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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 83/71 Cor. 1

10:00 a.m., May 18, 1983

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

Executive Directors	Alternate Executive Directors
	W. B. Tshishimbi
J. de Groote	
B. de Maulde	A. Le Lorier
	J. Delgadillo, Temporary
R. D. Erb	C. Dallara
M. Finaish	T. Alhaimus
	Jaafar A.
T. Hirao	T. Yamashita
R. K. Joyce	M. Casey
	G. W. K. Pickering, Temporary
A. Kafka	C. Robalino
	G. Grosche
G. Lovato	C. P. Caranicas
R. N. Malhotra	A. S. Jayawardena
Y. A. Nimatallah	E. M. Ainley, Temporary
J. J. Polak	T. de Vries
	K. G. Morrell
	O. Kabbaj
F. Sangare	E. I. M. Mtei
M. A. Senior	J. L. Feito
J. Tvedt	A. Lindø
N. Wicks	C. Taylor
Zhang Z.	Wang E.

L. Van Houtven, Secretary
B. J. Owen, Assistant

Also Present

African Department: J. B. Zulu, Director; R. J. Bhatia, Deputy Director; N. Abu-zobaa, F. d'A. Collings, A. B. Diao, A. B. A. Faria, T. T. Gibson, J. Hicklin, A. D. Mortimer-Lee, M. C. Niebling, M. Reichardt, M. Sidibe, A. C. Woodward. Asian Department: H.-C. Kim, D. A. Scott, S. Shah. European Department: A. Leipold. Exchange and Trade Relations Department: C. D. Finch, Director; S. Mookerjee, Deputy Director; D. K. Palmer, Deputy Director; M. Allen, H. W. Gerhard, M. Guitian, S. Kanesa-Thasan, D. Lee, C. M. Loser, R. L. Sheehy. External Relations Department: A. F. Mohammed, Director; A. M. Abushadi. Fiscal Affairs Department: P. R. Rado, C. A. Yandle. Legal Department: G. P. Nicoletopoulos, Director; J. G. Evans, Jr., Deputy General Counsel; G. F. Rea, Deputy General Counsel; Ph. Lachman, J. M. Ogoola. Research Department: W. C. Hood, Economic Counsellor and Director; C. F. Schwartz, Associate Director and Director of Adjustment Studies; A. D. Crockett, Deputy Director; R. R. Rhomberg, Deputy Director; J. Artus, N. M. Kaibni. Secretary's Department: J. W. Lang, Jr., Deputy Secretary; A. P. Bhagwat. Treasurer's Department: W. O. Habermeier, Counsellor and Director; D. Williams, Deputy Treasurer; D. H. Brown, D. Gupta, A. M. Mansoor, O. Roncesvalles, G. Wittich. Internal Auditor: B. C. Huang. Personal Assistant to the Managing Director: N. Carter. Advisors to Executive Directors: S. R. Abiad, A. A. Agah, E. A. Ajayi, C. J. Batliwalla, S. E. Conrado, S. M. Hassan, P. Kohnert, I. R. Panday, P. Péroz, P. Péterfalvy. Assistants to Executive Directors: H. Arias, L. Barbone, R. Bernardo, J. Bulloch, G. Ercel, C. Flamant, I. Fridriksson, M. Hull, M. J. Kooymans, W. Moerke, J. A. K. Munthali, V. K. S. Nair, E. Portas, M. Z. M. Qureshi, T. Ramtoolah, J. Reddy, C. A. Salinas, J. Schuijer, Shao Z., D. I. S. Shaw, H. Suzuki, Wang C. Y., J. C. Williams, A. Yasseri.

1. WORK PROGRAM

The Chairman, noting that the discussion of the World Economic Outlook had been planned for June 1, 1983, explained that it had not proved possible to prepare special background material in time for a meeting on that date, because the work under way had been more difficult and time-consuming than initially expected. There were three possible courses of action: there might be no discussion of the World Economic Outlook before the one scheduled for September 9, preceding the Annual Meeting; the discussion could take place as planned, on the basis of the documents already issued in connection with the publication of the survey of the World Economic Outlook in mid-June; or the question could be left open, keeping in mind the possibility of a discussion toward the end of June. The last course might be the best because it would give Executive Directors more time to consider both the documentation prepared by the staff and the outcome of the Williamsburg Summit. He would welcome Executive Directors' views.

Mr. Dallara and Mr. Taylor considered that it would be helpful to discuss the world economic situation in the setting of the policy issues that were being taken up in the months ahead, beginning with the discussion at the present meeting on enlarged access. However, they were ready to support the Chairman's compromise proposal. Mr. Grosche agreed.

Executive Directors accepted the Chairman's proposal to schedule the discussion of the World Economic Outlook toward the end of June or the beginning of July.

2. MAURITIUS - 1983 ARTICLE IV CONSULTATION, AND STAND-BY ARRANGEMENT

The Executive Directors considered the staff report for the 1983 Article IV consultation with Mauritius, together with a request from Mauritius for a stand-by arrangement for a period of 15 months in an amount equivalent to SDR 49.5 million (EBS/83/78, 4/20/83). They also had before them a report on recent economic developments in Mauritius (SM/83/67, 5/4/83).

Mr. Tshishimbi made the following statement:

> In 1979, the Mauritian authorities initiated an adjustment program, supported by three successive stand-by arrangements, which has been successfully implemented. The program was aimed at reducing the large internal and external financial imbalances that emerged after the sugar boom of the mid-1970s and the unfavorable climatic conditions prevailing in 1981 and 1982.
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> Economic developments in 1981/82 and in 1982/83 were characterized by a substantial recovery in the agricultural sector, chiefly sugarcane, and in the manufacturing sector. The annual growth rate of real GDP averaged more than 6 per cent during the

period. The rate of inflation declined from about 27 per cent in 1980/81 to 13 per cent in 1981/82, mainly as a result of prudent demand management policies undertaken by the authorities. The inflation rate is estimated to fall further to about 9 per cent in 1982/83.

In the fiscal field, the authorities reduced the rate of government spending and succeeded in maintaining the share of nongrant revenue as a proportion of GDP during the same period. The overall fiscal deficit thus declined from 14 per cent of GDP in 1980/81 to 13 per cent in 1981/82, and is projected to decline further to 11 per cent of GDP in 1982/83. In the monetary sector, the successful results of an active interest rate policy together with the declining rate of inflation have contributed to restraining credit expansion. On the external front, the current account deficit, excluding transfers, has been sharply reduced from 17 per cent of GDP in 1980/81 to 8 per cent in 1981/82, reflecting in part the effect of the September 1981 depreciation of the Mauritian rupee, and mainly a recovery of exports from the cyclone. The overall balance of payments deficit fell from SDR 60 million in 1980/81 to SDR 2 million in 1981/82.

Although the balance of payments medium-term outlook is favorable, for 1983/84 the current account deficit is projected to deteriorate, owing largely to higher import prices, and the overall balance of payments deficit is expected to rise to SDR 31 million. The Mauritian authorities are committed to pursuing further adjustment policies and have therefore taken new measures for which they seek Fund support under a new stand-by arrangement. The new program is principally aimed at a further reduction of the external current account deficit to a sustainable level, an improvement in the allocation of resources, and an increase in employment.

To revive economic activity, the authorities have formulated, in cooperation with the World Bank, a public sector investment program for 1983-86, to be supported by a structural adjustment loan. The objectives of the program are to reduce the high level of unemployment through the expansion of export-processing industries and tourism, and to reduce the economy's high dependence on oil imports by substituting local energy resources. As well described in the staff report, future investment programs will be governed by strict project selection criteria, namely, their economic viability, their low recurrent cost implications, their low foreign exchange requirement, and the creation of productive employment outside the sugar sector, particularly in the export sector.

In the fiscal sector, the authorities aim at limiting the overall budget deficit to 11 per cent of GDP in 1982/83. In this connection, they have reduced certain recurrent expenditures and placed a moratorium on recruitment of civil servants. For the 1983/84 budget, which is under preparation, they propose to make further reductions in current expenditure, and capital expenditure will be limited to 9 per cent of GDP. On the revenue side, the scope of the sales tax will be widened. The system of import duty exemptions will be rationalized. The administration of direct taxes will be improved and the base widened. Other measures to improve revenue receipts include plans to unify the revenue service with Fund technical assistance, and a PAYE scheme. These measures are aimed at a further reduction of the fiscal deficit to 8.5 per cent in 1983/84.

In the monetary field, total credit expansion and increases in net credit to the Government will be limited to 20 per cent and 24 per cent, respectively. Moreover, appropriate credit ceilings on a quarterly basis will be adopted in consultation with the Fund. The authorities also intend to maintain their flexible approach to interest rate policy and encourage the banks to intensify competition in order to mobilize deposits. Ceilings on lending rates have been removed, a decision that, together with the changes in the banks' reserve requirements, should pave the way to their full participation in the financing needs of the economy.

My Mauritian authorities agree broadly with the staff's assessment of the economy's performance. They are therefore of the view that with their commitment to further policy adjustments toward restoring internal and external equilibrium, the Fund will again provide the necessary support for the attainment of their objectives.

Mr. Jayawardena noted that Mauritius had implemented three successive stand-by arrangements with the Fund since late 1979. The proposed 15-month stand-by arrangement for 1983/84 was in continuation of the past arrangements, under which a substantial degree of adjustment had been achieved.

Mauritius's being a heavily cyclone-prone country in the Indian Ocean accounted for the predominant cultivation of sugar, a crop that withstood adverse weather better than most others, Mr. Jayawardena remarked. Sugar was the mainstay of the economy, covering over 90 per cent of arable land and accounting for 60 per cent of exports. However, given the limited scope for the expansion of arable land and the need to diversify the economy, the authorities had adopted an export-oriented growth strategy, especially through industrial development in export promotion zones, and the active promotion of tourism. They were also trying to promote intercultivation of food crops and sugar with the hope of becoming self-sufficient in food by 1987.

It was noteworthy, Mr. Jayawardena continued, that after a substantial decline in 1980/81, economic growth had been maintained at 6.5 per cent a year during the two following years, despite the weak demand for sugar and difficulties in expanding exports due to growing protectionism in traditional markets. Clearly, maintenance of that momentum for growth would require great perseverance in the coming years. It was disconcerting to note some evidence that unemployment had risen since 1979. Registered unemployment stood at the high rate of 20 per cent, but the figure was possibly distorted. Nevertheless, if economic growth did not lead to a significant decrease on unemployment, it might be prudent for the authorities to examine the causes and take remedial measures by devising appropriate employment-oriented policies and removing structural bottlenecks. In that regard, he welcomed the Government's emphasis on employment generation as the primary target of economic policy and the contemplated measures to eliminate rigidities in the labor market.

The major adjustment had been in capital expenditures, Mr. Jayawardena observed, and he was glad that future savings in current expenditures were contemplated. He took note of the gradual reduction of food subsidies. He also welcomed the reforms of the tax system and administration, and he hoped that a gradual transition would be made from indirect to direct taxation. The progressive reduction of the fiscal deficit from 13.9 per cent of GDP in 1980/81 to 10.9 per cent in 1982/83 was welcome, as was the expectation that it would be reduced further during the program period to 8.5 per cent of GDP.

The authorities had pursued flexible monetary and credit policies since 1981, Mr. Jayawardena commented. Interest rate ceilings had been eliminated, and interest rates were at present positive. The allocation of credit by the central bank had been made subject to more flexible and indicative ceilings in place of the fixed ceilings. Those policies, and the promotion of interbank competition, appeared to have already yielded positive results. The Government still seemed to require a large share of available credit, but, with the greater fiscal discipline envisaged in the program, the situation could be expected to improve.

The current account deficit as a ratio of GDP had declined from 15.4 per cent in 1980/81 to 6.5 per cent in 1982/83, and was expected to decline further to 4.6 per cent under the proposed stand-by program, Mr. Jayawardena noted. It was a strong adjustment, in his view, and deserved commendation. Past payments deficits had been financed essentially by Eurocurrency borrowing and bilateral aid, and the debt service ratio had risen sharply. The ratio was estimated to peak in 1983/84 at 23.2 per cent of exports of goods and services, and to decline thereafter to 19 per cent by 1986/87. Fortunately, the Government did not have any short-term external debt, and it intended to moderate further resort to external borrowing.

He welcomed the detachment of the Mauritian rupee from the SDR in February 1983, and its pegging to a basket of currencies that better reflected the country's trading patterns, Mr. Jayawardena stated. In an open economy with an export-led growth strategy, the need to maintain a flexible and competitive exchange rate needed to be underscored. He was also glad that Mauritius maintained a relatively liberal trade and payments regime.

As for investment and production policies, Mr. Jayawardena remarked, the World Bank's structural adjustment lending to Mauritius should prove helpful in diversifying the economy. As the Bank envisaged, much could be gained by improving efficiency in the parastatal sector and through energy substitution.

Wage policy could play a crucial role in promoting employment, Mr. Jayawardena considered. Breaking the link between wage adjustments and the cost of living index, and the abandonment of general wage negotiations at the national level, could lead to greater efficiency and competitiveness. As for pricing policies, the Government had appropriately taken the view that administered prices should cover costs, and the movement to scale down food subsidies was commendable. The authorities might also consider whether price controls were needed on such a wide range of commodities.

Mr. Pickering remarked that the program under the proposed stand-by arrangement appeared likely to allow Mauritius to continue its good performance under the three previous arrangements. The comprehensive set of policies courageously followed by the authorities since late 1979 had resulted in a widespread improvement in the economy, despite several adverse developments, including exogenous factors relating to bad weather and the global recession.

The necessity for reducing the high level of unemployment, and the fact that neither the sugar industry nor the public sector seemed to provide scope for sustainable increases in employment, led him to endorse the strategy of the Mauritian authorities for improving the productivity and competitiveness of the nonsugar export sector and tourism, Mr. Pickering continued. In that respect, it was crucial that the authorities should accept a second structural adjustment loan from the World Bank, and it was encouraging that discussions were at an advanced stage. However, progress in diversifying exports was likely to be slow; it would depend not only on internal developments but also on sustained world recovery and the hoped-for reduction in protectionism in many of Mauritius's potential export markets.

The decline in the overall fiscal deficit for 1980/81 to 1982/83 was to be commended, Mr. Pickering remarked, as it represented a continued and determined effort to correct the imbalances in the government accounts. Nonetheless, the overall fiscal deficit for the coming year of 8.5 per cent of GDP was not sustainable, and further progress in that respect would be important. The authorities were right to place emphasis on restraining the growth of current expenditures currently above 25 per cent of GDP. However, effective capital spending would also be important, in contrast to the inappropriate public sector investment program pursued by the authorities following the sugar boom of the mid-1970s. It was perhaps worth reiterating the staff's comment that the scope for large increases in tax revenue appeared limited. In fact, the staff had been more explicit in its paper on the previous stand-by arrangement (EBS/81/236, 12/7/81; EBM/81/160, 12/21/81), where it had noted that the main way to obtain additional tax revenue would be through improved tax administration and collection. Therefore, it was somewhat discouraging to note from the staff report under discussion that the examination and rationalization of the tax system had not been concluded. He urged the staff and the authorities to set a timetable for an examination of the system's revision in the forthcoming mid-term review.

The external policies of the authorities set an example for other Fund members, Mr. Pickering considered, the exchange system being free of restrictions. The general improvement in the current account deficit since 1980/81, despite some slippages in the current year, and the intended improvements in the sugar industry and the nonsugar export sector, suggested that the only important remaining area of concern was the worrisome level of debt servicing. Even there, the performance criteria on contracting and disbursing external debt that had been agreed by the Fund and Mauritius implied a net reduction in the level of nonconcessional loans during the program period. The debt service profile shown in Table 7 of EBS/83/78 indicated that by the end of the period, the debt servicing hump would have been surmounted, and that the trend would be downward. He endorsed Mr. Jayawardena's comments on wage policy and food subsidies.

The program of Mauritius illustrated the benefits of a series of continuous stand-by arrangements, within the framework of medium-term adjustment, Mr. Pickering concluded. Looking beyond 1983/84, the staff reports indicated that there would continue to be a need for Fund assistance, but the extent to which external and internal imbalances were being reduced in an effective and timely manner suggested that the need would be reduced in the foreseeable future, reflecting the revolving and temporary nature of Fund assistance.

Mr. Grosche said that he was in broad agreement with the staff appraisal and supported the proposed decisions. The record of Mauritius under previous stand-by arrangements had been encouraging, and the measures taken at the beginning of the period under the proposed arrangement were clear evidence of the strong determination of the Government to continue its policies of adjustment.

Mr. Dallara said that he too was in broad agreement with the staff appraisal and supported the proposed decisions. The Executive Board had had an opportunity to comment on the success enjoyed by the Mauritian authorities in the pursuit of their adjustment efforts, supported by the Fund since late 1979, when his chair had joined others in commending the authorities for the progress that they had made. As the staff had pointed out in its report for the 1983 Article IV consultation, despite some adverse developments, both internal and external imbalances had been reduced over the past few years. Additional measures had since been taken, and the program outlined for the coming year appeared broadly appropriate.

However, notwithstanding the progress made in reducing the overall budget deficit, the deficit still seemed too high, as the staff also believed, Mr. Dallara continued. The preferred approach for achieving further reductions in the fiscal deficit would be to restrain the growth of recurrent expenditure. The additional information provided by Mr. Tshishimbi on some of the measures that the authorities intended to adopt seemed unfortunately to emphasize an increase in revenue rather than a reduction in recurrent expenditures. He hoped that the authorities would reconsider that mix, and perhaps find, both in the short term and in the medium term, that a shift in emphasis toward the reduction of current expenditures would be more appropriate. Any additional information in that respect that the staff or Mr. Tshishimbi could provide would be helpful.

Continued flexibility and pragmatism in interest rate and exchange rate policies would be required as the program was implemented, Mr. Dallara noted, if the economy was to benefit to the full from the decisions already taken in the past.

Looking toward the medium term, the authorities appeared to have recognized the need for further adjustment, in terms both of overall macroeconomic policies and of structural reform, Mr. Dallara observed. He joined other Directors in welcoming their close collaboration with the World Bank, as evidenced by the performance under the first structural adjustment loan and by the advanced status of the discussions relating to a second loan. In addition, he expressed appreciation for the information provided in the staff report on those loans.

One concern for the medium term that was of more general application, however, Mr. Dallara continued, related to the Fund's role in providing financing in situations similar to that of Mauritius. From Table 6 in EBS/83/78, it could be seen that the staff envisioned continued Fund financing from 1983/84 through 1985/86 and 1986/87, although apparently at a reduced level in the latter year. In discussing the balance of payments outlook for the period ahead, the staff had indicated that for the medium term it was rather favorable, and it had mentioned policies and prospects that would move the balance of payments toward a more sustainable position. On page 21, the staff had commented that the balance of payments deficits in the later years would be financed mainly by net long-term capital inflows, including resources available under the second Structural Adjustment Loan from the World Bank loan during the coming two years. The staff went on to conclude that Mauritius would continue to need the Fund's financial support. Yet Mauritius had performed rather well in its adjustment efforts under way for roughly three years, supported by both the Fund and the World Bank, and there was no reason to believe that it would not continue to make progress in the few years ahead. After five to seven years of continuous financial and policy support by both the Fund and the World Bank, the provision for further Fund financing seemed essentially to be designed to enable the authorities to repay the Fund for earlier purchases, although it might also help to pay for the envisioned amortization of outstanding Eurodollar loans. He was somewhat concerned to know how the program for Mauritius, which would encompass the continuation of the adjustment efforts of the past, could be reconciled with the revolving nature of the Fund's resources.

Mr. Ainley said that he agreed with the main points in the staff appraisal, and that he supported the request by Mauritius for a stand-by arrangement. The authorities had made commendable progress in adjustment over the past three years. They had done so by adopting prudent demand management policies with Fund support, and by reorienting their development strategy with assistance from the World Bank. The approach had been comprehensive and consistent, and it was beginning to show results. The achievements, particularly with respect to real growth and inflation, were impressive. Indeed, Mauritius offered an encouraging example of how a series of one-year stand-by arrangements could be put to effective use.

But although much had been done, Mauritius still had some way to go in restructuring its economy and further reducing imbalances to sustainable levels, Mr. Ainley remarked. The authorities recognized that fact, and their program for 1983/84 seemed well designed to meet those objectives. The continuing effort to diversify exports and expand the productive base was particularly welcome; it should provide new employment opportunities and strengthen the external position in the medium term. He also welcomed the maintenance of the commitment to fiscal restraint and the decision to link future wage settlements more closely to productivity gains. Taken together, the various measures indicated the authorities' determination to continue their appropriate and courageous policies, for which Fund support was fully warranted.

Mr. Alhaimus said that, as other Directors had indicated, the record of Mauritius in pursuing the necessary measures of adjustment had been commendable. Therefore, he supported the request for a stand-by arrangement.

Mr. Kabbaj observed that, since 1979, the Mauritian authorities had embarked on a series of adjustment programs related to Fund support to correct the imbalances that had appeared in the economy following the sugar export boom in the mid-1970s. The most recent measures had been embodied in the 1981/82 program, supported by a one-year stand-by arrangement. The policy objectives of that program had been aimed at restraining the growth of domestic credit, liberalizing interest rates, and maintaining a liberal payments and trade system. There had also been an exchange rate adjustment to improve the external imbalances. All program targets had been met.

The present program was a continuation of the adjustment policies that the authorities had previously undertaken, Mr. Kabbaj observed. The program objectives were well suited to the needs of the economy: there would be a further reduction in the budget deficit to 8.5 per cent of projected GDP, a more flexible monetary policy aimed at improving the allocation of resources, and continued improvement in the external sector.

The real sector of the economy would be a main area to monitor, Mr. Kabbaj commented. The successful implementation of the program under the second Structural Adjustment Loan could prove helpful in reducing unemployment and boosting industrial production. Further promotion of tourism would also be beneficial. It was encouraging to note that, with the assistance of the World Bank, the authorities would improve the operations of entities in the tea and housing industries.

Because the sugar industry could not effectively absorb more resources, and because the public sector could not at the present stage offer reasonable scope for expanding productive employment, the private sector should be encouraged to be more active, Mr. Kabbaj considered. He noted that, with the assistance of the World Bank, the Government was in the process of identifying policies to restructure the economy. Within that framework, a greater role for the private sector could increase productivity and release some of the pressure on government finances. The Government's intention of encouraging a system of private sector wage settlements between employers and employees at the level of individual firms or industries was welcome.

In sum, Mr. Kabbaj stated, he agreed with the thrust of the staff appraisal and endorsed the proposed decision.

Mr. Sangare noted that the Mauritian economy had made some significant gains in recent years, following a determined and sustained effort by the authorities to reduce large external and internal imbalances through the implementation of successive adjustment programs, with the support of the Fund. For instance, after declining by 7.6 per cent in 1980/81, real output had recorded strong growth in 1981/82, reflecting mainly the recovery in sugarcane production as well as a noticeable expansion of non-sugar manufacturing output. It was even anticipated that real GDP growth, estimated at 6.4 per cent, would remain strong in 1982/83. Inflation, as measured by the consumer price index, had been reduced considerably, falling from its peak of 33 per cent in 1979/80 to 13.4 per cent in 1981/82; it was expected to fall further to 8.5 per cent in 1982/83. Progress had also been made in reducing the fiscal deficit, even though it was still high at 11 per cent of GDP in 1982/83. The external account showed considerable improvement, with the current account deficit having narrowed from 17.4 per cent of GDP in 1980/81 to 8.1 per cent in 1981/82, reflecting in part the substantial decline in import demand and a significant increase in the volume of sugar exports.

The authorities were encouraged by those achievements but nevertheless recognized that further effort was required to consolidate and build upon the gains made thus far, Mr. Sangare went on. Among the problems facing the country was its continued heavy dependence on sugar as a foreign exchange earner, at a time when unemployment remained worrisome. It was therefore encouraging to note that, in designing the successor arrangement for which the authorities were seeking the Fund's assistance, particular attention had been paid to development objectives agreed with the World Bank in the context of the Second Structural Adjustment Loan. If those objectives were properly met, a strong foundation would be laid for sustainable growth in the long term. Accordingly, he welcomed the efforts of the authorities to diversify the economic base by lessening the dominance of the sugar industry. The establishment of the Commission of Enquiry to examine the problems confronting the sugar industry and its future prospects was a step in the right direction and should help to bring about appropriate action. He also welcomed the emphasis being placed on the expansion of manufactured exports through, inter alia, the establishment of the Export

Processing Zone. In that connection, he shared the authorities' concern about the protectionist tendencies of industrial countries. The modest efforts of a small country like Mauritius with little scope for diversification could easily be frustrated by protectionist policies.

As for fiscal policy, Mr. Sangare commended the authorities' prompt action in taking additional measures to ensure that the 1982/83 program remained on track when it became clear that foreign grants were falling short of expectations. The efforts to reduce expenditure appeared to be the most appropriate means of achieving further adjustment, since the scope for raising additional revenue was limited. In the circumstances, fiscal adjustment that would involve reducing the budget deficit in relation to GDP by 2.5 percentage points would require a particular effort. He was nevertheless confident that the authorities would persevere and live up to their outstanding track record.

On monetary policy, Mr. Sangare commented, a number of measures had already been implemented in connection with previous programs, with the result that interest rates were now generally positive. Furthermore, the authorities were willing to pursue a flexible interest rate policy.

Another appropriate move had been the pegging of the exchange rate to a trade-weighted basket instead of to an SDR basket, Mr. Sangare observed. Comprehensive measures, together with the continued implementation of appropriate demand management policies, should enable Mauritius to attain a viable external payments position and sustainable growth rates in the medium term.

Mr. de Maulde noted that there had not been many new developments in Mauritius since the Executive Board had reviewed its performance in November 1982, and subsequently in January 1983 when the member had made a drawing under the buffer stock financing facility (EBM/83/9, 1/10/83). Mauritius was a well-managed country with a good track record. It was clear from the figures in the staff report that all the objectives of the previous program and the targets for the entire fiscal year 1982/83 had been or would be achieved, despite the long delays encountered in the approval of a second Structural Adjustment Loan by the World Bank. Those results had laid solid foundations on which the success of the new program could be built. On the financial side, the program focused appropriately on fiscal policies, where there was still the most scope for further improvement. Nevertheless, although progress in reducing the fiscal deficit had been slow, there had been a steady movement in the right direction.

To the extent that financial imbalances continued to be reduced, and if the balance of payments outlook for the medium term remained favorable, Mr. de Maulde continued, the main challenge to the Mauritian authorities in the years to come would be related to the real economy. The basic problem was to reduce the heavy dependence of the economy on sugar production by making progress toward export diversification. Various steps had been taken, including measures to promote tourism or to substitute local energy resources for imported energy, but those measures provided only a partial solution and would not make a large dent in the high level of unemployment. The forthcoming study by the Commission of Enquiry, and the studies to be conducted under the second Structural Adjustment Loan, might provide fresh ideas on how to undertake the difficult task of diversification.

Finally, Mr. de Maulde said that he looked forward to a successful meeting of the consultative group to be held in Paris on June 1.

The staff representative from the African Department noted that, despite the progress made by Mauritius in recent years in steadily reducing the overall fiscal deficit, even the 8.5 per cent deficit target for 1983/84 was too high. The authorities were aware that that was so, and intended to persevere in their adjustment efforts. A staff mission would go to Mauritius early in June to carry out the first mid-term review of the program and to discuss budgetary policies for 1983/84. The staff would impress on the authorities the need to economize on spending rather than to increase revenue, although both the authorities and the staff recognized that the scope might not be large, for political and other reasons. It should perhaps be noted that recently available information suggested that the final figures for 1982/83 might show a better fiscal performance than indicated in the staff report.

The medium-term balance of payments outlook was viewed by the staff as favorable, barring unforeseen severe external shocks, the staff representative stated. If Mauritius maintained its adjustment effort under the program supported by the Fund, and the structural adjustment effort as well, the current account of the balance of payments should move into a sustainable position that could be financed by long-term capital inflows. Mauritius would progressively reduce its net indebtedness to the Fund, beginning in 1984/85, when it would for the most part have repaid the Eurocurrency loans contracted since the mid-1970s. In the light of payments projections, the staff foresaw no improvement in the terms of trade in the medium term, but, to the extent that there was some improvement, Mauritius could either build up its reserves, which were low, or make additional repurchases from the Fund. It should be noted that if Mauritius was to generate an overall balance of payments surplus with which to repay the Fund, it would have to pursue a far tighter demand management policy, which might be politically and socially unacceptable. Such a policy might also be incompatible with the structural adjustment that the authorities were undertaking with the support of the World Bank to reduce the high level of unemployment.

The staff representative from the Exchange and Trade Relations Department added that the medium-term balance of payments projections in Table 6 of EBS/83/78 reflected a substantial adjustment effort by Mauritius, as indicated by the expected decline in the ratio of current account to GDP, and by the fact that the current account deficit was expected to be fully financed by medium-term and long-term loans on concessional terms. The authorities also intended to repay commercial borrowing to improve the debt profile. Mauritius would be making purchases from the Fund, in gross terms, but, on a net basis, it would progressively reduce the Fund's holdings of Mauritian rupees from a peak of about 430 per cent of present quota at the end of the current program period, or 325 per cent of the increased quota. Taking all those circumstances into account, he believed that the continued but diminishing level of net use of Fund resources by Mauritius over several years to come was consistent with the revolving character of the Fund's resources.

The staff representative from the African Department, in response to a question by Mr. Zhang, noted that the proposed stand-by arrangement would be for the 15 months from the date of its approval--presumably May 18, 1983--until August 17, 1984. The program itself, under which the policies supported by the stand-by arrangement had been developed, covered 18 months from December 1982, when the previous stand-by arrangement had expired, through June 1984. Although the program had been negotiated in February 1983, it was in pursuit of policies agreed upon during the mid-term review. The purpose of the mid-term review to be held in June would be to agree with the authorities on budgetary policies for 1983/84--from July 1983 to June 1984--that had not yet been formulated when the program had been negotiated in February.

Mr. Dallara remarked that he would take up directly with the staff the matter of the way in which Mauritius was making use of the Fund's resources. However, he did not accept the staff's explanation. As he understood it, net outstanding drawings in the credit tranches, excluding drawings under the compensatory and buffer stock financing facilities and not taking into account the quota subscription payment, would be approximately 330 per cent of the new quota at the end of the stand-by arrangement. The reductions envisioned for 1984/85, 1985/86, and 1986/87, as shown in Table 6 of EBS/83/78, were marginal, and obviously assumed further drawings. It was difficult to accept the argument that such an arrangement was consistent with the revolving use of the Fund's resources. Mauritius had performed well under continuous adjustment efforts supported by the Fund and by the World Bank. But if no significant reduction in the Fund's holdings of a country's currency could be expected after five to seven years, there would seem to be cause for real concern about the way in which Fund financing was being used, particularly if some of it went to amortize other credits.

Mr. de Maulde remarked that if Mr. Dallara's argument were accepted, the process of adjustment in Mauritius would have to be accelerated somewhat and the balance of payments position reversed more rapidly than forecast in the staff paper. In his opinion, the rate of unemployment and the need to restructure the economy made such a course of action unrealistic. The alternative--no more realistic--would be to recommend that Mauritius resume borrowing from commercial banks. Thus, although he agreed with Mr. Dallara that care should be taken to ensure the revolving nature of the Fund's resources, it was necessary to be equally careful not to force countries to follow unrealistic policies.

Mr. Tshishimbi remarked that he would have responded to Mr. Dallara's concern in the same way as Mr. de Maulde. Mauritius had pursued successful adjustment efforts so far and had clearly indicated a determined intention to continue to do so in the medium term. To force the country to accelerate the pace of adjustment would be dangerous; indeed, it needed the support of the Fund in spreading out the adjustment effort over the medium term. Mauritius faced many problems, including the unemployment described in the staff reports. The diversification program that had been undertaken to strengthen and broaden the economic base, if it had to be financed on commercial terms only, would call for a severe medium-term adjustment effort. The purpose of the Fund's support over the medium term was to prevent such an adverse outcome. Moreover, the good performance of Mauritius in the past should be taken into account in deciding how much support Mauritius could expect from the Fund.

The Chairman noted that Mr. Dallara had drawn attention to the continuous support given by the Fund to Mauritius since 1979 and to the fairly significant outstanding purchases in 1986/87, as shown in Table 6. In fact, those purchases were likely to remain outstanding for several more years. The answer to the question whether such a position was compatible with the Fund's policy of extending medium-term assistance and expecting an improvement in the member's position had to be seen in the light of the particular circumstances of the member. Clearly, the Fund would prefer Mauritius to be able to repurchase at a faster pace, but the potential of each country for adjustment differed, and if the country was making steady and continuous progress, it was appropriate for the Fund to make its resources available for a longer period than if the economy in question was subjected to sharp and rapid swings in the external position.

It was clear from Table 6 in EBS/83/78, the Chairman added, that a number of uncertainties would have to be kept in mind. First, it was assumed that Mauritius would contract long-term loans of SDR 11 million in 1984/85, SDR 41 million in 1985/86, and SDR 60 million in 1986/87. Without those loans, the overall balance would be worse. There was little scope for Mauritius to undertake further commercial borrowing, because of its debt service ratio. It seemed to him, therefore, that potential donor governments should be made aware of the stretched financial position of Mauritius, which called for greater development assistance. In that way, Mauritius would also be assisted in reducing its outstanding purchases from the Fund more quickly.

At the consultative group meeting to be held in Paris, the Chairman observed, the Fund representative should demonstrate to donor countries that Mauritius had made commendable, even remarkable, adjustment efforts, but that its external position would be vulnerable in the years ahead; he should then call for more significant long-term development assistance. A country like Mauritius, facing serious long-term structural problems, was in much greater need of such assistance than of short-term or medium-term balance of payments assistance from the Fund. Of course, the Fund had a useful role to play, alongside the World Bank, in supporting the adjustment effort of Mauritius, perhaps to a greater degree and for a longer duration than in some other countries.

The staff representative from the African Department noted that drawings on existing loans and long-term loans to be contracted had been included separately in Table 6 to provide Executive Directors with an exact idea of the country's prospects of obtaining external long-term credit. The bulk of the long-term loans to be contracted would result from the forthcoming consultative-group meeting. The staff did not in fact foresee a sharp jump in longterm indebtedness, as would be evident if the figures on disbursements under existing loans and the amount of new loans were taken together.

The Chairman remarked that it would nevertheless be advisable to try to induce donor countries to increase the amount of long-term loans that they were projected to make, in view of the uncertainties surrounding the capital account in the public sector.

The Chairman made the following summing up:

> Executive Directors were in broad agreement with the staff appraisal for the 1983 Article IV consultation with Mauritius. They noted that the comprehensive program of adjustment pursued by the Mauritian authorities and supported by three successive stand-by arrangements had led to a significant improvement in the economic and financial situation of the country. The recovery of the economy from the severe impact of adverse weather conditions had been accompanied by marked reductions in the external current account deficit, the overall fiscal deficit, and the inflation rate. Directors observed that, despite the progress made thus far, perseverance in the adjustment effort was essential, calling for continuation of restrictive fiscal and monetary policies and maintenance of the policy of wage restraint.
>
> Directors stressed that the overall fiscal deficit was still too high and that capital outlays had borne much of the burden of fiscal adjustment. They emphasized that restraining the growth in current expenditure would be preferable to further large tax increases or reductions in capital outlays.
>
> Directors welcomed the completion of the process of the liberalization of interest rates which had begun in 1979. Real interest rates on deposits were now positive, which should help to promote the adjustment process and encourage financial savings.
>
> Given the high level of unemployment and the limited prospects for the sugar industry, Directors endorsed the authorities' strategy of strengthening and diversifying exports of other goods and tourism. Directors thus felt that a flexible exchange rate policy in the context of the new pegging arrangement of the rupee would contribute to maintaining the competitiveness of Mauritian exports. In this regard, the adverse effects of protectionist trends in the export markets of Mauritius were noted by Directors.

The policy of wage restraint, which had played an important role in the success of the adjustment effort, would continue to be essential. The proposed system of direct negotiations between employees and employers within one firm or industry should contribute to improving the allocation of resources and should be implemented as early as possible. Continued vigilance was required to ensure that competitive wage demands do not escalate wage awards.

Directors welcomed the close collaboration between Mauritius and the World Bank in the framework of structural adjustment loans and noted the importance of continuous development assistance to Mauritius in the coming years.

It is expected that the next Article IV consultation with Mauritius will be held on the standard 12-month cycle.

The Executive Board then took the following decisions:

Decision Concluding 1983 Article XIV Consultation

1. The Fund takes this decision in concluding the 1983 Article XIV consultation with Mauritius, in the light of the 1983 Article IV consultation with Mauritius conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. The Fund notes with satisfaction that Mauritius continues to maintain an exchange system which is virtually free of restrictions on payments and transfers for current international transactions.

Decision No. 7400-(83/71), adopted
May 18, 1983

Stand-By Arrangement

1. The Government of Mauritius has requested a stand-by arrangement in an amount equivalent to SDR 49.5 million for a period of 15 months from May 18, 1983 through August 17, 1984.

2. The Fund approves the stand-by arrangement set forth in EBS/83/78, Supplement 1, and waives the limitation in Article V, Section 3(b)(iii).

Decision No. 7401-(83/71), adopted
May 18, 1983

3. ENLARGED ACCESS POLICY - REVIEW

The Executive Directors considered a staff paper reviewing the policy on enlarged access to the Fund's resources (EBS/83/79, 4/20/83; and Cor. 1, 4/25/83).

Mr. Wicks, referring first to the principles of enlarged access, stated that the U.K. authorities regarded enlarged access as a temporary expedient, in line with the understanding reached by the Interim Committee at its Hamburg meeting in 1980. The vicissitudes of the world economy since then had not changed their view that, as global imbalances subsided, so enlarged access should be phased down. Indeed, his authorities would not expect the policy of enlarged access to continue beyond the implementation of any quota increase under the Ninth Quota Review. Furthermore, they would hope to see some reduction as early as 1985 from the limits on enlarged access that would be imposed immediately following the current review.

His second comment of principle, Mr. Wicks added, was that access should not be discussed unless there was some discussion of financing. In the search for finance, the first priority should be to see whether the Fund could obtain further lines of credit from official sources. But whatever the response from official quarters, and assuming some availability of resources from the enlarged General Arrangements to Borrow, more finance would still probably be needed if projected commitments were to be covered, whatever precise access limits were chosen. For reasons that he well understood, the way in which the financing gap should be met had not been covered in great detail in EBS/83/79, and the staff should prepare a paper on that particular aspect. One financing solution that his authorities were willing to consider was market borrowing by the Fund. But that market borrowing would be temporary, and would be phased out as enlarged access was phased out. He would be interested to learn of any other ideas the staff might have.

As for the past application of the enlarged access policy, Mr. Wicks continued, he fully endorsed the thrust of the argument made by the staff in its conclusions that the limit was not an entitlement. In general, his authorities had agreed with the criteria applied by management in the difficult task of determining appropriate access in individual cases. He did have two comments to make on the way in which the policy of enlarged access had been administered in the past. First, his chair had not always been sure that use of enlarged access had been consistent with the criteria of Executive Board Decision No. 6783-(81/40). Particularly where a country's current account was in broad balance, it was by no means clear that the problem required "a relatively long period of adjustment and a maximum period for repurchase longer than the three to five years under the credit tranche policies." The staff should specifically address the arguments for extended financing in its papers on requests for drawings under the enlarged access facility.

Second, he had been surprised that no use had been made of the provision in the 1980 guidelines that access above the limit should be available in support of "an exceptionally strong program of adjustment," Mr. Wicks went on. That flexibility might be more actively used in the future, irrespective of the access limit chosen. However, access above the limit should be allowed only to members that had agreed to tighten their adjustment efforts still further.

As for the operational features dealt with in the staff paper, Mr. Wicks considered that the guiding principles should be that administrative simplicity, desirable as it always was, should be weighed against the principle of not depleting the Fund's scarce ordinary resources. In that light, it seemed a little anomalous that the 165 per cent quota limit for use of ordinary resources comprised both five-year and ten-year drawings. Unfortunately, while it would be logical to harmonize the repurchase period for first credit tranche drawings made simultaneously with extended Fund facility drawings, it was not altogether clear that the Fund had sufficient of its own resources to permit financing the full 165 per cent for up to ten years. Thus, it might be wiser to defer consideration of that matter for the time being.

The idea mentioned on page 29 of EBS/83/79 that drawings under the first credit tranche should be made available without matching borrowed resources, although it might lead to some administrative simplification, would be unacceptable to him at a time when the Fund's ordinary resources were already under strain. At present, the ratio of ordinary and borrowed resources operated so as to front-load the use of ordinary resources. Consideration might be given instead to spacing the use of ordinary resources over the entire commitment period of an arrangement: a constant proportion of each purchase could be financed from ordinary resources.

On charges, Mr. Wicks went on, the existing diversity of rates of charge between ordinary and borrowed resources should be maintained. His authorities believed it to be appropriate that members making use of the Fund's special facilities and enlarged access should meet the extra cost involved. He would also be prepared to consider shortening the repurchase period for borrowed resources, should it prove necessary to avoid straining the Fund's liquidity.

The Executive Board should not be asked to commit itself to precise access limits, Mr. Wicks added, before coming to a clearer understanding about the likely level of official borrowing by the Fund in 1983 and the prospects for Fund financing beyond the present year. Nevertheless, his authorities had a few thoughts on the matter. First, some reduction in the present multiples of enlarged access would be warranted after the quota increase took effect. On the other hand, in present circumstances, the Fund had to be able to make an adequate contribution to members' financing needs if it was to seem credible when trying to persuade commercial banks to contribute fresh money to countries with substantial debts. He noted that the staff's recommended limits of 125 per cent in one year or 375 per cent in three years would ensure no loss of access for any member and would give useful headroom for those currently approaching their limits. From a financing viewpoint, however, it would be easier to accept some initial increase in annual access if it were generally accepted that the limit would be progressively wound down subsequently. Second, it was reassuring to learn from the staff's analysis of the relationship between the cumulative access limits and actual access by member countries that the present cumulative limit left adequate headroom, especially in view of the number of poor, heavily indebted countries that would need sustained Fund support for adjustment. Because the purpose of a cumulative limit was to prevent members from becoming overindebted to the Fund, a case could be made for including drawings under all facilities, even if so doing meant a slightly higher overall limit. The staff might examine that possibility.

To sum up, Mr. Wicks concluded that although the staff was pointing the right direction, any solution should be based on the principles that enlarged access was temporary and would be phased down and that there would be adequate future sources of finance.

Mr. Kafka noted that the subject under discussion was extremely complicated. For that reason, he hoped that no attempt would be made to reach a decision at the present meeting. As a matter of principle, he too regarded enlarged access as a temporary policy, but he did not believe that the situation was clear enough to consider the rate at which enlarged access should be reduced or even its eventual elimination. For the time being, it would be necessary to live with the policy.

It would be impossible, Mr. Kafka considered, even in theory, to try to set maximum limits that led to the loss of potential absolute access for any country after the quota increase went into effect. Theoretically, it should perhaps not make any difference whether, as at present, a member frequently remained below maximum access because of lack of need, or whether an assurance was given that the maximum access limits set in relation to new quotas could be exceeded in case of need. The latter approach, however, could result in members with relatively low quota increases facing difficulties that they did not have at present. Yet even with maximum access set at a proportion ensuring unchanged absolute potential access for all members--apparently the staff's favored position--not enough would be done to correct the limitations of the present maximum access. The staff had explained those limitations in convincing terms and with concrete examples. Whatever new maximum access was agreed upon, it also had to be agreed that the maximum could be exceeded in case of need, even in the interim period before the new quotas went into effect. Moreover, consideration would also have to be given to providing adequate absolute increases in access under the compensatory financing facility.

He was somewhat unhappy about the idea that maximum access was inappropriate, other things being equal, unless the external position of a country was expected to recover rapidly, Mr. Kafka stated. Whether the situation would turn around quickly for a country would depend very much on the program adopted by the member, and the program in turn depended greatly on the assistance made available. Deep-seated problems might require special efforts, underwritten by a high level of support, to make possible a rapid turnaround. Where even such a special effort was inadequate, the staff's attitude was apparently to suggest that the Fund should feed out small amounts in relation to quota to alleviate a country's difficulties while ensuring that it remained below the potential maximum absolute access limits. Such a plan would be a confession of failure. Certainly, the Fund could not solve all the balance of payments problems in the world; as the central institution concerned with balances of payments, it should be able--in all but the most exceptional cases--to persuade lenders to contribute enough resources so that the situation of a member country could be turned around within a foreseeable period.

That the access limits mentioned by the staff should require continued recourse to borrowing by the Fund was a consequence of the inadequate increase in Fund quotas that had just been approved, Mr. Kafka stated. There was nothing frightening in that, in the present exceptionally disturbed times, the Fund should continue to rely on borrowing, even substantial borrowing. A Canadian proposal submitted to the Bretton Woods Conference would have authorized the Fund to require members to lend their currencies to the Fund in an amount up to 50 per cent of their quotas. In view of the reluctance of all but one member to make resources available to the Fund--at least without the need for a further collective decision taken outside the Fund--there would be nothing wrong in the Fund's borrowing from private as well as from official lenders. Such private borrowing should be attempted on a modest scale at once, to test the market, and he encouraged the staff to submit suggestions on how best to approach private lenders.

On the technical points, Mr. Kafka said, first, with respect to the mix of ordinary and borrowed resources, that the need to safeguard an appropriate liquidity ratio suggested the advisability of abandoning the present formula and of making resources--whether borrowed or subscribed--available on uniform terms under an agreement to maintain an adequate level of borrowing by the Fund. Second, one way of levying charges would be to base them, at the time that the drawing was made, on the proportion of uncommitted borrowed and subscribed resources available to the Fund over a reasonable period in the future. Third, the abolition of mixing procedures would also imply some transformation of maturities that would seem to be riskless and preferable to shortening the repayment period.

Mr. de Groote considered that it was desirable first to deal with matters of principle and to tackle the technical issues thereafter.

The first major principle to be considered, Mr. de Groote remarked, was that access to the Fund's resources should be determined by the main function of the Fund, which was to promote adjustment, adjustment being possible only if it was supported by appropriate financing. The main objective therefore had to be to find the resources that the Fund needed to carry out its responsibilities, and more specifically, to enable it to continue to extend conditional credit wherever it was needed to carry out macroeconomic and structural adjustment. At the present preliminary stage of the discussion, access limits of 125 per cent in one year or 375 per cent in three years, based on new quotas, would seem to be adequate to meet the likely needs for Fund financing. Those limits would of course be exceeded in exceptional circumstances. He saw no possibility, given present financing needs, to end the policy on extended access when the increased quotas became operational.

His second general consideration, Mr. de Groote continued, was that since the Fund had to be able to pursue its conditional lending over the period between the Eighth and the Ninth Quota Reviews, its liquidity position should be examined for a five-year period ahead, unless the Executive Board decided to avail itself of the possibility suggested by the Interim Committee of shortening the quinquennial review period. The most obvious way of meeting the medium-term liquidity requirements of the Fund was to envisage as soon as feasible a firm commitment by the participants in the General Arrangements to Borrow (GAB) to bring the Arrangements into continuous operation shortly after they had been ratified, while obtaining a firm commitment from other possible sources of official financing, in the spirit of previous arrangements. At the same time, caution would argue for considering how, in due time, the Fund might complement those various sources of finance by recourse to the markets.

He saw a real need, Mr. de Groote stated, for beginning negotiations with the GAB participants and other sources of financing, and to consider such possibilities as access to the markets, without delay. Otherwise, he failed to see how the Executive Board could be presented with realistic proposals to allow the Fund to act in conformity with its responsibilities. It would be most damaging to the creditworthiness of the institution if such negotiations were not undertaken until the Fund's liquidity ratio reached a critical point. Furthermore, a medium-term approach was essential if borrowing members were to be offered a mix of the Fund's own resources and borrowed resources that would be equitable from the point of view of all member countries, not only those members that might have had the benefit of a better mix by having to make use of the Fund's resources at an earlier stage.

He was strengthened in his view by recent developments in the indebtedness and balance of payments positions of developing countries in particular, Mr. de Groote continued, and by the expectation that commercial banks were unlikely to make up for the conditional lending that should be extended to members by the Fund. It was generally agreed that borrowing should not become a permanent feature of the Fund's operations. But borrowing could be avoided only if quotas were commensurate with the Fund's responsibilities.

On the technical points, Mr. de Groote added, if access to the Fund's resources were maintained at a sufficient level, the present mix between owned resources and borrowed resources could perhaps be modified if the liquidity position of the Fund and the duration of the borrowing in question were to become criteria. From that point of view it would be logical to use borrowed resources first to finance drawings under facilities that did not call for special measures of adjustment. The Fund's conditional resources could be used for drawings that were more conditional: for instance, priority could be given to using borrowed resources to cover, at least in part, recourse to the compensatory financing facility.

In addition, Mr. de Groote said, to improve the Fund's liquidity and to simplify existing procedures, consideration might perhaps be given first, to replacing the ratio of ordinary to borrowed resources in the first credit tranche of 2:1 by a ratio that would be uniform in all tranches, and perhaps suppressing the floating character of the extended Fund facility. The share of borrowed resources in the mix could be increased, at least to avoid requests by members for revisions of stand-by arrangements after the increase in quotas for the sole purpose of obtaining a greater share of ordinary resources. The general positions that he had taken were fully supported by all the members of his constituency.

Mr. Lovato observed that the discussion of the policy on enlarged access was of great importance for the future operation of the Fund. The matter had many complex aspects, and the views he offered would be preliminary. First, on the main issue of access limits, the decision was basically one of making a trade-off between a stronger financial structure for the Fund and a greater capacity of the Fund to help member countries in balance of payments difficulties. A reduction of access as a multiple of quotas was definitely in order. However, as others had noted, the problem arose from the fact that the nonproportional character of the quota increase would compel the Fund to decide either to reduce the absolute amount of maximum access for some countries, or to increase it for all. There was no unequivocal solution to that dilemma, as there had been under the Seventh Quota Review.

Management had displayed a high degree of skill in combining the amount of Fund resources used and conditionality commensurate with the seriousness of each individual situation, Mr. Lovato continued. Furthermore, the Executive Board retained the capacity to increase any limit, should a particular program require it. Nonetheless, formal access limits were important because they gave an indication to member countries and to the financial community of the scope of the Fund's operations in the immediate future. In that connection, he broadly agreed with the assessment that the Fund would have an increased role in the years ahead in view of the progressive reduction of the exposure of international banks toward LDCs and the still unsettled conditions in many member countries. Those considerations amply justified the continuation of the policy of enlarged access.

In determining the limits on access, Mr. Lovato continued, the first consideration to be borne in mind was the need to avoid, to the extent possible, putting countries with currently existing arrangements in the awkward position of making advance repayments or of looking for waivers on an ad hoc basis. To do so would clearly be unwise, and would send a totally wrong signal to the outside world. Accordingly, a decision aimed at reducing access in the same proportion as the increase in quota would be unacceptable to him.

The staff had provided many arguments in favor of a solution that would not leave any member with reduced access in absolute terms, Mr. Lovato added. The relatively modest increase in overall access that that solution would entail was seen to be broadly in line with the foreseeable needs of members and with the overall growth in international trade. But that possible line of action carried with it certain problems, which was why he wished to avoid taking a firm position at the present stage.

The Fund's borrowing requirements, for various limits for enlarged access were shown in Table 3 of EBS/83/79, Mr. Lovato observed. With all the uncertainties surrounding the projected use of Fund resources until 1986, it could certainly be said that the need for borrowed resources would be high, under the most generous hypothesis. It might also be somewhat misleading to include GAB resources as such, since that line of credit was not freely usable. Furthermore, any attempt to offset a fall in the Fund's liquidity ratio by changing the mix of its resources would further increase the need for borrowed funds. The desire to increase the scope of Fund operations would therefore have to be carefully weighed against those drawbacks.

On the more technical problems mentioned in Section V of EBS/83/79, Mr. Lovato remarked, he was in broad agreement with the general idea of simplifying procedures that at present resulted in apparently illogical treatment of members making use of different Fund facilities. The fact that the enlarged access policy was being given a somewhat more permanent character than had originally been envisaged led him to see some advantage in the suggestion to abandon the attempt to bring the use of borrowed resources up to the level of the use made earlier of ordinary resources. It also seemed logical to change the procedures for mixing resources so that programs under stand-by and extended arrangements would be financed in the same way. Such a change would make it difficult to distinguish between the two facilities for three-year programs, thus raising the question of the need to maintain separate identities for an identical facility. However, the change would have the positive advantage of eliminating the present possibility of arbitrage between facilities. He would not be in favor of the alternative solution of abolishing mixing procedures by making borrowed funds fungible. There was merit in keeping track of the origin of funds used to finance different types of drawings; a differentiation of charges according to the type and intensity of Fund financing was also appropriate.

Mr. de Maulde joined other Directors in considering the present discussion as a preliminary exchange of views, to be supplemented by further discussions on all aspects of a new policy on access to the Fund's resources, as well as on related matters such as the policy on compensatory financing.

Unquestionably, the enlarged access policy should be continued beyond the entry into force of the new quotas, given the foreseeable world economic and financial conditions, Mr. de Maulde said. As to the access limits, both common sense and equity required that the increase in quotas should not entail a reduction in absolute access but, on the contrary, an increase in potential access, for two reasons. The first was consistency with past decisions, and the second was the need to consider present economic and financial conditions.

As for being consistent with past decisions, Mr. de Maulde continued, the rationale for an increase in quotas was that it should be sufficient to enable the Fund to deal effectively with problems of financing and adjustment that fell within its jurisdiction. The latter objective was of particular relevance to non-oil developing countries, a category of the Fund's membership that would see its potential access lowered in absolute terms in most of the scenarios simulated by the staff. If the lower access limit mentioned in EBS/83/79 of 102 per cent for one year or 305 per cent for three years were applied, as many as 108 members would have their potential access reduced, which would be grossly inconsistent with the purpose of the quota increase. To be sure, the rate of increase of individual quotas varied between members, so that potential access to the Fund could not grow at the same rate for each member country; but the variation did not mean that there should be reductions in absolute maximum access. It was also necessary to act consistently with the views voiced by Ministers, most recently in the February communiqué of the Interim Committee, in which the Executive Board had been invited not only to have regard to developments in the Fund's liquidity, but also to study the maintenance of the present enlarged limits on access, namely, 150 per cent for one year or 450 per cent for three years. He greatly regretted that no simulation had been made in the staff paper of the continued application of those limits, in spite of the clear mandate.

The second basic requirement--that the Fund should be in a position to cope with present world economic and financial conditions--that had been the only rationale for the decision to launch the enlarged access policy, Mr. de Maulde observed. Of course, the world economic and financial situation had changed since 1980. The need for adjustment was at least as crucial, and it called for a continued contribution by the Fund--theoretical, technical, and financial. The prospects for external aid flows and international bank lending had become distinctly disquieting. The Executive Board would soon have an opportunity to consider developments and prospects in international capital markets in 1983, in the light of a recent staff paper (SM/83/74). According to the central scenario in the World Economic Outlook paper, growth in non-oil developing countries would amount to only 2-2.5 per cent in 1983, and perhaps to 4-5 per cent from 1984 to 1986. The way to achieve a sustainable improvement in the external situation of developing countries might be through the recovery forecast for industrialized countries, but the timing and sequence of events might well crowd out the developing countries: faced with a stronger domestic demand for credit, commercial banks might well decide to shift the composition of their portfolios even further toward domestic assets in industrial countries. The resulting further slowdown in growth in developing countries and in their demand for exports from industrial countries would in turn jeopardize the strength of the recovery of activity in the industrial countries themselves.

Against that background, Mr. de Maulde remarked, the inescapable conclusion was that it was crucial for the Fund to remain able to promote sustained adjustment and to play its so-called catalytic role, something that it could not do if potential access to the Fund were reduced in real terms. To cite another figure from the World Economic Outlook papers, world trade was projected to grow by only 1 per cent in U.S. dollar terms in 1983. No doubt that projection was arithmetically consistent with the improvement in the current account deficit of non-oil developing countries in the present year. The questions remaining were, first, whether that was a tolerable situation, and, second, whether the Fund was not once more being too optimistic about the pace at which external imbalances could be reduced.

As for the level at which access limits would be set, Mr. de Maulde observed that it had been amply demonstrated in the staff paper that the Fund had succeeded in the past in managing the present limits as true ceilings and not as a norm to be applied irrespective of the needs of the member country and the degree of conditionality implied by its arrangement with the Fund. It would be totally counterproductive to set the new limits at such a low level that waivers would become the rule. Such a system would jeopardize the smooth functioning of the Fund and lead to sharp conflicts between members using Fund resources and the institution itself. The concept of uniformity of treatment should continue to be paramount in the conduct of the Fund's policies. Thus, in practice, it would be necessary to continue to distinguish among arrangements with respect to their amount and eligibility for enlarged access according to the relevant criteria, namely, balance of payments need, the structural character of the adjustment, and the degree of conditionality applicable.

On the difficult question of the relationship between the availability of resources and access limits, Mr. de Maulde mentioned that while he fully agreed with the view that the Fund's liquidity should continue to be carefully monitored, the relationship of liquidity to access limits was not at all straightforward. First, the Fund's resources were all the more needed and its liquidity position all the more likely to be difficult when the world economy was in poor shape. Was that the time to reduce access limits? If the forecasts for the future made by the Fund were for a change too pessimistic, high access limits would present no problems, because the Fund would simply refrain from extending credit up to the ceiling in more and more cases. Second, the Fund's ability to manage access limits satisfactorily was illustrated by the rather small difference--SDR 6 billion over 28 months on a commitment basis--between the forecasts under the lower limit of 305 per cent and the higher limit of 375 per cent for three years studied by the staff (Tables 2 and 3). Third, the gap between commitments and disbursements was another relevant practical aspect. Beyond the short term, commitment forecasts gave a biased picture of the Fund's liquidity position. Furthermore, no calls on the enlarged GAB had been allowed for in the forecasts presented in the staff paper.

More generally, Mr. de Maulde stated that, as far as the Fund's resources were concerned, it should be noted first that the enlarged GAB had been designed to be activated with flexibility when necessary. Second, if the GAB resources had to be supplemented, the Fund should not hesitate to resort to borrowing from official lenders. Third, nothing should prevent the Fund, if necessary, from undertaking work on the Ninth Quota Review in less than five years from the completion of the Eighth Quota Review. On a separate point, the mix between ordinary and borrowed resources should not be considered untouchable, the same being true for the pace of use of the Fund's ordinary resources.

To conclude, Mr. de Maulde stated the strong preference of his authorities for access limits of 125 per cent in one year or 375 per cent in three years. On a personal basis, he would advocate exploration by the staff of a different set of access limits, namely, 133 per cent in one year or 400 per cent in three years.

Mr. Joyce thanked the Treasurer for the supplementary table showing percentage changes in absolute access under the four hypothetical access limits, which had been particularly helpful to him, and he hoped to other Directors too. 1/

As pointed out in the staff paper, Mr. Joyce went on, limits on access under the new quotas had to be determined on the basis of two conflicting objectives: first, there was a need to meet adequately the financing requirements of members in light of their projected payments deficits; and second, there was a need to safeguard the future liquidity position of the Fund. But there was probably a third fundamental principle to which the Executive Board should pay attention, namely, that the Fund should not move into a position that could lead to unacceptable changes in the character of the institution, which after all had been established to provide resources on a revolving basis for limited periods only. That basic concept was enshrined in the Chairman's summing up of the discussion at EBM/80/187 and EBM/80/188 on December 19, 1980. At that time, the Chairman had emphasized that "the Fund must preserve the revolving character of its resources. Programs supported by the Fund should therefore aim at ensuring that the Fund's resources can be repaid over a reasonable period of time."

Following the implementation of the quota increase the challenge for the Fund would be to determine the balance of payments financing needs of members that the Fund should legitimately be expected to meet out of the normal flow of resources at its disposal, Mr. Joyce declared. The world economic situation suggested the need for the Fund to play an enhanced role in providing balance of payments assistance, and, to do so, its enlarged access policy would have to be extended for a defined period. The most difficult issue concerned the limits on access to the Fund's resources under that policy. While access limits of 125 per cent in one year or 375 per cent in three years would appear to be best suited to meet members' financing requirements in light of projected continuing payments deficits, the effects on the Fund's liquidity would present some difficult financing problems. His overall concern was that, in adjusting access limits, the Fund had to remain able to meet the legitimate needs of members, and not give the impression of turning away from playing

1/ Reproduced in Annex.

an active role in overseeing the adjustment process. At the same time, the Fund should not be put in a tenuous financial position or have to enter into new financing relationships that might lead to unacceptable changes in its character.

An important consideration under present circumstances in setting access limits was the need to ensure that the present magnitude of Fund financing continued when the new quotas were in place, Mr. Joyce continued. In view of the possibly smaller role that banks might decide to play internationally in financing the payments needs of developing countries, it was particularly important to maintain the present absolute level of maximum access to Fund resources. Under the scenarios set out in Table 2 of EBS/83/79, all but one of the suggested limits would result in an estimated use of Fund resources up to April 1986 that was higher overall than it would be under the existing limits of 450 per cent over three years. Access limits of 125 per cent in one year or 375 per cent in three years would perhaps be the most comfortable for the Fund to work with and would impart the greatest confidence to the system, because no members' present absolute access would be reduced. The biggest drawback of that option was that, according to the staff's calculations, the Fund's ordinary resources could be seriously depleted by April 1986, and it would need to borrow some SDR 12-14 billion. Resort by the Fund to significant borrowing would however seem inconsistent with one of the objectives of the Eighth Quota Review, namely, to restore members' quota subscriptions as the primary source of Fund resources. Borrowing by the Fund of up to SDR 14 billion would almost match the SDR 15 billion in usable assets to be obtained from the new quotas, a ratio of ordinary to borrowed resources that had clearly not been envisioned at the outset of the Eighth Quota Review.

As those members in surplus that would be expected to be the source of borrowed funds might not support access limits of 125 per cent in one year or 375 per cent in three years, Mr. Joyce observed, the Fund could be forced to find other sources of financing, in particular in the private markets. In the past, his chair had indicated that in exceptional circumstances, and as a last resort, the Fund might have to borrow in the market. To do so to fill small temporary financing gaps would be acceptable. However, in the proportions indicated, borrowing would risk becoming a permanent feature of the Fund's financing structure; it would also point in the direction of Fund financing of a higher level of payments deficits than might be warranted by the role of promoting adjustment. In addition, more of the risk would be shifted away from private banks. Moreover, if the Fund secured some of its borrowed resources directly from the banks, it would lose some of the leverage that had been used recently with great effect to deal with some of the most difficult financing problems. On that score, therefore, somewhat lower access limits would be more acceptable, provided that the Fund remained in a position to meet a reasonably high level of financing demands.

The conclusion might have to be drawn that if the Fund was to continue to discharge its role in the existing difficult circumstances, it might have to accept relatively lower levels of liquidity on a continuing basis than in the past, Mr. Joyce noted. Furthermore, to protect its position, the Fund might have to take steps to lengthen the maturity of new loan claims that it might acquire; his Irish authorities would also recommend reducing or eliminating the risk of premature encashment of claims on the Fund.

In his view, the Fund should maintain its present pragmatic approach, Mr. Joyce remarked, remaining vigilant and not allowing maximum limits to become the norm. Moreover, he agreed with the view expressed by the staff that the amount of Fund assistance under arrangements with members should continue to be related to the magnitude and speed of recovery of the balance of payments, consistent with the temporary nature of Fund financing. Access at the limit would still be appropriate for members having a large need for balance of payments assistance when a substantial and timely adjustment effort could be expected. He also agreed that to deal with exceptional circumstances, it might be desirable from time to time to consider arrangements in amounts exceeding the annual and triennial access limits. Such exceptions would be few, but it was important for the Fund to be able to react on an appropriate scale when there was a risk to the system as a whole. Finally, it would be prudent to ensure that the cumulative access limit was still set at four times the annual access limit.

In moving from access limits of 125 per cent in one year or 375 per cent in three years, which would entail financing problems for the Fund, to limits of 102 per cent in one year or 305 per cent in three years, Mr. Joyce observed, the potential commitment of the Fund's resources would be smaller than under the existing limit, but a majority of members would face a reduction in absolute access. Such an arrangement would give the wrong signals about the role of the Fund in the near future. Access limits of 110 per cent in one year or 330 per cent in three years would better enable the Fund to meet the anticipated adjustment assistance needs of members. Under those limits, the potential increase in total use of Fund resourcs could be more readily financed than with the current limits. He noted the staff's view that none of the groups of countries projected as using Fund resources would be likely to experience a reduction in absolute access under such limits. However, even then, close to half the members would suffer a reduction of absolute access; indeed, more than half the potential borrowers in his constituency would find themselves in that position, and he was not prepared to state that those countries would not need to use or continue to use Fund resources during the period covered.

A third option had been mentioned as an intermediate position on page 18 of EBS/83/79, and included in Table 2 on the following page, Mr. Joyce commented, but had then been largely disregarded by the staff. That option, for limits of 117 per cent in one year or 350 per cent in three years, would of course take care of the problems of his constituency and, more generally, considerably shorten the list of countries whose absolute access would be reduced. However, he had not been able to find in the staff paper any indication of the additional resources that the Fund would require under that option.

The staff had suggested that the mix of ordinary and borrowed resources could be altered from the suggested 1:1 ratio, if it was considered desirable to avoid an early decline in the Fund's ordinary resources, Mr. Joyce noted. In his view, the proposal might not be attractive because it would increase the Fund's borrowing requirements. He hoped that present trends in the world economy would reduce somewhat the demand for Fund financing projected by the staff, so that the Fund's ordinary resources would be less strained. If such a situation developed, fewer arrangements might call for enlarged access, and the Fund could encourage a movement to stand-by arrangements in the more traditional amount of 100 per cent of quota.

Obviously, as others had said, enlarged access was not an entitlement, Mr. Joyce added. The intention of the original decision had been to establish a temporary policy designed to assist members in dealing with exceptional circumstances of the time. In that light, he suggested that a possible compromise solution might be to opt for higher limits--for example, of 125 per cent in one year or 375 per cent in three years--for an initial period, perhaps to the end of 1985. It was during that period that the most widespread and sizable balance of payments problems were likely to be experienced. Thought could be given to lowering the limits thereafter, unless of course the world economic situation again deteriorated. A decision taken at the present time along those lines would send a signal to both debtors and private creditors that the Fund viewed current problems as transitional and foresaw a return to a more normal situation. Debtors would also be on notice that adjustment should be pursued earlier rather than later. The Fund could always reconsider its position, should adverse developments re-emerge.

Finally, Mr. Joyce expressed agreement with those who had suggested that a final decision should not be reached at the present meeting. As Mr. Kafka had said, the matter was complicated and had many ramifications. The decision could not however be postponed for long, especially as it was hoped that the new quotas would take effect early in 1984. Moreover, he would be concerned that failure to reach a decision in the near future--both on access in general and on access to some of the specialized facilities--would engender growing uncertainty about the Fund's intentions and the role that it was to play. Such uncertainty, in his view, could only be counterproductive--for the Fund and for the members.

Mr. Senior remarked that the subject of enlarged access clearly called for more time and thought than could be devoted to it in one meeting of the Executive Board. Therefore, he supported the view that a conclusion should not be reached at the present meeting. The staff had made a commendable effort to deal with the multifaceted nature of the topic, but important aspects still called for further study. Among them were a more detailed examination of different financing patterns for a given level of access to the Fund's resources, further clarification of the relationship between GAB resources and the enlarged access policy, and the conditions that would govern access to the compensatory financing facility.

Given the meager increase in quotas under the Eighth General Review, Mr. Senior continued, his authorities believed that access limits in terms of multiples of quotas should remain at the current levels of 150 per cent a year for three years; the cumulative access limit should remain at four times the annual access limits. The continuation of the present access limits would certainly require continued borrowing by the Fund, and alternative ways of financing an enlarged access policy based on current limits should be explored in detail. It was the inadequate increase in quotas that was imposing a choice between resorting to increased borrowing to finance the vital role of the Fund in current world economic circumstances and severely limiting opportunities for Fund action at such a critical juncture.

One important aspect of the functioning of the Fund in the years ahead had not been sufficiently emphasized in the staff paper, Mr. Senior went on. He referred to the basic change that had taken place in the demand for Fund resources. Over the past months, that demand had shifted; the largest use of Fund resources was at present accounted for by middle-income and high-income developing countries with a considerable volume of external debt, rather than by low-income non-oil developing countries, and the position seemed likely to remain unchanged in the near and medium term. Some features of the new structure of the Fund's operations deserved attention and at the same time warranted permanent access limits in terms of multiples of quotas at their current levels.

In the first place, Mr. Senior continued, the current account of the balance of payments was not a reliable indicator of the need of middle-income countries to use the Fund's resources and external resources in general. The term structure of external debt, much of which would fall due in the next few years, had somewhat eroded the role of the current account as an indicator of the need for foreign savings. He understood that short-term projections of the demand for Fund resources were based on information provided by area departments, so that they included the capital account. However, most medium-term projections of the use of Fund resources were based on the estimated current account deficit of potential users, multiplied by the likely propensity of countries to approach the Fund. The figures resulting from that exercise underestimated the actual need for Fund resources in the period ahead, when the main challenge faced by the international economy would be the attainment of viable external debt structures without major economic disruptions in the world financial system. A comparison of quotas under the Eighth General Review with the overall balance of payments needs of potential users of Fund resources in the years to come made the inadequacy of quotas obvious, even on the assumption that current access limits in terms of multiples of quotas would be maintained. Of course, he did not mean to suggest that an adequate level of access for a member was one that allowed it to finance its entire balance of payments need. But as the Managing Director had mentioned in his recent speech in Boca Raton, the Fund had to command adequate resources so that it could play its catalytic role.

One of the lessons to be drawn from the recent past, Mr. Senior stated, was the crucial importance of a Fund endowed with adequate resources. Many of the middle-income countries that would have to meet substantial external debt payments in the years ahead, and many small developing countries that also had high debt service ratios relative to the size of their economies, had but begun the transition to a sustainable external debt structure. Even assuming the best of scenarios for the world economy in the near future, it was necessary to reckon with probable Fund involvement in the adjustment of those countries. Even in that scenario of sustained and strong world economic recovery, allowance had to be made for permanently high interest rates in nominal and real terms for some time. Indeed, unless there was an unexpected reduction in the proportion of savings absorbed by the public sector deficit in the major industrial countries, that recovery would unavoidably lead to some upward, albeit transitory, pressure on real and nominal interest rates. If, on the other hand, the expected sustained recovery did not materialize, the Fund's role in smoothing the process of transition to a sustainable debt structure would be even more important than at present. In any event, regardless of the scenario, there seemed to be little doubt that it was not the time to reduce members' actual access; rather, potential access available to members should be increased so that the Fund could carry on its catalytic functions in the present turbulent world economy.

Once the proper role for the Fund in the current world economic environment had been ascertained, Mr. Senior continued, priority should be given to determining the most satisfactory method for financing the agreed access levels. He emphasized the importance of that order of priority: the role of the Fund should not be constrained at the outset by the imposition of financial limits. In assessing the Fund's financial requirements, Directors should bear in mind that the current limits on enlarged access were maximum levels and that average use of Fund resources had always been significantly below potential access, as stated in the staff paper. Directors should take into account that a continuation of the present enlarged access policy could be approved on a temporary basis, say, for one or two years, and periodically reviewed. In any event, it seemed obvious from the data that the Fund's liquidity position would be under strain somewhere beyond 1985. As his chair had stated on various occasions, the Fund should approach private capital markets in addition to official lenders. Many aspects of the pattern of the Fund's finances in the years ahead would have to be explored in further discussions, including the possibility of scheduling a new review of quotas.

His authorities were strongly of the view that, in reviewing the enlarged access policy, the fundamental constraint was that no country should have smaller potential access, Mr. Senior stated. It would be highly counterproductive, with many member governments taking legislative action to ratify the Eighth General Review of Quotas, to announce that the resources that the Fund could make available to members after the quota review would be smaller, as they would be for a considerable number of countries if access limits were set below 125 per cent in one year or 375 per cent in three years. In his opinion, the present review of the enlarged access policy should be used as an opportunity to correct, at least in part, the inadequacies of the Eighth General Review of Quotas, which had proved to be even greater than initially thought. The enlarged access policy was but one mechanism allowing the Fund to adapt its machinery so that it could exert its proper influence and responsibilities at the current juncture of the world economy.

In concluding, Mr. Senior said that he agreed with the remarks made by the Managing Director in Boca Raton, namely, that one of the lessons of the recent past had surely been that the Fund, endowed with adequate resources, provided an essential insurance for all member countries against unforeseen financial disruptions and was a crucial element in bolstering the stability of the international financial system.

Mr. Tvedt commented that his authorities did support the continuation of the policy of enlarged access against the background of widespread and persistent payments imbalances as well as the relatively low increase in quotas agreed upon earlier in the year. Having said that, he had to confess that the twin objectives of providing adequate Fund financing to members in need and of maintaining adequate Fund liquidity were hard to reconcile in present circumstances.

The staff had argued in favor of a greater role for the Fund in providing balance of payments financing than had been envisaged when the current guidelines on access were established, Mr. Tvedt continued. Furthermore, a firm warning had been given that a reduction in access limits--even for only a part of the membership--would give wrong signals to the financial community whose cooperation and assistance the Fund had so laboriously sought in piecing together adjustment programs for the most troubled of its members. Such a position clearly argued in favor of high access limits.

Yet consideration had to be given to the liquidity position of the Fund, Mr. Tvedt observed. The premise had been accepted that the need for Fund resources would continue to be substantial, at least for the two years following the expected effective date of the Eighth Quota Review. In those circumstances, and whichever of the suggested access ratios was chosen, it was apparant that the Fund would need to supplement its resources by substantial borrowing, on the basis of the assumed new commitments. In fact, it seemed likely that high access limits would entail borrowing on such a scale as to alter the financial structure of the Fund and undermine the principle consistently emphasized by his chair and others, namely, that quotas should remain the primary source of Fund liquidity. The possibility clearly argued in favor of low access limits.

He agreed with those who had stated that it might perhaps be premature to determine the new access limits at the present meeting, Mr. Tvedt continued. Most of the access limits proposed by the staff would result in lower absolute access for a number of members, a most unfortunate development. Other possible solutions should be considered, such as basing the new absolute access limits on the present ones. He fully realized that that suggestion would raise a number of important and difficult questions relating to the relationship between access and quotas, the principle of uniformity of treatment, and other aspects of members' access to the resources of the Fund. He made his suggestion nevertheless, because it was of the utmost importance to find a solution that combined elements of all the objectives being pursued while minimizing the amount of sacrifice for the membership as a whole and ensuring a continued respectable role for the Fund.

Whatever conclusion was arrived at on the matter, Mr. Tvedt remarked, the liquidity position of the Fund was likely to remain tight, both in the short and in the medium term. With that in mind, his authorities looked forward to the conclusion of the negotiations with the Saudi Arabian authorities, and supported an early Fund approach to official institutions in those industrial countries in a reasonably good balance of payments and external reserve position. Once those negotiations had been concluded, the question of Fund borrowing from private markets might have to be taken up.

His authorities fully supported the Fund's criteria for the use of its resources by members within the scope of the access limits, Mr. Tvedt said. Furthermore, they agreed that it was necessary to simplify the rules governing the mix of ordinary and borrowed resources. Standardization of the mix was desirable but should not result in a change in the average mix.

Mr. Polak observed that the Eighth Quota Review was only the second in the Fund's history calling for Executive Board consideration of access as a separate issue. Previously, the Articles had determined 100 per cent of quota as a limit, subject to waiver. It was a reflection of the cumulative inadequacy of quota increases, as well as of the difficulties of the world economic situation, that the statutory limit of 100 per cent of quota for overall access to the Fund's resources--and not 100 per cent a year--had become unsuitable, so that access had to be discussed separately. The primary reason for all previous quota increases had been to enlarge members' access, but the basic purpose of the Eighth Quota Review had been different, namely, to strengthen the Fund's financial structure and bring it in line with previously adopted decisions on the use of Fund resources.

The implication for the immediate future, Mr. Polak added, was that the Eighth Quota Review should basically lead not to an increase in access in nominal absolute amounts but to the maintenance of broadly the same access. The question then was how to achieve that objective in terms of percentages of new quotas. The implication for the somewhat longer future was that whatever access limits were chosen in the coming months would not hold forever. It could not be assumed that the need of individual countries for access on the level of recent years--say, from 1980 to 1983--would continue. However, as most Directors had said, the present was not the right time to reduce access, nor would the year immediately after the Eighth Quota Review came into effect be a period when access could be reduced, from what was known already of the likely economic situation in 1984. On the other hand, no commitments with respect to access should be made for the longer term; specifically, there should be a review of the percentage of access one year after the Eighth Quota Review had gone into effect, taking account of the world economic situation and the liquidity of the Fund at that time.

Although he would base them on the principle of unchanged absolute access, Mr. Polak continued, the new access limits to be agreed should not be based on the average percentage quota increase. Neither would it be reasonable for the Fund to set its policy according to the accidents of the quota distribution by accepting the percentage for the country at the tail end of that distribution. The additional table showing the percentage changes in absolute access resulting from the percentage increase in quotas was quite helpful. He would posit that the agreed access limits should be such that they entailed no substantial reduction in access for any significant number of members. A figure of 110 per cent for one year would meet that test. Although 110 per cent might be viewed as somewhat on the low side, he did not think that the limit could be set without regard to liquidity considerations. If the staff's predictions for 1984-86 materialized, the liquidity position of the Fund, as shown in the last line of Table 3 of EBS/83/79, would not be very satisfactory, whatever access limit was agreed upon. When the present access limits had been set, in 1980-81, their financing had been uncertain, but the Fund had had good hopes of obtaining it. Since then, the financing had proved more difficult than envisaged, and the Fund should not again decide on ratios of access to its resources without knowing how it would finance drawings up to those limits.

As the staff and other Directors had observed, the access limits were outside limits, Mr. Polak said. It might often be possible or necessary to stay below the limits; it would also be necessary sometimes to go beyond the annual limit in special cases. In passing, that was another reason for not feeling obliged to increase the limits simply because some countries might experience a small reduction in absolute access under new limits.

The overall limit on access could be considered in a wider context, including that of access to the special facilities, particularly, the compensatory financing facility, Mr. Polak considered. The decision on compensatory financing would have consequences for the Fund's liquidity. Furthermore, he strongly urged that consideration be given to reaching agreement ultimately on a true overall limit that would apply jointly to all Fund facilities under which a member could draw. The overall limit should be less than the sum of the limits for the various parts. It was important for the Fund to consider its total exposure per country and not only per country per facility. There was a precedent in the Fund's history for such a joint limit that would be lower than the sum of the limits on different facilities. At some time in the past, a country's combined access to the buffer stock and compensatory financing facilities had been limited to 75 per cent of quota, whereas access to each facility independently had been 50 per cent.

The complex operational aspects dealt with in Section V of the staff paper were secondary to the main issue under discussion, Mr. Polak commented. His general preference would be to discuss them separately. As a preliminary comment, he noted that the staff had made clear that the Fund had gradually slipped into using complicated and somewhat artificial rules on the use of its own and borrowed resources. He would favor simplifying the allocation of the resources by origin. The structure of charges was also awkward, and he would prefer to standardize them for all uses of Fund resources.

Mr. Nimatallah remarked that the central question being asked nowadays by the international financial community was whether or not the Fund would continue to play its role effectively in the future. The enlarged access policy, which Saudi Arabia had fully supported, had enabled the Fund to play an effective role so far; it had assisted many member countries to adjust under difficult economic conditions. Those conditions had not improved much, and it was therefore necessary to continue the enlarged access policy if the Fund was to remain effective. He would prefer to retain the present limits of 150 per cent in one year or 450 per cent in three years, but, recognizing that economic recovery was on the horizon, he could go along with the staff's recommendation to set the new limits at 125 per cent in one year or 375 per cent in three years, since that would ensure that there would be no reduction in absolute terms in any member's access.

In his judgment, the starting point for determining the new limits should be the likely need of members to use the Fund's resources in the period ahead, Mr. Nimatallah stated. The Fund had a responsibility, under the Articles of Agreement, to assist members in overcoming temporary balance of payments difficulties without recourse to harmful restrictions and controls. To carry out that responsibility efficiently, the Fund had to be in a position to provide members with sufficient resources in support of well-designed adjustment programs. If the Fund was to take a central part in stabilizing the system, it could not turn its back on legitimate requests for adjustment finance simply because its resources appeared limited.

Sizable payments imbalances persisted, particularly among the non-oil developing countries, Mr. Nimatallah continued. Several countries were experiencing difficulty in servicing their external debts. Many members were undertaking, or would have to undertake, serious adjustment efforts that would need to be sustained over a considerable period. Those efforts would require adequate support from the Fund, particularly at a time when other sources of finance were in short supply. Access limits of 125 per cent in one year or 375 per cent in three years would be the minimum consistent with the present unsettled conditions in the world economy.

Equally important, Mr. Nimatallah added, the Fund had to demonstrate to the international financial community that it was prepared to respond effectively when problems arose. That had been a major reason for deciding to bring forward the implementation of the quota increase and to enlarge the GAB. But increasing the Fund's resources was only part of the solution that had to be complemented by access limits showing that the Fund recognized the extent of members' problems and its willingness to provide finance on a scale sufficient to help members to deal with those problems. A reduction in access limits in absolute terms would give a wrong signal and could weaken the Fund's efficacy as an institution for adjustment. That argument had particular force at present, when the ability and willingness of commercial banks to continue lending to many developing countries was open to some question. The Fund had used its influence, in some cases, to persuade banks to maintain their exposure or at least to avoid an abrupt reduction of loans. But the Fund's influence would be persuasive only if it practiced what it preached. Should the Fund scale back its lending, he had no doubt that the banks would be further discouraged.

The case at present for setting the new access limits at not less than 125 per cent of quota in one year or 375 per cent in three years was strong, Mr. Nimatallah considered. Perhaps in two years or so, a stronger case might emerge for lower limits, as Mr. Joyce had suggested, and it would be reasonable to take the matter up at that time. It should be recognized, however, that the limits were not targets or norms, automatically available to members, but only ceilings. Experience under the enlarged access policy since 1980 showed that different members had been granted access in widely different percentages. Access would depend in the future, as in the past, on a number of factors, such as the size of a member's imbalance, the degree and pace of adjustment that a member was prepared to undertake, and the member's access to capital markets. It was therefore prudent for the Executive Board to give itself and the management flexibility to decide the limits in each case in the light of all those factors. Maximum limits would provide the Fund with the capacity to meet exceptional needs when necessary. As far as he could judge, it was highly possible that more than one country with major problems would require maximum assistance from the Fund before the world economic recovery had become sufficiently established. Once again, he emphasized the need to avoid an abrupt reduction in access limits at present.

He recognized of course that the Fund would have to find the necessary resources, Mr. Nimatallah said. That was why Saudi Arabia had stated, more than once, that quotas should have been doubled. Even with the enlarged GAB, the staff indicated that further borrowing would be required. The Fund should therefore continue to explore all borrowing options.

Finally, commenting on the operational issues covered in Section V of EBS/83/79, Mr. Nimatallah said that he understood the wish of the staff to simplify the procedures governing the mix of ordinary and borrowed resources used to finance stand-by and extended arrangements. The procedures had become complicated to administer and could produce arbitrary results. It would be helpful if the staff could explain the implications of the specific proposals outlined on page 29 of the paper to enable him to reach a definite judgment. The staff had also suggested that it might be opportune, because of the Fund's liquidity position, to change the mixing ratio in favor of using more borrowed and fewer ordinary resources.

The important implications of such a change for the magnitude of the Fund's borrowing and for the cost of borrowing by members from the Fund would have to be studied further. The appropriate ratio would depend, among other things, on the Executive Board's decision on access limits.

The Executive Directors agreed to resume their discussion in the afternoon.

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/83/70 (5/16/83) and EBM/83/71 (5/18/83).

4. MEXICO - EXCHANGE SYSTEM

The Fund's approval under Decision No. 7282-(82/168) of Mexico's multiple currency practices and restrictions, as described in Section V of SM/83/70, is extended until the completion of the 1983 Article IV consultation and the first review under the extended arrangement. (EBD/83/137, 5/12/83)

Decision No. 7402-(83/71), adopted
May 16, 1983

5. APPROVAL OF MINUTES

The minutes of Executive Board Meetings 82/158 and 82/159 are approved. (EBD/83/133, 5/11/83)

Adopted May 17, 1983

6. EXECUTIVE BOARD TRAVEL

Travel by Executive Directors as set forth in EBAP/83/132 is approved.

APPROVED: October 12, 1983

LEO VAN HOUTVEN
Secretary

ANNEX

TABLE 1. PROPOSED QUOTAS, PERCENTAGE INCREASE IN QUOTAS, PRESENT ABSOLUTE ACCESS, AND PERCENTAGE CHANGES IN ABSOLUTE ACCESS

(IN MILLIONS OF SDRS, EXCEPT AS INDICATED)

				PERCENTAGE CHANGE IN ABSOLUTE ACCESS RESULTING FROM ALTERNATIVE PROPOSED ACCESS LIMITS			
FUND MEMBER	PROPOSED QUOTA (1)	PERCENTAGE INCREASE IN QUOTA (2)	PRESENT ABSOLUTE ACCESS (3)	305 PER CENT (4)	330 PER CENT (5)	350 PER CENT (6)	375 PER CENT (7)
CAMEROON	92.7	37.33	303.8	-6.92	.71	6.31	14.44
SWAZILAND	24.7	37.22	31.0	-6.99	.63	6.73	14.35
KENYA	142.0	37.20	465.3	-7.01	.61	6.71	14.33
ICELAND	59.6	37.01	195.8	-7.14	.48	6.55	14.18
COSTA RICA	34.1	36.75	276.8	-7.32	.28	6.36	13.96
CYPRUS	69.7	36.67	229.5	-7.37	.22	6.30	13.89
AUSTRALIA	1,619.2	36.64	5,332.5	-7.39	.20	6.23	13.87
MOROCCO	306.6	36.27	1,012.5	-7.64	-.07	5.99	13.56
COLOMBIA	394.2	36.17	1,302.8	-7.71	-.15	5.91	13.47
DOMINICAN REPUBLIC	112.1	35.88	371.3	-7.90	-.36	5.68	13.23
EGYPT	463.4	35.50	1,539.0	-8.16	-.64	5.39	12.91
CHILE	440.5	35.33	1,464.8	-8.28	-.76	5.26	12.78
FIJI	36.5	35.19	121.5	-8.37	-.86	5.14	12.65
SENEGAL	85.1	35.08	283.5	-8.45	-.94	5.06	12.57
TOGO	38.4	34.74	128.3	-8.68	-1.19	4.80	12.28
PERU	330.9	34.51	1,107.0	-8.83	-1.36	4.62	12.09
BOLIVIA	90.7	34.37	303.8	-8.93	-1.46	4.51	11.98
BAHAMAS	66.4	34.14	222.8	-9.03	-1.63	4.33	11.78
BARBADOS	34.1	33.73	114.8	-9.36	-1.93	4.01	11.44
NICARAGUA	68.2	33.73	229.5	-9.36	-1.93	4.01	11.44
WESTERN SAMOA	6.0	33.33	20.3	-9.63	-2.22	3.70	11.11
GRENADA	6.0	33.33	20.3	-9.63	-2.22	3.70	11.11
SAO TOME & PRINCIPE	4.0	33.33	13.5	-9.63	-2.22	3.70	11.11
MAURITANIA	33.9	32.94	114.8	-9.90	-2.51	3.40	10.78
HONDURAS	67.8	32.94	229.5	-9.90	-2.51	3.40	10.78
CHINA	2,390.9	32.83	8,100.0	-9.97	-2.59	3.31	10.69
UGANDA	99.6	32.80	337.5	-9.99	-2.61	3.29	10.67
NEW ZEALAND	461.6	32.64	1,566.0	-10.10	-2.73	3.17	10.54
MAURITIUS	53.6	32.35	182.3	-10.30	-2.95	2.94	10.29
BELIZE	9.5	31.94	32.4	-10.57	-3.24	2.62	9.95
UPPER VOLTA	31.6	31.67	108.0	-10.76	-3.44	2.41	9.72
SURINAME	49.3	31.47	168.8	-10.89	-3.59	2.25	9.56
GUYANA	49.2	31.20	168.8	-11.08	-3.79	2.04	9.33
JAMAICA	145.5	31.08	499.5	-11.16	-3.87	1.95	9.23
VIET NAM	176.8	30.96	607.5	-11.24	-3.96	1.86	9.14
NEPAL	37.3	30.88	128.3	-11.29	-4.02	1.79	9.06
ETHIOPIA	70.6	30.74	243.0	-11.39	-4.12	1.69	8.95
MALAWI	37.2	30.53	128.3	-11.53	-4.28	1.52	8.77
VANUATU	9.0	30.43	31.0	-11.59	-4.35	1.45	8.70
BENIN	31.3	30.42	108.0	-11.61	-4.36	1.44	8.68
MADAGASCAR	66.4	30.20	229.5	-11.76	-4.52	1.26	8.50
URUGUAY	163.8	30.00	567.0	-11.89	-4.67	1.11	8.33
TANZANIA	107.0	29.70	371.3	-12.09	-4.89	.88	8.08
GUINEA	57.9	28.67	202.5	-12.79	-5.64	.07	7.22
GHANA	204.5	28.62	715.5	-12.83	-5.68	.03	7.18
COMOROS	4.5	28.57	15.8	-12.86	-5.71	--	7.14
SUDAN	169.7	28.56	594.0	-12.86	-5.72	-.01	7.13
INDIA	2,207.7	28.54	7,723.8	-12.88	-5.74	-.02	7.12
LIBERIA	71.3	28.47	249.8	-12.93	-5.79	-.08	7.06
AFGHANISTAN	86.7	28.44	303.8	-12.94	-5.81	-.10	7.04
SOMALIA	44.2	28.12	155.3	-13.17	-6.05	-.35	6.76
HAITI	44.1	27.83	155.3	-13.36	-6.26	-.58	6.52
ZAMBIA	270.3	27.80	951.8	-13.38	-6.28	-.60	6.50
PAKISTAN	546.3	27.79	1,923.8	-13.39	-6.29	-.61	6.49
ZAIRE	291.0	27.63	1,026.0	-13.47	-6.40	-.73	6.36
CHAD	30.6	27.50	108.0	-13.58	-6.50	-.83	6.25
ZIMBABWE	191.0	27.33	675.0	-13.70	-6.62	-.96	6.11
GUINEA-BISSAU	7.5	27.12	26.5	-13.84	-6.78	-1.13	5.93
RWANDA	43.8	26.96	155.3	-13.95	-6.90	-1.26	5.80
CENTRAL AFRICAN REP.	30.4	26.67	108.0	-14.15	-7.11	-1.48	5.56
GAMBIA, THE	17.1	26.67	60.8	-14.15	-7.11	-1.48	5.56
BANGLADESH	287.9	26.10	1,026.0	-14.53	-7.55	-1.92	5.08
YEMEN, P.D. REP.	77.2	25.53	276.8	-14.92	-7.95	-2.37	4.61
MALI	50.8	25.43	182.3	-14.98	-8.03	-2.44	4.53
BURMA	137.0	25.11	492.8	-15.20	-8.25	-2.69	4.26
SRI LANKA	223.1	24.99	803.3	-15.29	-8.34	-2.79	-.15
SIERRA LEONE	57.9	24.52	209.3	-15.61	-8.69	-3.15	3.76
BURUNDI	42.7	23.77	155.3	-16.11	-9.24	-3.74	3.14
EQUATORIAL GUINEA	18.4	22.67	67.5	-16.86	-10.04	-4.59	2.22
LAO, P.D. REP.	29.3	22.08	108.0	-17.25	-10.47	-5.05	1.74
KAMPUCHEA, DEM.	25.0	--	112.5	-52.22	-26.67	-22.22	-16.67
TOTAL OR WEIGHTED AVERAGE	90,034.9	47.45	274,759.1	-0.06	8.13	14.69	22.8

TABLE 1. PROPOSED QUOTAS, PERCENTAGE INCREASE IN QUOTAS, PRESENT ABSOLUTE ACCESS, AND PERCENTAGE CHANGES IN ABSOLUTE ACCESS

(IN MILLIONS OF SDRS, EXCEPT AS INDICATED)

FUND MEMBER	PROPOSED QUOTA (1)	PERCENTAGE INCREASE IN QUOTA (2)	PRESENT ABSOLUTE ACCESS (3)	PERCENTAGE CHANGE IN ABSOLUTE ACCESS RESULTING FROM ALTERNATIVE PROPOSED ACCESS LIMITS: 305 PER CENT (4)	330 PER CENT (5)	350 PER CENT (6)	375 PER CENT (7)
LEBANON	78.7	182.08	125.5	91.19	106.86	119.39	135.07
SINGAPORE	250.2	170.73	415.8	83.53	98.57	110.61	125.65
YEMEN ARAB REP	43.3	122.05	87.8	50.50	62.84	72.71	85.04
IRAQ	504.0	115.29	1,053.4	45.92	57.88	67.45	79.41
OMAN	63.1	110.33	135.0	42.56	54.24	63.59	75.28
UNITED ARAB EMIRATES	385.9	90.47	911.7	29.10	39.68	48.15	58.73
KOREA	462.8	80.85	1,151.6	22.58	32.62	40.66	50.71
QATAR	114.9	73.56	297.9	17.64	27.28	34.99	44.64
LIBYA	515.7	72.82	1,342.8	17.13	26.74	34.42	44.02
JAPAN	4,223.3	69.71	11,198.3	15.03	24.46	32.00	41.43
IRAN	1,117.4	69.30	2,970.0	14.75	24.16	31.68	41.09
GERMANY	5,403.7	67.09	14,553.0	13.25	22.53	29.96	39.24
LUXEMBOURG	77.0	65.59	209.3	12.23	21.43	28.79	37.99
JORDAN	73.9	64.22	202.5	11.31	20.43	27.73	36.35
BOTSWANA	22.1	63.70	60.8	10.95	20.05	27.33	36.42
BAHRAIN	48.9	63.00	135.0	10.48	19.53	26.78	35.83
GABON	73.1	62.44	202.5	10.10	19.13	26.35	35.37
KUWAIT	635.3	61.53	1,769.9	9.48	18.46	25.63	34.61
NETHERLANDS	2,264.8	59.27	6,399.0	7.95	16.80	23.88	32.72
NORWAY	699.0	57.97	1,991.3	7.07	15.84	22.96	31.64
SWEDEN	1,064.3	57.67	3,037.5	6.87	15.63	22.64	31.40
NIGERIA	849.5	57.31	2,430.0	6.62	15.36	22.36	31.10
AUSTRIA	775.6	56.69	2,227.5	6.20	14.90	21.37	30.57
ITALY	2,909.1	56.40	8,370.0	6.01	14.70	21.65	30.34
SOLOMON ISLANDS	5.0	56.25	14.4	5.99	14.58	21.53	30.21
BELGIUM	2,080.4	55.84	6,007.5	5.62	14.28	21.21	29.86
FRANCE	4,482.8	55.73	12,953.3	5.55	14.20	21.13	29.79
SPAIN	1,286.0	53.92	3,759.8	4.32	12.87	19.72	28.27
ST. VINCENT	4.0	53.85	11.7	4.27	12.82	19.66	28.21
DENMARK	711.0	52.90	2,092.5	3.63	12.13	13.72	27.42
SAUDI ARABIA	3,202.4	52.50	9,450.0	3.36	11.83	18.61	27.08
PANAMA	102.2	51.41	303.8	2.62	11.03	17.76	26.17
MALTA	45.1	50.33	135.0	1.89	10.24	16.93	25.28
CAPE VERDE	4.5	50.00	13.5	1.67	10.00	16.67	25.00
SEYCHELLES	3.0	50.00	9.0	1.67	10.00	16.67	25.00
IRELAND	343.4	47.70	1,046.3	.11	8.31	14.38	23.08
YUGOSLAVIA	613.0	47.53	1,369.8	-.01	8.19	14.75	22.74
SYRIAN ARAB REP.	139.1	47.20	425.3	-.23	7.94	14.49	22.66
BHUTAN	2.5	47.06	7.6	-.33	7.84	14.38	22.55
BRAZIL	1,461.3	46.50	4,488.8	-.71	7.43	13.94	22.08
PAPUA NEW GUINEA	65.9	46.44	202.5	-.74	7.39	13.90	22.04
FINLAND	574.9	46.28	1,768.5	-.85	7.28	13.78	21.90
CONGO, PEOPLES REP.	37.3	46.27	114.8	-.86	7.27	13.77	21.90
TUNISIA	138.2	46.24	425.3	-.88	7.25	13.74	21.87
PORTUGAL	376.6	45.97	1,161.0	-1.07	7.04	13.53	21.64
ALGERIA	623.1	45.75	1,923.8	-1.21	6.89	13.36	21.46
ISRAEL	446.6	45.24	1,383.8	-1.56	6.51	12.96	21.33
MEXICO	1,165.5	45.23	3,611.3	-1.56	6.50	12.96	21.33
IVORY COAST	165.5	45.18	513.0	-1.60	6.46	12.91	20.98
MALAYSIA	550.6	45.09	1,707.8	-1.66	6.40	12.84	20.90
CANADA	2,941.0	44.49	9,159.8	-2.07	5.96	12.18	20.40
GREECE	399.9	44.11	1,248.8	-2.33	5.68	12.08	20.09
SOUTH AFRICA	915.7	43.98	2,862.0	-2.41	5.58	11.98	19.98
LESOTHO	15.1	43.81	47.3	-2.53	5.46	11.35	19.84
ECUADOR	150.7	43.52	472.5	-2.72	5.25	11.53	19.60
TURKEY	429.1	43.05	1,350.0	-3.06	4.39	11.25	19.19
MALDIVES	2.0	42.86	6.3	-3.17	4.76	11.11	19.05
ROMANIA	523.4	42.42	1,653.8	-3.47	4.44	10.77	18.68
THAILAND	386.6	42.39	1,221.3	-3.49	4.42	10.75	18.66
UNITED STATES	17,918.3	42.12	56,733.8	-3.67	4.22	10.54	18.44
HUNGARY	530.7	41.52	1,687.5	-4.08	3.73	10.17	17.93
GUATEMALA	108.0	41.18	344.3	-4.31	3.53	9.80	17.65
UNITED KINGDOM*	6,194.0	41.17	19,743.3	-4.32	3.55	9.80	17.64
NIGER	33.7	40.42	108.0	-4.33	2.97	9.21	17.31
DJIBOUTI	8.0	40.35	25.7	-4.87	2.92	9.16	16.76
PARAGUAY	48.4	40.29	155.5	-4.91	2.88	9.11	16.91
INDONESIA	1,009.7	40.24	3,240.0	-4.95	2.84	9.07	16.86
PHILIPPINES	440.4	39.81	1,417.5	-5.24	2.53	8.74	16.51
ST. LUCIA	7.5	38.89	24.3	-5.36	1.35	8.02	15.74
ANTIGUA AND BARBUDA	5.0	38.89	16.2	-5.86	1.85	8.02	15.74
ARGENTINA	1,113.0	38.69	3,611.3	-6.00	1.71	7.97	15.58
VENEZUELA	1,371.5	38.54	4,455.0	-6.10	1.59	7.75	15.45
TRINIDAD AND TOBAGO	170.1	38.29	553.5	-6.27	1.41	7.56	15.24
EL SALVADOR	89.0	37.78	290.3	-6.48	1.19	7.32	14.99
DOMINICA	4.0	37.93	13.0	-6.51	1.15	7.28	14.94