FOR
AGENDA

EBS/83/132

CONFIDENTIAL

June 27, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Review of the Policy on Access to the Fund's Resources - General Considerations

Attached for consideration by the Executive Directors is a paper on general considerations on the policy on access to the Fund's resources which has been scheduled for discussion, together with the paper on financial considerations (EBS/83/133, 6/28/83), on Monday, July 25, 1983.

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

Review of the Policy on Access to the Fund's Resources--General Considerations

Prepared by the Exchange and Trade Relations Department

(In consultation with other departments)

Approved by C. David Finch

June 24, 1983

I. Introduction

On May 18, 1983 at EBM/83/71 and EBM/83/72, Executive Directors reviewed the policy on enlarged access on the basis of the material contained in EBS/83/79, 4/20/83 (Review of Enlarged Access Policy). The Executive Board decided to consider further various aspects of the enlarged access decision before the September 25, 1983 meeting of the Interim Committee. There was general agreement among Directors that the policy must remain in place in current circumstances, but the question of the level of access limits in the period following the effectiveness of the new quotas under the Eighth General Review was left open. A number of Directors asked for further papers to be prepared on the relationship between access limits under the various facilities, on the financial implications of these limits, and on safeguards for the revolving character of the Fund's resources.

This paper looks at some aspects of these issues, including the implications of a comprehensive limit on access to all facilities by a member, the appropriate balance between access to conditional and special facilities, the considerations governing the scale of access to conditional facilities within the limit in individual cases, and the principles for revising the access limits in the future. A separate paper on the financial implications of access policy after the entry into force of the new quotas is being issued concurrently (EBS/83/133, 6/28/83). The recent paper reviewing the compensatory and buffer stock financing facilities (SM/83/131, 6/16/83), discusses related issues.

II. A Comprehensive Limit on Total Access

In the light of the projections for the use of Fund resources and the Fund's financial position contained in EBS/83/79, a number of Executive Directors stressed the importance of setting access limits to all facilities in conformity with the Fund's financing possibilities. While members' needs may be great in current circumstances, access limits should not be set so high as to allow the demand for Fund resources to exceed the supply. In addition, steps should be taken to husband the Fund's holdings of uncommitted usable ordinary resources.

The level of the financing constraint depends on the Fund's available resources, including its willingness and ability to borrow and prudential considerations. The present paper does not discuss the factors which would guide Executive Directors in their decision regarding the total supply of resources to the Fund. Instead, it presents a framework within which decisions can be taken on limiting the demand for resources to an aggregate level of supply which is policy-determined. The paper, therefore, does not propose specific access limits for the consideration of Executive Directors and the various figures mentioned should be regarded only as illustrative. For any given amount of available resources, there exists a set of access limits for the individual facilities that may be expected to bring the demand for the use of Fund resources within the financing constraint. Clearly, for any given constraint, the larger the access limit under the conditional facilities, the smaller the limit under the special facilities, and vice versa.

Some Executive Directors suggested that a comprehensive limit be established for access to all facilities. Within the comprehensive limit, access limits would also be established for the individual facilities, but the comprehensive limit would be less than the sum of the sublimits. A comprehensive limit of this sort would restrain members' access to the Fund more effectively and would clearly indicate the maximum amount of assistance that the Fund was prepared to provide to each member. Such an approach would also require an amendment of the decisions establishing the special facilities.

In EBS/83/79, a cumulative limit of 500 per cent of quota was suggested for access to the conditional facilities under the enlarged access policy after the new quotas came into effect. It might be reasonable to have this figure in mind in opening the discussion of a comprehensive limit. An access limit of 500 per cent of new quotas would seem reasonably consistent with members' needs and with the absolute amount of access contained in the larger recent arrangements. It would allow some scope for additional assistance to most members, should that be necessary. This figure might have to be adjusted depending on the supply of resources made available to the Fund.

A comprehensive limit of 500 per cent of quota would compare with the present limit of 775 per cent of quota, which is the sum of the limits for the individual facilities (600 per cent under the enlarged access policy, 125 per cent under the two compensatory financing decisions, and 50 per cent under the buffer stock financing facility). While this would entail a reduction in the absolute amount of potential access to the Fund for most members, in practice, the reduction would be much less marked. Few, if any, members can contemplate simultaneously reaching maximum access under all facilities at present; under a comprehensive, albeit lower, limit, access unused under one facility could to some extent be used under another. Thus, in a sense, absolute access would not necessarily be effectively reduced by much, because members would be able to use their available access more intensively. The introduction of a comprehensive limit, lower than the sum of the partial limits, would primarily affect the potential access of developing countries, since other members are unlikely to make much use of the special facilities.

In principle, any reduction of potential access will limit the Fund's ability to respond to members' needs. However, any particular limit needs to be examined to determine how severe a constraint it will prove to be in practice. On the basis of current arrangements and outstanding drawings, it would appear that a limit of 500 per cent of quota would preclude substantial additional assistance to only one or two member countries in the immediate future, while a substantially lower limit would make it difficult to respond in many more cases to further financial difficulties, including a number of major developing countries with adjustment programs currently in place. Perhaps a figure slightly higher, say 520-550 per cent could have the advantage of not pushing countries too often to their limits.

III. Use of the Conditional and Special Facilities

Several Executive Directors have emphasized the need to pursue a balanced policy on access to the Fund's conditional facilities (the credit tranches and the extended Fund facility, including enlarged access resources) and its special facilities (the compensatory and buffer stock financing facilities). The question of balance must be addressed whether or not a comprehensive ceiling is established for access to all facilities; the issue becomes more complex with such a ceiling.

Historically, the distinction between the use of the conditional facilities and that of the special facilities has been based on the nature of the balance of payments problem. When the problem is self-reversing, the primary need is for finance to tide the member over the temporary period of strain. As the deficit is expected to be automatically reversed, repurchase poses no special problem and the principle of the revolving character of the Fund's resources is preserved. Thus, access to the compensatory and buffer stock financing facilities, which are designed to be used in these cases, is determined on the basis of a set of criteria which reflect the temporary nature of the problem being addressed. In other cases where the problem is not self-reversing and requires changes in policies to achieve balance of payments improvement, the provision of resources by the Fund must carry adequate safeguards that repurchase can be made within the prescribed period. Access to resources in the credit tranches is therefore conditional upon the adoption of an appropriate adjustment program.

In practice, however, the distinction between problems that are self-reversing and those that require adjustment is not always so clear cut. A country experiencing an export shortfall in terms of the compensatory financing decision may at the same time face balance of payments problems that require policy changes. If a country has need to adjust, it is important that use of the Fund's special facilities not postpone that adjustment. Failure to adjust is likely to lead to an aggravation of the imbalance, undermining the country's ability to make repurchases when they fall due.

In fact, in nearly all recent cases of export shortfalls due largely to exogenous circumstances, the balance of payments of the member has suffered at the same time, and usually to a much greater extent, from imbalances caused by other factors--mainly of domestic origin. This has called for a careful assessment of the requirement of cooperation that is a criterion for the use of the special facilities. Since November 1981, there have been 18 cases where the upper tranche of the compensatory financing facility (CFF), to which the criterion of stricter cooperation applies, was used and in all of these cases the member either had an existing upper credit tranche arrangement with the Fund or concluded one concurrently with the use of the CFF. Use in the lower compensatory financing tranche has been approved in 22 cases in this period; in 6 there were existing or concurrently approved arrangements while in a number of others important adjustment measures were adopted just prior to the use of the facility. Thus, under current circumstances, use of the CFF cannot be considered as unconditional as would have been the case had export shortfalls been the sole cause of payments difficulties.

The use of the CFF enables a member with an existing or concurrently approved arrangement to augment the Fund resources available to it. There remains, however, an important distinction between use of the CFF and use of the upper credit tranches since purchases under the CFF, like those in the first credit tranche and unlike those in the upper tranches, are not phased. The member thus obtains the additional resources immediately and, from the Fund's point of view, the safeguard that is inherent in performance criteria and phased disbursements is absent. To some extent, however, this safeguard could be created if an annual ceiling on disbursements under the CFF were reintroduced, as was the case before 1979.

The ratio of potential access under conditional facilities to that under special facilities has fluctuated over time as the various limits have been modified. In April 1978, after the Sixth General Review of Quotas came into effect, access to regular facilities could amount to 165 per cent of quota, while access to the compensatory and buffer stock financing facilities could reach 125 per cent. With the introduction of the supplementary financing facility and the enlarged access policy, there was a decisive shift in favor of conditional resources as the Executive Board and Interim Committee reassessed the need for support to be given for programs of adjustment. Thus, in mid-1980 annual and triennial access to conditional facilities was raised to 200 per cent and 600 per cent of quota (with no explicit cumulative limit), while combined access to special facilities increased to 150 per cent of quota. In December 1980 with the introduction of the new quotas under the Seventh General Review, annual and triennial access to conditional facilities was reduced to 150 per cent and 450 per cent of quota and a cumulative ceiling of

600 per cent was introduced. In May 1981 the access under special facilities was increased to 175 per cent of quota, with the introduction of the decision on the compensatory financing of fluctuations in cereal imports.

If this ratio of access to conditional and special facilities were still considered appropriate, access to all facilities could be adjusted in the same proportion with the entry into force of the new quotas. Thus, if the annual and triennial access limits under the enlarged access policy were reduced to 125 per cent and 375 per cent, access under each compensatory decision could be reduced to 83 per cent, under the two combined to 104 per cent, and under the buffer stock financing decision to 42 per cent. If the new enlarged access limits were set at 102 per cent and 305 per cent of quota, the corresponding special facility limits would be 68 per cent, 85 per cent, and 34 per cent.

A complication is introduced into this balance when a comprehensive limit is set at a level lower than the sum of the sublimits. The maximum access to an individual facility becomes subject to uncertainty and the member has the possibility of obtaining a larger share of its access through the relatively less conditional facilities. It would seem that in the present situation where the adjustment needs of members are urgent and widespread, it is particularly important for the Fund to be able to maintain a close and continuing link between the use of its resources and the carrying out of an adjustment program. In order to preserve the relative importance of the more conditional assistance, if Executive Directors wish to set a comprehensive limit, it might be appropriate to reduce access to the special facilities by a greater proportion than the reduction in access to regular facilities, although it should be recalled that as discussed above access to the special facilities has tended to become more conditional recently. 1/ Another approach, also mentioned above, might be to reintroduce an annual limit on access to the CFF.

The establishment of a comprehensive limit would also require a number of relatively minor technical issues to be dealt with. Some of these are treated in the Annex to the present paper.

IV. The Scale of Access in Individual Cases

During the discussion at EBM/33/71 and EBM/83/72, a number of Executive Directors asked for clarification of the principles for determining the amount of access in individual arrangements. This

1/ One way in which this might be done is to reintroduce the combined limit for access to the compensatory and buffer stock financing facilities that was removed in 197[illegible]. This could serve to treat members more equitably, rather than allowing more relatively less conditional finance to the relatively few members that participate in buffer stock arrangements.

section describes the main principles governing the scale of use. The first criterion governing access to resources is that of balance of payments need; a member may only make use of the Fund's resources when and to the extent it has a balance of payments need. This section deals with cases where the extent of need is not a factor limiting the scale of access.

In order to preserve the revolving character of its resources, the Fund must pay special attention to the rate at which the member's balance of payments is expected to improve and the extent of such improvement. Fund resources should be used to support a program of adjustment that envisages a strengthening of the member's balance of payments to a sufficient extent to allow repurchases to be made on schedule without imposing strains on the member's payments position. Ideally, the program would enable the member to reach a sustainable balance of payments position by the time repurchases fell due, but at a minimum, repayments should take place in less straitened circumstances than the corresponding drawings.

The appropriate period of use of the Fund's resources may extend over a number of years. For example, the extended Fund facility decision provides for a repurchase period for ordinary resources of up to ten years, although if purchases under enlarged access were involved, the bulk of the repurchases would have been made before the eighth year. The period of use of the Fund's resources could in fact extend beyond the repurchase period if there were a succession of arrangements over several years, in which case new purchases would be made at the same time that earlier drawings were being repaid. In the past, there have been instances where a member has used the Fund's resources over an extended period of time, in some instances even well beyond the period of ten years mentioned above. 1/ This has occurred because the persistence of balance of payments problems has led to the conclusion of new arrangements or drawings on special facilities before repurchases of earlier purchases were completed. The new arrangements were, of course, based on fresh negotiations and approved by the Fund in support of new adjustment programs; resources provided under them did not constitute a rollover in the conventional sense. Similarly, further drawings under the special facilities were made because the member met the criteria of the facility.

While in the case of an extended arrangement or successive stand-by arrangements it should be the normal expectation that balance of payments adjustment would be substantially completed by the end of the third year and repurchases begun on schedule, situations will undoubtedly arise from time to time requiring further adjustment effort and continued Fund support. Full implementation of a program or programs may not necessarily guarantee the achievement of the desired balance of payments outcome and, even if the outcome were to turn out to be fully as planned,

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1/ At the end of 1982, eight members had been using Fund resources under the various facilities continuously for 10-14 years, a further five for 15-19 years, and two for over 20 years.

new problems could arise before repurchases were completed, calling for a supplementary adjustment effort. The Fund should continue to have the flexibility to provide financial support in these circumstances, even though this might prolong the period of use of its resources by a member.

As to the scale of use, the crucial consideration is the speed of recovery of the balance of payments. As discussed in EBS/83/79, access at or close to the limit is appropriate where a decisive improvement in the balance of payments can be expected by the time repurchases fall due. In such cases, the member would be expected to have a comprehensive adjustment program and major adjustment measures would be expected to be taken at the outset. If the arrangement period exceeds one year, the program should be articulated over the entire period with the bulk of the adjustment taking place at the beginning. If the annual maximum were to be set at 125 per cent of quota and the arrangement is for three years, the total commitment of resources could be as much as 375 per cent of quota.

As discussed in EBS/83/79, exceptional circumstances could also arise where it may be necessary to provide for access exceeding the limits laid down in the guidelines. 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 somewhat higher 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 the intention to ensure that the cumulative access under the tranche policies not exceed the cumulative access limit.

The Articles provide that the access limits they specify (in Article V:3(b)(iii)) can be waived, "especially in the case of members with a record of avoiding large or continuous use of the Fund's general resources." "In making a waiver it /the Fund/ shall take into consideration periodic or exceptional requirements of the member requesting the waiver" (Article V:4). A similar principle would be applied in determining access in specific cases. Access at or close to the limit would only be appropriate when a member had avoided continuous use of the Fund's resources; in the case of chronic users access at much lower levels would be appropriate.

If adjustment requires a period of several years but the member is unable to specify in advance and with sufficient precision the policies beyond the first year, a step-by-step approach involving successive one-year arrangements within a clearly formulated medium-term strategy would be envisaged but, unless the program in the first year constitutes a substantially changed direction of policy and a major adjustment effort, access would be established below the limit. In most of these cases it is unlikely that the bulk of the necessary measures will be in place in the initial period and the achievement of a viable balance of payments may require the adoption of new adjustment measures in succeeding years. Since each one-year program is only part of a longer term adjustment effort, and since the Fund expects to make a commitment to the country over a number of years, use of resources in each year should be well below the limit, at perhaps 50-70 per cent of the maximum. It is possible that an occasion may arise where the adjustment program fully meets the requirements of the decision establishing the extended Fund facility but where it is not expected to complete the resolution of the balance of payments problem within the three-year period; in these circumstances the Board might consider providing support by an extended arrangement but the annual amount would be well within the limit. Nevertheless, despite the possible association over a number of years, there must be the prospect within a reasonable period of a significant reduction in balance of payments pressures as a result of the programs. In each case a projection of the balance of payments into the repurchase period should show that the member will be in a position to repurchase on schedule without undue strain.

In still other cases, relatively small access in comparison with the limits may be appropriate. This may be because the weakness of the balance of payments is such that it is questionable whether the need can be considered as temporary. In this case, the amount of the need that can be met from the Fund should be measured by the expected rate of improvement in the balance of payments. It is of particular importance that the repurchase in respect of purchases from the Fund not constitute a substantial burden to the member, and this may further limit the appropriate amount of financing when a country's debt situation is such as to make inadvisable substantially increased borrowings on the relatively short maturities that the Fund can provide under the Articles of Agreement and the policies adopted.

Even if the balance of payments is so weak that no substantial improvement can be expected over the medium term, Fund financing on a small scale could be justified if the member is taking appropriate steps to deal with its situation. The program should ensure a continuous if gradual improvement in the balance of payments position. In such situations, which would mainly involve low-income countries, Fund support would indicate that the member had adopted corrective policies and would serve to enhance both internal and external confidence in the program. In such a case, the bulk of balance of payments finance would be expected to come from other sources on concessional terms.

Table 1 shows the annual rate of access in stand-by and extended arrangements approved in 1982 and 1983. Over this period, 26 per cent of arrangements have been for at least 90 per cent of the maximum amount, a further 21 per cent for at least 70 per cent of the maximum (i.e., over 105 per cent of quota per annum), and 40 per cent have been for between 50 per cent and 70 per cent of the maximum. Only 14 per cent have been for less than 50 per cent of the maximum, i.e., less than 75 per cent of quota a year.

Table 1. Annual Rates of Access, 1982-83

Rate in Per Cent of Quota	Rate in Per Cent of Maximum	Number of Programs 1/ 1982	1983	Total	Total in Per Cent
135-150	90-100	5	6	11	26
105-134	70- 89	5	4	9	21
90-104	60- 69	3	3	6	14
75- 89	50- 59	6	5	11	26
45- 74	30- 49	3	2	5	12
Below 45	Below 30	1	0	1	2
Total		23	20	43	100

1/ Approved and proposed.

The actual rates of access will depend on the levels of the access limits chosen by the Executive Board, the precise countries that request the use of Fund resources, their circumstances, and the quality of their adjustment programs. Nevertheless, on the basis of current conditions and expected developments, the staff expects that for the near term only about a quarter of new arrangements would qualify for access at or very close to the limit, and about a fifth would only be entitled to less than half of the maximum. The bulk of the remaining arrangements would be expected to provide for access at about half the maximum rate. The staff would report at the time of the next annual review of the enlarged access policy on the actual distribution of access rates.

As discussed above, the circumstances of members approaching the Fund for the use of its resources and the content of the programs themselves differ widely, and the scale of use of resources made available by the Fund should be responsive to these differences. In the future, when presenting requests for the use of Fund resources, the staff papers would be more explicit as to the way in which these amounts are determined, and the prospective balance of payments situation at the time when repurchases fall due.

V. Revision of Access Limits

During the earlier discussion of enlarged access policy, a number of Directors reiterated the temporary nature of this policy--that it was established to cope with a particular situation which gave rise to large payments imbalances for members relative to quotas--and that as this situation changed for the better, access to Fund resources should be phased down. A few Directors expressed the view that, in addition to establishing new limits to come into effect when the new quotas become effective, an understanding should be reached now on the timing and extent of possible reductions in access limits in the future so that both members and the Fund could adapt their plans accordingly. The eventual objective, stated by many Directors, was to revert to the situation where the Fund's financial operations could be based primarily on quotas, without continuing reliance on borrowing.

The decision establishing the policy on enlarged access (Decision No. 6783-(81/40), adopted March 11, 1982) provides that the guidelines on access will be adopted by the Fund from time to time. The decision itself is to be reviewed annually as long as it remains in effect. At this time one of two policy options may be chosen. The first is to leave any further changes in the access limits until such a time as developments affecting the balance of payments position of members and the Fund's own financial position, including the prospects for borrowing, have become clearer. It would be understood that if there is an improvement in the size and distribution of payments imbalances, because of the continued economic recovery in the industrial countries and possibly other favorable factors such as a further decline in interest rates and the stability of oil prices, there could be a reduction in the access limits. An annual review could be undertaken one year after the new quotas become effective to decide whether circumstances justify a reduction and, if so, on the extent of the reduction. 1/ The other option would be to agree now on the further reductions in the access limits that will be effective, say, at the beginning of 1985 and for later periods.

The first option would allow a flexible response to the uncertainties of the world economic outlook, which render it difficult to make reliable predictions for the financing needs of members or Fund borrowing prospects for future periods as a basis for setting at this time revised access limits for those periods. However, if Executive Directors prefer the second solution, which could be viewed as more in line with the financial constraints on the Fund, a decision could be formulated now explicitly establishing new limits to come into effect on, say, January 1, 1985, unless the Board were subsequently to decide otherwise in the light of the circumstances then prevailing. Such new limits could be set for the annual and triennial access under the enlarged

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1/ The decision on enlarged access (Decision No. 6783-(81/40), 3/11/81) provides that the next annual review of the decision will take place by June 30, 1984.

access policy, for cumulative access either under the enlarged access policy alone or under all facilities as Executive Directors may decide, or for access to special facilities, or for any combination of the above.

The level of Fund assistance that can be financed entirely from quotas was treated in the paper on the "Size of the Overall Increase on Fund Quotas and Related Issues" (EB/CQuota/82/9, 10/13/82). The paper "Review of the Policy on Access to the Fund's Resources--Financial Considerations" (EBS/83/133, 6/28/83), presents some simulations of alternative ways in which the access limits might be phased down, and their implications for the Fund's liquidity position.

If reduced access limits to conditional facilities for subsequent periods are to be agreed at this time, a decision will have to be taken on whether or not the reduced limits will apply to multi-year arrangements concluded before the effective date of those limits. For example, if annual access is to be 125 per cent of quota for the next year and 75 per cent thereafter, would it be permissible to approve an extended arrangement now for 375 per cent of quota or would the maximum now be 275 per cent? If the former approach is adopted, and this would be consistent with the treatment of related issues in the past, it would give a strong incentive to countries to come to the Fund before the reduction became effective. On the other hand, a member with a problem whose gravity only became apparent after that date, or who approached the Fund later, would have reduced access. This situation could also arise with a preannounced reduction in any cumulative or comprehensive limit.

While this may give rise to questions of equity, in particular intertemporal equity, there are grounds for considering that the problem may not arise. The reduction in access limits as the enlarged access policy is phased out should reflect the easing of the current difficult international payments situation. Thus, while members' access is reduced, their needs are also less, and the Fund may continue to play the same relative role. Furthermore, these problems have always been inherent in the enlarged access policy, since it was always designed to be temporary. Whether the reduction in the limits is preannounced or not, the problem of different treatment of members coming before and after the reduction would arise, unless quotas were raised by precisely the amount of the reduction in access limits.

VI. Issues for Discussion

This paper has considered a number of proposals for modifying the limits on access to the Fund's resources after the introduction of the new quotas. The paper has been prepared on the assumption that, barring major new decisions, the availability of Fund resources rather than the needs of members constrains the levels of these limits. The main issues treated in the paper may be listed as follows:

- the desirability of establishing a comprehensive limit for access to all facilities;

- the appropriate level of a comprehensive limit in present circumstances and of sublimits governing access to the conditional and special facilities;

- the criteria for determining the level of access in individual cases, in particular the member's need, the comprehensiveness of the adjustment program, the speed of expected improvement in the balance of payments and the member's record of use of Fund resources; and

- whether a further reduction in the access limits should be determined at this time or whether it should be left for the next annual review of the enlarged access policy.

Some Technical Consequences of a Comprehensive Limit

If it were decided to establish a comprehensive ceiling on access to the conditional and special facilities, there are some further technical consequences that would need to be considered. A comprehensive limit could be applied on a net basis, similar to that currently applied to the cumulative limit under the enlarged access policy, whereby scheduled repurchases are taken into account in determining the possible amount for any new arrangement. 1/ The functioning of such a ceiling may be illustrated by two cases: that of a request for a stand-by or extended arrangement at a time when purchases under the special facilities are outstanding, and that of a request for a purchase under a special facility when a stand-by or extended arrangement is in place. The former case presents few complications. Since with present policies drawings under special facilities are outright purchases, the margin for further purchases under the expected stand-by or extended arrangement may be calculated taking into account scheduled repurchases of outstanding drawings, and the constraints on access or phasing may be deduced.

The second case, when a request for the use of a special facility takes place at a time when a stand-by or extended arrangement is in effect, is somewhat more complicated. To perform the calculation, the assumption would have to be made that purchases under the arrangement would take place as scheduled and repurchases would also be as planned. However, the detailed phasing throughout the life of a multiyear arrangement is often not determined at the outset. Some assumption as to the complete phasing might have to be made before the margin for special facility purchases could be determined. For the purpose of such a calculation, the staff could assume the most conservative purchase schedule that the arrangement allows. Thus, for example, if an arrangement provides that a certain amount of resources may be purchased during the third year, for the purpose of these calculations, the staff might assume that the entire amount would be purchased at the start of the period. When the phasing is finally determined, it would have to be made consistent with the comprehensive limits.

A second complication arises when an arrangement is in force although purchases have been missed. In some such cases, no drawing under a special facility will be possible because the requirement of cooperation will not have been met. In other cases, however, the calculation of access to special facilities should be based on the assumption that measures might be taken to allow the full amount of the missed purchases to be made immediately and subsequent purchases to be made on schedule.

If a member is close to the cumulative limit, there may be an incentive at such a time to cancel a conditional arrangement, if this allows room for access under a special facility. The latter would have

1/ This could potentially give rise to problems if repurchases are not made on schedule, allowing cumulative access to exceed the limit.

the advantage to the member under present policies of being an outright drawing, rather than being phased, and thus not be subject to performance criteria. In addition, under current policies a purchase under a special facility would be financed entirely from the Fund's ordinary resources and would thus bear lower charges, although it would also be of shorter average maturity. If the member had a pressing need for adjustment, however, such a cancellation of a stand-by or extended arrangement might not be appropriate. In any case, the Fund would have to make a judgment that the requirement of cooperation had been met before access could be given to the special facility.