date of approval and with the total amount as a percent of quota prorated over twelve months.

The area departments have provided indications of possible arrangements with countries in 1984, in light of the adjustment measures envisaged and members' willingness to enter into programs with the Fund. The indications by the area departments suggest that the need for financing members' programs in 1984 beyond the annual access limit of 102 percent of new quotas is likely to be limited to a relatively few cases, though this could change in the course of the year in the event there was an unexpected deterioration in some members' balance of payments positions.

The country-by-country estimates on the size of arrangements based on the new access limits, taking account of probability factors, suggest an aggregate commitment to developing members of close to the same amount (SDR 3 billion) for the first four months of 1984 as indicated in the last liquidity review (EBS/83/170, August 12, 1983). The estimates for the rest of 1984 for the same group of members would suggest commitments under arrangements of slightly in excess of SDR 3 billion so that the total indicated by area departments for arrangements concluded in 1984 after the new quotas come into effect is in the order of SDR 6 billion. The bulk of new arrangements with developing members is expected to be in the form of stand-by arrangements rather than extended arrangements, and most of them are likely to be for one year in the first instance.

Some developing countries may also seek augmentation of their existing arrangements on the basis of new quotas, but it is unlikely that the amounts involved would be large. This is partly because there may not be the balance of payments need and partly because the relatively high level of actual or projected holdings for the Fund of some members'

currencies leave little room for augmentation under the new limits. ^{1/} On present indications it is unlikely that augmentation of existing arrangements would amount to more than about SDR 1 billion in 1984. The total of commitments to developing countries under arrangements concluded in 1984, including augmentation of existing arrangements for a few countries, should thus be estimated to be in the order of SDR 7 billion.

Although no commitments are as yet indicated for industrial countries, the external overall financial positions of some of these countries remain weak and some of them may need to supplement other financing with use of the Fund's resources. While no estimate for use by a GAB participant has been made, it may be prudent to continue to provide for use by the smaller non-GAB industrial countries in the order of SDR 2 billion for 1984.

It, therefore, appears that commitments under arrangements to all members in 1984 could be of the order of SDR 7-9 billion, unless there were significant additional commitments to relatively large industrial countries. In EBS/83/133, "Review of the Policy on Access to the Fund's Resources - Financial Considerations", June 28, 1983 it was estimated that commitments to developing and smaller industrial members in 1984, at the access limits of 102/408 percent of proposed quotas, might be of the order of SDR 9.3 billion (see Table 6, line 1). This estimate did not make provision for any augmentation of existing arrangements or for arrangements which would have access to the Fund's resources in excess of 102/408 and up to 125/500 percent of quota. Taking into account these two factors would revise the estimate of SDR 9.3 billion in EBS/83/133 to SDR 11.5 billion, of which SDR 9.5 billion would be with respect to arrangements for developing countries, as compared with the present estimate of SDR 7 billion noted above. The main reasons for the downward revision of use by developing members in 1984 are (i) augmentation of existing arrangements are now estimated to be less than previously and (ii) several countries that were formerly included are now not expected to use the Fund's resources in 1984 or are included for smaller amounts of use in 1984.

As regards the financing of this estimated range of SDR 7-9 billion for new commitments in 1984, a relatively large use of ordinary resources is estimated, particularly at the lower end of the range. This arises mainly because access to ordinary resources will be increased with the coming into effect of new quotas and because many new arrangements in 1984 are expected to amount to considerably less than 102 percent of new quota. As a consequence, the Fund's holdings will not exceed the equivalent of quota in the credit tranches or 140 percent of quota for some countries; it is after that point that only borrowed resources are involved in financing arrangements. In several instances successor arrangements will probably be concluded in 1985 and 1986 and at that time the proportion of borrowed resources will be larger thereby increasing the amount of borrowing needed by the Fund. In the light of the above considerations, the need for new borrowing to cover commitments in 1984 are estimated to amount to the order of SDR 2.5-4 billion.

^{1/} Any augmentation based on new quotas that might be proposed would be on a case-by-case basis and would be justified using the same criteria as apply to any other use of Fund resources; it would not solely be for the purpose of changing the mix of ordinary and borrowed resources.