

**IMMEDIATE
ATTENTION**

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EBS/00/88

CONFIDENTIAL

May 17, 2000

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Financial Transactions Plan for the Quarterly Period
June–August 2000**

Attached for consideration by the Executive Directors is a paper on the proposed financial transactions plan for the quarterly period June–August, 2000.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by noon on Wednesday, May 24, 2000. In the absence of such a request, the draft decision that appears on page 7 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Mr. C. Clarke (ext. 34086) and Mr. Hatch (ext. 37552) are available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

**Financial Transactions Plan for the Quarterly Period
June–August 2000**

Prepared by the Treasurer's Department

(In consultation with the Area and Other Departments)

Approved by Eduard Brau

May 17, 2000

I. SUMMARY

1. This paper proposes a financial transactions plan for June–August 2000 in accordance with Rule O-10, which calls for quarterly decisions on the use of currencies and SDRs in operations and transactions conducted through the General Resources Account.¹
- Transfers under the **current financial transactions plan** for March–May 2000, at SDR 1.3 billion, are expected to be substantially lower than planned owing primarily to the decision by Brazil not to draw under its stand-by arrangement and delays in the timing of purchases by other members. Receipts in currencies should amount to some SDR 6.5 billion, close to the (modified) plan amount.
- The **proposed financial transactions plan** for June–August 2000 provides for transfers of SDR 3.0 billion, financed equally in SDRs and in currencies. Currency receipts are projected at SDR 2.0 billion. The Fund's SDR holdings, currently SDR 2.6 billion, would be reduced during the coming period toward the upper end of the target range of SDR 1.0-1.5 billion.
- The staff proposes that **Oman and Qatar** be included in the list of countries considered sufficiently strong to be included in the transactions plan, bringing to 38 the number of members included in the plan.
- Differences in creditor members' positions in the Fund relative to quota continued to narrow during the current plan period, and are expected to remain closely aligned.

A draft decision appears on page 7.

¹¹ The current financial transactions plan (formerly called the operational budget) is set out in *Operational Budget for the Quarterly Period March–May 2000* (EBS/00/19, 2/14/00). The plan was modified subsequently to accommodate large unexpected repurchases by Brazil (see EBS/00/19, Supplement 3, 4/5/00).

II. IMPLEMENTATION OF THE CURRENT FINANCIAL TRANSACTIONS PLAN

2. The current financial transactions plan for the period March–May 2000 provides for SDR 4.5 billion in transfers and SDR 6.7 billion in receipts (Table 1). Actual **transfers** are expected to amount to SDR 1.3 billion. A large number of purchases under current and prospective arrangements were either delayed beyond the current period or are not now expected to materialize, including sizable amounts that could have been drawn under arrangements that are now treated as precautionary.

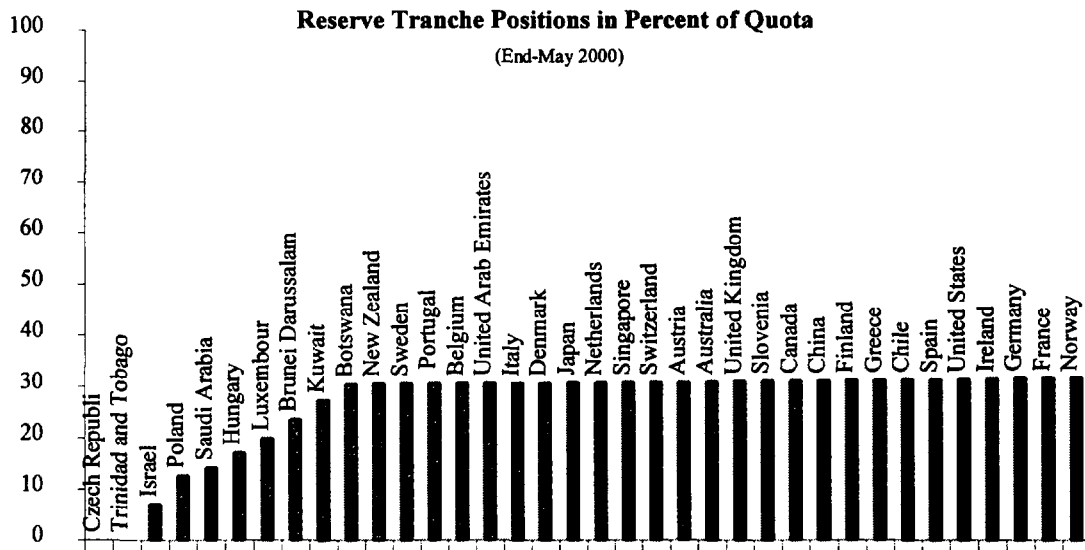
3. The planned amount for **receipts** in currencies in the current transactions plan was revised upward in April from SDR 3.5 billion to SDR 6.7 billion to accommodate two advance repurchases by Brazil amounting to SDR 3.3 billion. Actual currency receipts are estimated to reach SDR 6.5 billion, largely comprising repurchases. The estimates do not take into account the recently received indication that Kazakhstan intends to repurchase in advance its Fund credit outstanding; if the full amount (SDR 295.8 million) were repurchased in currencies before the end of May, actual currency receipts would exceed by a small margin the amount anticipated in the current plan. With the completion during the quarter of the final two off-market transactions in gold in connection with the financing of the PRGF-HIPC initiative, SDR 48.7 million of the currency proceeds of these transactions, representing the equivalent of SDR 1 per 0.888671 gram of fine gold sold, was placed in the General Resources Account, as provided by Article V, Section 12(f).²

4. As a result of significantly fewer than expected purchases being made during the current plan period, currency use has inevitably been somewhat uneven on the transfer side of the transactions plan.³ On the receipts side, however, currency use has been closely balanced among members included for receipts. The overall pattern of currency use remains broadly balanced (see figure).⁴

² Details of the completed series of off-market gold transactions are set out in *Off-Market Gold Sales—Mexico*, EBS/00/69 (4/7/00).

³ The Brunei dollar has not been used in Fund transactions because the authorities have not yet established the technical arrangements to allow exchange of the Brunei dollar for a freely usable currency in Fund transactions.

⁴ As agreed at EBM/00/18, the final outcome of the financial transactions plan will be published three months after the end of the quarter, beginning with the plan for March–May 2000, together with an explanatory note for the public. See EBS/00/19 (2/14/00) and Supplement 1 (2/28/00).



Source: Appendix Table 6. Brunei Darussalam has not consented to its Eleventh General Review quota increase.

III. PROPOSED FINANCIAL TRANSACTIONS PLAN FOR JUNE-AUGUST 2000

Main elements of the plan

5. The proposed financial transactions plan for June–August 2000 provides for total transfers of SDR 3.0 billion and receipts of SDR 2.0 billion (see text table below). The projections for purchases underlying the proposal for transfers, which are prepared in close consultation with area departments, are subject to some uncertainty.

Estimates of transfers and receipts

6. **Transfers** during the coming period will be comprised entirely of purchases. It is intended that the financing of these transactions be split evenly between SDRs and currencies in order to continue progress in reducing the level of SDRs in the General Resources Account toward the agreed target range. The proposal for **receipts** in currencies reflects the leveling off of the high level of repurchases in recent quarters. It takes into account the likely demand by members to acquire SDRs to pay charges, and the possibility that members currently expected to repurchase in SDRs may choose to make these payments in currencies instead.

Proposed Distribution of Currencies and SDRs
June–August 2000 Financial Transactions Plan

(In billions of SDRs)			
	Transfers	Receipts	Net
Currencies	1.5	2.0	-0.5
SDRs	1.5	--	1.5
Total	3.0	2.0	1.0

Members considered sufficiently strong

7. The staff's assessment of members' external positions is summarized in Annex I. All members currently included in the financial transactions plan remain sufficiently strong to have their currencies used in Fund transactions. On the basis of their current and prospective balance of payments and reserve positions, the staff proposes that **Oman and Qatar** be added to this list with effect from June 1, 2000. Accordingly, the external positions of the following 38 members are considered sufficiently strong for their inclusion in the financial transactions plan: *Australia, Austria, Belgium, Botswana, Brunei Darussalam, Canada, Chile, China, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Japan, Kuwait, Luxembourg, the Netherlands, New Zealand, Norway, Oman, Poland, Portugal, Qatar, Saudi Arabia, Singapore, Slovenia, Spain, Sweden, Switzerland, Trinidad and Tobago, the United Arab Emirates, the United Kingdom, and the United States.*

Proposed use of currencies

8. The proposed allocation of currencies (Table 2) is based on the guidelines adopted by the Executive Board in November 1998.⁵ The method of calculation is described in Annex II, together with detailed data used for the calculations.

9. Projected transfers in currencies of SDR 1.5 billion represent 0.99 percent of the quotas of members included in the financial transactions plan, and the allocation of transfers for each member is therefore equivalent to 0.99 percent of its quota. Receipts in currencies of SDR 2.0 billion have been allocated to those members whose reserve position in the Fund in terms of their quota is projected to be above the average ratio of reserve positions to quota at the end of the plan period. The resulting distribution of reserve positions at end–August 2000

⁵ See *Operational Budget—Review of Guidelines for Allocation of Currencies*, EBS/98/194 (11/17/98).

would be broadly even, except mainly for those members that have only recently participated in the financing of the Fund.

Proposed use of SDRs⁶

10. The Fund's holdings of SDRs are expected to be about SDR 2.6 billion at the beginning of the June–August 2000 period. Inflows of SDRs to the General Resources Account during the coming period (repurchases, payment of charges, and interest on the Fund's SDR holdings, and any additional quota payments) are expected to total about SDR 1.2 billion, while outflows of SDRs (remuneration payments and acquisition of SDRs by members) are estimated at SDR 0.8 billion. Taking into account the proposed use of SDRs in transfers (SDR 1.5 billion), the Fund's SDR holdings would decline to about SDR 1.5 billion at end-August 2000. This would thereby reduce the Fund's SDR holdings to the upper end of the agreed target range of SDR 1.0–1.5 billion, and would be more than adequate to meet the payment of remuneration and SDR acquisitions by members against currencies specified by the Fund during the following transactions plan period.

Implementation of the proposed financial transactions plan

11. To the maximum extent practicable, individual currencies would be used in transfers and receipts in proportion to the proposed amounts. As in previous periods, the extent to which this is possible will depend on the volume and timing of transactions, and the operational need to avoid too many currencies in a single transaction. In the event that settlement of substantial amounts of arrears or unanticipated advance repurchases result in receipts of particular currencies in excess of the planned amounts, the staff would make offsetting adjustments in the execution of receipts in other currencies. To the extent that the remaining receipts are insufficient to allow for full adjustment, or total receipts are less than expected, this will be reflected in larger-than-expected reserve positions for some members. These differences are automatically taken into account in subsequent periods under the quota-based allocation system.

Liquidity position of the Fund

12. The liquidity position of the Fund has improved in line with the staff's expectations at the time of the last review in March 2000.⁷ During the current transactions plan period, the Fund's

⁶ The proposed plan does not provide for transfers or receipts of SDRs for transactions or operations that must take place in SDRs under the Articles of Agreement or decisions of the Fund (such as periodic charges), or that would take place in SDRs at the initiative of members (such as repurchases), since those transactions do not require Board approval. However, estimates of these flows are taken into account in calculating the amount of SDR transfers and currency receipts proposed.

⁷ See *The Fund's Liquidity and Financing Needs—Review*, EBS/00/51 (3/17/2000).

uncommitted usable resources rose by some SDR 13.5 billion, buoyed in part by sizable advance repurchases by Brazil. With its liquid liabilities on a downward trend, the Fund's liquidity ratio (net uncommitted usable resources relative to liquid liabilities) is expected to reach 157 percent at end-May 2000. The subsequent inclusion in the financial transactions plan of Oman and Qatar would increase the Fund's usable currencies by about SDR 0.4 billion. Assuming full implementation of the proposed financial transaction plan, the recent favorable evolution of the Fund's liquidity position would continue along the lines shown in the table below.

Indicators of Fund Liquidity, End-1999 to End-August 2000

(in SDR billions; end of period)

	1999	May 2000	August 2000
Usable resources	94.9	108.8	108.5
Net uncommitted usable resources	63.0	75.8	78.9
Liquid liabilities	54.8	48.2	47.7
Liquidity ratio (percent)	115.0	157.2	165.4

Consultation with and concurrence of members in the use of their currencies

13. To the extent that consultation with or concurrence of members is required for use of currencies in transfers and receipts, it is proposed that consideration of the proposed financial transactions plan by the Executive Board constitute the necessary consultation, and concurrence will be assumed unless an objection is raised by an Executive Director.

Proposed Decision

The following draft decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

The Executive Board approves the list of members considered sufficiently strong as set out in EBS/00/88, paragraph 7, and the financial transactions plan for the period June–August 2000 as set out in EBS/00/88.

Table 1. Estimated Use of Currencies and SDRs in Transfers and Receipts under the
Financial Transactions Plan for the Period March - May 2000

(In millions of SDRs)

Member	Transfers		Col. (2) as % of Col. (1)	Receipts		Col. (4) as % of Col. (3)	Net Transfers	
	Proposed (1)	Used (2)		Proposed (3)	Used (4)		Budget (5)	Amount (6)
Australia	43.0	0.0	0.0	171.0	163.3	95.5	-128.0	-163.3
Austria	25.0	0.0	0.0	97.0	93.2	96.1	-72.0	-93.2
Belgium	61.0	0.0	0.0	220.0	212.3	96.5	-159.0	-212.3
Botswana	1.0	0.0	0.0	4.0	3.8	95.0	-3.0	-3.8
Brunei Darussalam	2.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0
Canada	84.0	24.9	29.6	322.0	310.7	96.5	-238.0	-285.8
Chile	11.0	7.0	63.6	35.0	33.4	95.4	-24.0	-26.4
China	62.0	25.6	41.3	210.0	200.6	95.5	-148.0	-175.0
Czech Republic	11.0	0.0	0.0	0.0	0.0	0.0	11.0	0.0
Denmark	22.0	0.0	0.0	79.0	75.4	95.4	-57.0	-75.4
Finland	17.0	11.3	66.2	62.0	59.8	96.5	-45.0	-48.6
France	142.0	92.0	64.8	551.0	531.5	96.5	-409.0	-439.5
Germany	173.0	111.0	64.2	672.0	650.9	96.9	-499.0	-539.9
Greece	11.0	5.5	50.0	36.0	34.3	95.3	-25.0	-28.8
Hungary	14.0	0.0	0.0	0.0	0.0	0.0	14.0	0.0
Ireland	11.0	7.0	63.6	40.0	38.2	95.5	-29.0	-31.2
Israel	12.0	0.0	0.0	0.0	0.0	0.0	12.0	0.0
Italy	94.0	0.0	0.0	350.0	338.9	96.8	-256.0	-338.9
Japan	177.0	0.0	0.0	643.0	613.8	95.5	-466.0	-613.8
Kuwait	18.0	9.0	50.0	0.0	0.0	0.0	18.0	9.0
Luxembourg	4.0	0.0	0.0	0.0	0.0	0.0	4.0	0.0
Netherlands	68.0	0.0	0.0	255.0	246.2	96.5	-187.0	-246.2
New Zealand	12.0	0.0	0.0	38.0	36.3	95.5	-26.0	-36.3
Norway	22.0	15.0	68.2	86.0	81.9	95.2	-64.0	-66.9
Poland	18.0	0.0	0.0	0.0	0.0	0.0	18.0	0.0
Portugal	12.0	8.0	66.7	19.0	18.2	95.5	-7.0	-10.2
Saudi Arabia	93.0	0.0	0.0	0.0	0.0	0.0	93.0	0.0
Singapore	11.0	0.0	0.0	41.0	39.2	95.5	-30.0	-39.2
Slovenia	3.0	2.0	66.7	9.0	8.6	95.2	-6.0	-6.6
Spain	40.0	20.0	50.0	149.0	144.3	96.8	-109.0	-124.3
Sweden	32.0	0.0	0.0	109.0	104.1	95.5	-77.0	-104.1
Switzerland	46.0	11.0	23.9	144.0	137.5	95.5	-98.0	-126.5
Trinidad and Tobago	4.0	0.0	0.0	0.0	0.0	0.0	4.0	0.0
United Arab Emirates	8.0	0.0	0.0	29.0	27.2	93.8	-21.0	-27.2
United Kingdom	142.0	37.1	26.1	511.0	494.8	96.8	-369.0	-457.7
United States	<u>494.0</u>	<u>209.0</u>	<u>42.3</u>	<u>1,818.0</u>	<u>1,759.6</u>	<u>96.8</u>	<u>-1,324.0</u>	<u>-1,550.6</u>
Total Currencies	2,000.0	595.4	29.8	6,700.0	6,457.9	96.4	-4,700.0	-5,862.5
SDRs	<u>2,500.0</u>	<u>729.3</u>	<u>29.2</u>	--	--	--	<u>2,500.0</u>	<u>729.3</u>
Total Plan	4,500.0	1,324.7	29.4	6,700.0	6,457.9	96.4	-2,200.0	-5,133.2

Table 2. Proposed Use of Currencies and SDRs for
Transfers and Receipts for the Quarterly Period
June - August 2000
(In millions of SDRs)

	Transfers	Receipts
Australia	32	42
Austria	19	24
Belgium	46	55
Botswana	1	1
Brunei Darussalam	1	0
Canada	63	91
Chile	8	13
China	46	67
Czech Republic	8	0
Denmark	16	20
Finland	13	19
France	107	182
Germany	129	219
Greece	8	12
Hungary	10	0
Ireland	8	14
Israel	9	0
Italy	70	85
Japan	132	163
Kuwait	14	0
Luxembourg	3	0
Netherlands	51	63
New Zealand	9	10
Norway	17	29
Oman	2	0
Poland	14	0
Portugal	9	10
Qatar	3	0
Saudi Arabia	69	0
Singapore	9	11
Slovenia	2	3
Spain	30	47
Sweden	24	28
Switzerland	34	44
Trinidad and Tobago	3	0
United Arab Emirates	6	7
United Kingdom	107	146
United States	368	595
Total Currencies	1,500	2,000
SDRs	1,500	--
Total Plan	3,000	2,000

Selection of Members for Inclusion in the Financial Transactions Plan June–August 2000

14. This Annex summarizes the key considerations underlying the staff's proposal for the members to be included in the financial transactions plan for June–August 2000. The procedures for the assessment of members' external strength were agreed by Executive Directors in 1997.⁸ The analysis focuses on significant recent developments in the external position of members currently included in the plan and on the situation of others that are potential candidates for inclusion. Recent data on official international reserves, current and prospective external current account balances, exchange rate developments, and external debt indicators are presented in Tables 3 and 4.⁹

15. The external positions of all members currently included in the financial transactions plan remain sufficiently strong for their continued participation in Fund transactions. Among members not currently included in the transactions plan, Oman and Qatar have seen a marked improvement in their external positions. The steep increase in oil prices that began in early 1999 has led to a reversal of large current account imbalances in both countries, which is expected to be sustained through 2001. The coming on stream of new LNG production capacity in both Oman and Qatar and the recovery in demand in Asia offer the prospect of more diversified export earnings over the medium term. The staff would therefore propose that these two members be included in the financial transactions plan, with effect from June 1, 2000.

16. Korea would also appear to be a candidate for near-term inclusion in the list of members considered sufficiently strong to be included in the transactions plan. Korea has emerged from the financial turmoil of recent years in a strong position, as evidenced *inter alia* by its large and growing reserves and the turnaround in its external debt profile. Since Korea has Fund credit outstanding, its inclusion in the list of sufficiently strong members would subject

⁸ The selection process is described in a staff paper entitled *Assessment of Members' External Strength for Inclusion in the Operational Budget—Role of Supplementary Indicators*, EBS/97/183 (9/24/97). The process relies on the traditional indicators set out in the Articles (balance of payments and reserve positions and exchange market developments) supplemented by a small set of additional indicators, including in particular indicators of short-term external debt and debt service. See also *Concluding Remarks by the Acting Chairman at EBM/97/105, BUFF/97/106* (10/28/97).

⁹ Where available, the staff has taken into account information on reserve liabilities and off-balance sheet liabilities of the monetary authorities. However, these data are not currently available on a consistent basis for a large number of countries under consideration.

it to early repurchase.¹⁰ The staff is in consultation with the Korean authorities and, assuming the ongoing recovery in its external position is sustained, the staff would expect to propose Korea's inclusion in the list of sufficiently strong members beginning with the September-November 2000 quarter.

17. The staff will continue to review other countries as potential candidates for inclusion in future plans on the basis of the traditional and supplementary indicators, and will make proposals as warranted by the strength of their external positions.

¹⁰ A member with outstanding Fund credit that is considered sufficiently strong for inclusion in the financial transactions plan is expected to reduce its indebtedness to the Fund by a specified amount during the quarterly plan period through repurchases, sales of its currency through the transactions plan, or a combination of both at the option of the member. The guidelines for early repurchase are set out in *Selected Decisions*, Twenty-Fourth Issue, pages 319-321.

Table 3. Reserves, Balance of Payments, and Exchange Rate Indicators

	Total Gross Reserves				Current Account			Percent Change in Exchange Rates			
	SDR Millions Mar-2000 or latest	Percent Change Over		Months of Imports 2000	(Percent of GDP)			Against SDR since end- Dec. 99	In Effective terms over last		
		Most Recent							12 Mos.	12 Mos.	24 Mos.
		3 months	12 months		Nominal	Real	Real				
* Australia	11,815	-24	12	2.1	-5.7	-5.2	-5.2	-6	1	2	-5
* Austria	11,528	0	-1	1.9	-2.3	-1.9	-1.0	-7	-3	-3	-3
Bahamas, The	340	14	10	2.1	-14.8	-8.6	-7.3	2	2	3	4
Bahrain	1,045	4	9	3.5	-5.0	1.5	-0.2	5	4	4	1
Barbados	276 Jun-99	41	17	3.0	-2.2	-2.4	-2.2	2	3	3	3
* Belgium ¹	7,976	-3	-10	0.7	4.6	4.9	5.2	-7	-4	-4	-3
* Botswana	4,552 Jan-00	7	5	26.0	7.3	12.1	11.3	-5	1	-6	-7
* Brunei Darussalam	1,533 Dec-96	...	...	8.6	37.8	41.7	...	2	0	-8	-14
* Canada	22,842	11	24	1.3	-0.5	-0.4	0.1	1	4	5	-2
* Chile	10,498 Feb-00	1	-3	7.8	-0.1	-2.4	-3.2	2	0	1	-5
* China	119,532 Feb-00	4	8	9.0	1.6	1.6	1.5	5	2	0	-5
Cyprus	1,035 Nov-99	-18	-4	3.3	-2.7	-3.4	-3.3	-3	-4	-2	-4
* Czech Republic	9,457 Feb-00	2	7	4.0	-2.0	-2.3	-2.2	-1	4	2	5
* Denmark	12,871	-21	-13	4.4	0.0	0.7	2.2	-7	-5	-4	-2
Egypt	10,477 Feb-00	-5	-21	6.7	-3.2	-3.4	...	2	8	7	15
Estonia	541	-13	4	1.8	-6.2	-6.5	-6.5	-3	2	-4	17
* Finland	5,945	-4	0	2.3	5.3	5.0	5.4	-7	-5	-5	-4
* France	31,961	-1	4	1.5	2.8	2.6	3.1	-7	-5	-5	-5
* Germany	49,729	3	2	1.3	-0.8	0.2	0.7	-7	-5	-5	-5
* Greece	12,215	-9	-21	5.8	-1.3	-1.6	-1.7	-8	-3	-3	-7
* Hungary	7,922	-1	22	3.5	-4.2	-4.5	-4.3	-5	-5	-4	-6
Iceland	338 Feb-00	7	13	1.6	-5.5	-4.0	-3.0	0	3	7	7
* Ireland	3,893	1	2	0.8	0.6	-0.4	-0.9	-7	-7	-6	-4
* Israel	16,474 Feb-00	6	1	5.9	-1.8	-1.4	-1.7	5	7	7	-3
* Italy	19,355	2	4	1.1	0.9	0.8	1.2	-7	-4	-4	-3
* Japan	226,831	8	38	7.9	2.5	2.2	2.3	-2	10	7	11
Korea	62,071	15	47	5.5	6.1	2.2	1.0	7	6	7	41
* Kuwait	4,072	13	27	4.8	16.5	18.9	...	3	3	8	4
Latvia	638	3	14	2.7	-9.7	-8.7	-7.8	0	17	5	34
Lithuania	932	6	-6	2.7	-11.2	-9.1	-8.4	2	26	4	43
Malaysia	25,007	12	25	4.1	15.8	13.7	7.9	5	1	2	3
Malta	1,370 Dec-99	4	15	-5.8	-3.6	-3.9	...	-2	1	2	3
Mauritius	535	0	12	3.1	-0.9	1.0	1.1	1	4	7	4
Morocco	3,860	-7	27	5.0	-3.0	-2.1	...	-1	2	2	3
* Netherlands	8,361	-3	-5	0.6	5.1	5.8	6.1	-7	-4	-4	-2

Table 3. Reserves, Balance of Payments, and Exchange Rate Indicators

	Total Gross Reserves				Current Account (Percent of GDP)			Percent Change in Exchange Rates			
	SDR Millions	Percent Change Over		Months of Imports 2000				Against SDR	In Effective terms over last		
	Mar-2000 or latest	Most Recent	Most Recent		1999	2000	2001	since end- Dec. 99	12 Mos. Nominal	12 Mos. Real	24 Mos. Real
* New Zealand	2,968 Feb-00	-9	0	2.8	-8.0	-6.5	-5.6	-1	-7	-8	-16
* Norway	14,785 Jan-00	12	11	5.0	4.2	7.0	7.5	-7	1	2	-2
Oman	573	-51	-14	1.3	-5.2	11.8	10.1	5	3	2	-2
* Poland	18,438	2	-3	5.7	-7.6	-6.9	-6.6	2	0	6	1
* Portugal	7,028	4	11	2.3	-8.3	-9.7	-9.7	-7	-3	-3	-1
Qatar	959 Dec-99	...	37	2.6	-4.0	11.6	7.6	5	4	5	3
* Saudi Arabia	12,402	-1	-3	4.0	-2.8	3.0	...	5	3	2	-6
* Singapore	55,934 Feb-00	3	6	6.2	25.3	23.5	22.0	2	1	1	-8
Slovak Republic	2,772	11	33	3.1	-5.7	-5.3	-3.1	-1	-2	9	3
* Slovenia	2,251 Feb-00	-3	-13	3.0	-3.0	-2.3	-2.5	-9	-5	-1	6
South Africa	4,875	2	47	2.3	-0.4	-1.2	-1.5	-6	2	2	-13
* Spain	25,343	2	-24	2.3	-2.2	-2.3	-2.7	-7	-4	-3	-1
Swaziland	266 Sep-99	1	9	3.9	1.1	1.1	3.0	-4	0	3	0
* Sweden	11,641	4	20	1.8	2.6	2.4	2.2	-2	-1	-2	-4
* Switzerland	25,235	-14	-15	4.0	12.9	10.0	9.9	-3	-5	-5	-6
Thailand	23,548	-5	9	5.2	9.1	6.0	6.1	2	0	-1	21
* Trinidad & Tobago	660	-5	25	3.1	0.2	2.8	-3.3	5	4	4	9
Tunisia	1,724 Jan-00	4	41	2.7	-3.7	-3.8	...	-1	-1	0	0
* United Arab Emirates	7,792 Dec-99	12	20	3.1	1.1	16.6	8.6	5	3	5	1
* United Kingdom	21,853 Feb-00	-2	-3	0.7	-1.4	-1.5	-2.0	1	7	7	4
* United States	52,660 Feb-00	-2	-6	0.6	-3.7	-4.2	-4.4	5	1	3	2
Uruguay	1,532 Nov-99	1	19	5.7	-2.8	-1.9	...	0	-4	-3	2
Venezuela	8,823	-5	9	7.5	5.4	6.9	3.7	0	-9	5	20

Sources: IFS, Information Notice System, and staff estimates.

Notes: **Total Gross Reserves:** Reserve data as reported in IFS (line: 1..SZF). Additional data on the composition of reserves and outstanding use of Fund credit are presented in the accompanying designation plan. Reserve cover is latest gross reserves as a percent of projected imports of goods and services for 2000.

Exchange Rates: Exchange rate movements against the SDR are calculated as of May 4, 2000, except for The Bahamas, Barbados, Cyprus, Czech Republic, Egypt, Estonia, Hungary, Israel, Latvia, Lithuania, Mauritius, Morocco, Poland, Slovak Republic, Swaziland, and Uruguay (all as of end-March 2000), and Tunisia (as of end-February 2000). Changes in effective exchange rates are as of end-February 2000.

* Indicates member is included for transfers of its currency in the current operational budget.

¹ Current account data are for Belgium-Luxembourg.

Table 4. Indicators of Short-Term External Debt and Debt Service

	Short-Term External Debt				External Debt Service		
	End-June 1999				in % of Exports of Goods & Services		
	(Millions of U.S. dollars)	% Change over previous:		As %	1999	2000	2001
		6 months	12 months	of Reserves			
Australia	33,791	-3	2	212	24.9	23.6	23.5
Bahamas, The	12,926	-23	-32	2,819	1.8	2.1	1.6
Bahrain	6,538	10	18	464	8.2	7.2	8.6
Barbados	1,329	90	240	361	7.3	5.1	5.1
Botswana	13	160	-58	0	3.7	3.4	3.3
Brunei Darussalam	398	1,144	-63	22	...	...	...
Chile	9,346	5	-7	66	25.2	23.1	34.9
China	24,263	-23	-20	15	8.2	7.6	8.4
Cyprus	2,341	0	7	165	3.7	3.8	3.5
Czech Republic	5,098	-32	-19	40	12.5	12.7	8.0
Egypt	5,167	24	30	37	10.1	10.1	...
Estonia	721	111	81	99	8.2	7.7	7.2
Greece	17,174	3	2	104	...	...	...
Hungary	4,212	-26	-25	39	28.2	20.1	...
Iceland	1,679	5	46	371	...	...	...
Israel	3,745	24	33	17	19.1	17.6	17.4
Korea	34,134	15	6	41	23.7	12.8	7.1
Kuwait	5,025	13	0	92	1.9	...	...
Latvia	225	20	137	26	7.3	10.2	...
Lithuania	454	14	77	36	18.7	20.3	19.2
Malaysia	7,882	-15	-28	23	4.9	4.7	4.3
Malta	1,567	24	46	83	1.5	1.5	...
Mauritius	597	4	19	83	7.2	7.6	...
Morocco	1,794	-6	-21	35	22.5	20.6	...
New Zealand	5,211	-31	-26	131	19.8	18.1	16.5
Oman	1,753	14	7	227	16.9	7.1	6.2
Poland	7,083	16	34	29	16.8	19.6	21.0
Portugal	26,925	-9	7	284	...	...	...
Qatar	2,745	26	24	209	24.8	19.8	25.8
Saudi Arabia	8,212	-6	14	49	9.0	7.7	...
Singapore	96,698	-12	-18	129	...	...	...
Slovak Republic	1,720	-31	-33	46	15.9	13.1	11.2
Slovenia	675	16	65	22	8.0	8.5	10.0
South Africa	13,324	8	-1	203	52.6	52.2	51.9
Swaziland	23	-8	-43	6	2.4	2.3	2.7
Thailand	19,052	-21	-31	60	21.0	17.3	16.6
Trinidad & Tobago	890	43	18	100	7.9	10.2	4.6
Tunisia	1,327	32	32	57	18.5	20.6	...
United Arab Emirates	5,049	-8	59	47	...	...	...
Venezuela	5,565	7	15	47	26.5	29.8	31.3

Sources: BIS external debt database via EDSS (short-term debt); and staff estimates (debt service and exports).

Notes: Short-term debt data represent consolidated cross-border claims in all currencies and local claims in non-local currencies with maturities of up to and including one year, as reported to the BIS by banks in 18 countries and the off-shore banking centers.

Allocation of Currencies in the Financial Transactions Plan

18. This Annex outlines the steps involved in calculating amounts of currencies for transfers and receipts in the financial transactions plan. The relevant data used in preparing the financial transactions plan for June–August 2000 are presented in Tables 5 and 6.

Transfers

19. The currencies of all members included in the financial transactions plan are allocated for transfers in proportion to their quotas. Total currency transfers in the proposed transactions plan for June–August 2000 amount to SDR 1,500 million, or 0.99 percent of the quotas of all members in the plan. Applying this common ratio to the quota of each member included in the plan thus yields individual transfer amounts for each member that are equivalent to 0.99 percent of its quota.

Receipts

20. Receipts in currencies are allocated to members included in the financial transactions plan in proportion to the deviation of their individual positions in the Fund above the projected average of Fund positions in terms of quota at the end of the plan period.¹¹ The calculation of receipts involves the following steps:

- Proposed transfers and any changes in Fund borrowing outstanding under the GAB and the NAB are added to Fund positions at the beginning of the plan period to arrive at a projection for end-period positions that does not take into account receipts; no such borrowing is expected during the plan period. These positions are shown in Column 4 of Table 5.
- Projected end-period positions are measured against the benchmark for balanced positions in the Fund: the projected end-period average of Fund positions in terms of quota, which takes into account the total amount of receipts. The individual Fund positions that would be consistent with the end-period average are shown in Column 5 of Table 5.
- The difference between individual Fund positions and the benchmark positions may be positive or negative, depending on whether individual positions are above or below the projected average, respectively (Column 6 of Table 5). The share of each member in the total of all positive differences is the allocative key for receipts (Column 5 in Table 6).

¹¹ A member's position in the Fund comprises its reserve tranche position plus any outstanding loans under permanent borrowing arrangements such as the GAB or the NAB.

Applying these shares to the total amount of receipts of SDR 2,000 million gives the individual amount of receipts for each member (Column 7 of Table 5).

Constraint on currency use

21. Individual currency use is subject to a constraint, formally expressed as a floor on the Fund's holdings of currency relative to quota. The floor is set at one half the projected average of all usable currency holdings at the end of the plan period; for the period June–August 2000, the projected average is 70.8 percent, resulting in a floor of 35.4 percent. Given the inverse relationship between currency holdings and reserve tranche positions, the floor on currency holdings is equivalent to a ceiling of 64.6 percent ($100 - 35.4$) on individual reserve tranche positions. As shown in Table 6, currency use is not in practice constrained under the quota-based allocation system.

Table 5. Calculation of Transfers and Receipts in Currencies
June - August 2000
(In millions of SDRs)

	Quota 1/ (1)	Beginning Period Fund Positions (2)	Transfers (3)	End-Period Fund Positions Without Receipts (2)+(3) (4)	Fund Positions Consistent with End-Period Average 2/ (5)	Deviation From End-Period Average (4)-(5) (6)	Receipts 3/ (7)	Projected End-Period Fund Positions (8)
Australia	3,236.4	997	32	1,029	946	83	42	987
Austria	1,872.3	576	19	595	547	47	24	571
Belgium	4,605.2	1,408	46	1,454	1,347	108	55	1,399
Botswana	63.0	19	1	20	18	2	1	19
Brunei Darussalam	150.0	35	1	36	44	-8	0	36
Canada	6,369.2	1,978	63	2,041	1,862	179	91	1,950
Chile	856.1	268	8	276	250	25	13	263
China	4,687.2	1,456	46	1,502	1,371	132	67	1,435
Czech Republic	819.3	0	8	8	240	-232	0	8
Denmark	1,642.8	503	16	519	480	39	20	499
Finland	1,263.8	393	13	406	370	36	19	387
France	10,738.5	3,389	107	3,496	3,140	357	182	3,314
Germany	13,008.2	4,104	129	4,233	3,804	429	219	4,014
Greece	823.0	256	8	264	241	24	12	252
Hungary	1,038.4	177	10	187	304	-117	0	187
Ireland	838.4	264	8	272	245	27	14	258
Israel	928.2	66	9	75	271	-197	0	75
Italy	7,055.5	2,160	70	2,230	2,063	167	85	2,145
Japan	13,312.8	4,080	132	4,212	3,893	319	163	4,049
Kuwait	1,381.1	377	14	391	404	-13	0	391
Luxembourg	279.1	55	3	58	82	-23	0	58
Netherlands	5,162.4	1,582	51	1,633	1,509	124	63	1,570
New Zealand	894.6	272	9	281	262	20	10	271
Norway	1,671.7	529	17	546	489	57	29	517
Oman	194.0	50	2	52	57	-5	0	52
Poland	1,369.0	172	14	186	400	-214	0	186
Portugal	867.4	265	9	274	254	20	10	264
Qatar	263.8	45	3	48	77	-29	0	48
Saudi Arabia	6,985.5	987	69	1,056	2,043	-986	0	1,056
Singapore	862.5	264	9	273	252	21	11	262
Slovenia	231.7	72	2	74	68	6	3	71
Spain	3,048.9	953	30	983	891	92	47	936
Sweden	2,395.5	731	24	755	700	54	28	727
Switzerland	3,458.5	1,063	34	1,097	1,011	85	44	1,053
Trinidad and Tobago	335.6	0	3	3	98	-95	0	3
United Arab Emirates	611.7	187	6	193	179	14	7	186
United Kingdom	10,738.5	3,318	107	3,425	3,140	285	146	3,279
United States	37,149.3	11,660	368	12,028	10,862	1,166	595	11,433
Total	151,209.1	44,713	1,500	46,213	44,213	2,000	2,000	44,213

Note: Fund positions may not sum to totals due to rounding.

1/ Eleventh General Review quota for all members except Brunei Darussalam, which has not yet consented to its quota increase.

2/ Fund positions equivalent to the end-period average of 29.24 percent of quota (Table 6).

3/ Calculated in proportion to positive deviations or, equivalently, based on shares in deviations above average (Table 6).

Table 6. Projected Fund Positions During the Period
June - August 2000

(In percent of quota; shares in deviations shown in percent of total)

	Beginning Period Fund Positions (1)	End-Period Fund Positions Without Receipts (2)	Fund Positions Consistent with End-Period Average (3)	Deviation From End-Period Average (4)	Shares in Deviations Above Average (5)	Projected End-Period Fund Positions (6)
Australia	30.80	31.79	29.24	2.55	2.11	30.50
Austria	30.75	31.76	29.24	2.52	1.21	30.48
Belgium	30.58	31.58	29.24	2.34	2.75	30.39
Botswana	30.33	31.92	29.24	2.68	0.04	30.33
Brunei Darussalam	23.51	24.18	29.24	-5.06	0.00	24.18
Canada	31.06	32.05	29.24	2.81	4.57	30.62
Chile	31.27	32.20	29.24	2.96	0.65	30.68
China	31.07	32.05	29.24	2.81	3.36	30.62
Czech Republic	0.00	0.98	29.24	-28.26	0.00	0.98
Denmark	30.64	31.61	29.24	2.37	0.99	30.39
Finland	31.09	32.12	29.24	2.88	0.93	30.61
France	31.56	32.56	29.24	3.32	9.10	30.86
Germany	31.55	32.54	29.24	3.30	10.95	30.86
Greece	31.13	32.10	29.24	2.86	0.60	30.64
Hungary	17.02	17.99	29.24	-11.25	0.00	17.99
Ireland	31.48	32.43	29.24	3.19	0.68	30.76
Israel	7.06	8.03	29.24	-21.21	0.00	8.03
Italy	30.62	31.61	29.24	2.37	4.27	30.41
Japan	30.64	31.64	29.24	2.40	8.14	30.41
Kuwait	27.32	28.33	29.24	-0.91	0.00	28.33
Luxembourg	19.87	20.94	29.24	-8.30	0.00	20.94
Netherlands	30.65	31.64	29.24	2.40	3.16	30.42
New Zealand	30.43	31.44	29.24	2.20	0.50	30.32
Norway	31.64	32.65	29.24	3.41	1.46	30.92
Oman	25.63	26.66	29.24	-2.58	0.00	26.66
Poland	12.58	13.61	29.24	-15.63	0.00	13.61
Portugal	30.53	31.57	29.24	2.33	0.51	30.41
Qatar	16.95	18.09	29.24	-11.15	0.00	18.09
Saudi Arabia	14.14	15.12	29.24	-14.12	0.00	15.12
Singapore	30.65	31.69	29.24	2.45	0.54	30.42
Slovenia	31.00	31.86	29.24	2.62	0.16	30.57
Spain	31.27	32.25	29.24	3.01	2.35	30.71
Sweden	30.51	31.51	29.24	2.27	1.39	30.34
Switzerland	30.73	31.71	29.24	2.47	2.18	30.44
Trinidad and Tobago	0.00	0.90	29.24	-28.34	0.00	0.90
United Arab Emirates	30.62	31.60	29.24	2.36	0.37	30.45
United Kingdom	30.90	31.90	29.24	2.66	7.28	30.54
United States	31.39	32.38	29.24	3.14	29.75	30.78
Total	29.57	30.56	29.24	1.32	100.00	29.24
Standard Deviation	9.45					8.85

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**IMMEDIATE
ATTENTION**

EBS/00/89

CONFIDENTIAL

May 17, 2000

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Designation Plan for the Quarterly Period June–August 2000**

Attached for consideration by the Executive Directors is the proposed designation plan for the quarterly period June–August, 2000.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by noon on Wednesday, May 24, 2000. In the absence of such a request, the draft decision that appears on page 3 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Mr. Moustapha (ext. 37637) and Ms. Dunn (ext. 38248) are available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

**Designation Plan for the Quarterly Period
June–August 2000**

Prepared by the Treasurer's Department

(In consultation with Area and Legal Departments)

Approved by Eduard Brau

May 17, 2000

1. This memorandum proposes a designation plan for the quarterly period June–August 2000.¹ The designation mechanism seeks to assure the conversion of SDRs into freely usable currencies and to promote balanced SDR holdings among designated participants over time. The proposed designation plan is precautionary, as no transaction by designation is envisaged for the forthcoming period.² In recent years, the liquidity of SDRs has been assured mainly through transactions by agreement with twelve participants that have established two-way (buying/selling) arrangements.
2. The designation plan distributes a total designation amount of SDR 1,500 million, an assumed amount for a two-year period, to participants with the lowest initial excess holdings ratios. As indicated in Box 1, the quarterly amounts are one-fifth of the two-year amounts calculated for individual participants.
3. The staff assessment of the external strength of participants for inclusion in the SDR designation plan and for transfers of currency in the financial transactions plan is presented in the annex to the accompanying financial transactions plan paper. As proposed in that paper, 38 participants are considered sufficiently strong to be subject to designation.

¹ The rules for designation in the SDR Department are discussed in “Revision of Designation Rules and Designation Plan for the Quarterly Period June–August 1999” (EBS/99/81, 05/20/99).

² Since September 1987, all exchanges of SDRs for currencies between participants have been voluntary. In the unlikely event that the designation plan is activated and the plan amount appears insufficient, the staff would propose an amendment to the plan, which the Executive Board may be requested to approve at short notice.

Box 1. Designation Plan Mechanism

Article XIX of the Fund's Articles of Agreement provides for a designation mechanism under which participants whose balance of payments and reserve positions are deemed sufficiently strong are obliged, when designated by the Fund, to provide freely usable currencies in exchange for SDRs up to specified amounts. The designation mechanism ensures that, in case of need, participants can use SDRs to obtain freely usable currencies at short notice. Participants may need to exchange for currencies SDRs in their holdings or SDRs obtained in purchases from the Fund.

Quarterly designation plans identify members subject to designation and set maximum limits on the amounts of SDRs they can be designated to receive during the quarter. The list of participants subject to designation is the same as the list of members considered sufficiently strong for inclusion in the quarterly financial transactions plan.¹ The amounts of designation for individual participants are determined so as to promote over time a balanced distribution of holdings of SDRs among them. Individual amounts of designation are calculated in an iterative process so that the participants subject to designation would, if called upon to accept the amounts designated to them, achieve a common lowest excess holdings ratio. The excess holdings ratio is calculated as the member's actual SDR holdings minus its net cumulative allocation as a percent of its quota.

A participant's obligation to provide currency against SDRs in designation is subject to a ceiling that limits its holdings to 300 percent of its net cumulative allocation (acceptance limit), unless the participant and the Fund agree to a higher limit. The quarterly amounts of designation for individual participants are taken as one-fifth of the calculated amounts of designation for the next two years, rather than one-eighth, in order to provide a margin of safety.

¹ See the accompanying paper: "Financial Transactions Plan for the Quarterly Period June–August 2000."

4. The proposed designation plan is based on a total amount of SDR 300 million to be distributed among ten participants as set out in Table 1: Australia, Chile, France, Greece, Israel, Italy, New Zealand, Slovenia, Trinidad and Tobago and the United Kingdom. As shown in Table 2, no designation amounts have been assigned to other participants either because their SDR holdings already exceed their acceptance limits, or because their excess holding ratios are above the projected common ratio (-6.8 percent)³ used in calculating the plan.

³ The projected common ratio is found by successively raising the holdings of the participants with the lowest ratios until the assumed designation amount of SDR 1,500 million for the two-year period is fully distributed. The ratio that results in a total designation amount of SDR 1,500 million for the two-year period is -6.8 percent.

Table 1. Designation Plan—Maximum Amounts: June–August 2000
(In millions of SDRs)

Participants	Maximum Designation Amounts 1/
Australia	37
Chile	9
France	17
Greece	8
Israel	9
Italy	9
New Zealand	14
Slovenia	2
Trinidad and Tobago	5
United Kingdom	<u>190</u>
Total	<u>300</u>

1/ See column (6) of Table 2.

Proposed Decision

The following draft decision is proposed for adoption by the Executive Board.

The Executive Board approves the designation plan for the quarterly period
June–August 2000 as set out in EBS/00/89.

Table 2. Designation Plan: June-August 2000
Calculation of Designation Amounts

(In millions of SDRs unless otherwise indicated)

	Quotas 1/ (1)	Holdings of SDRs in excess of net cumulative allocations 1/ (2)	Excess Holdings Ratios (Percent) 2/ (3)	Assumed Designation Over Eight Quarterly Periods 3/ (4)	Projected Excess Holdings Ratios 4/ (Percent) (5)	Designation Amounts 5/ (6)	Excess Holdings Ratios 6/ (Percent) (7)
Australia	3,236	-407.5	-12.6	187	-6.8	37	-11.4
Austria	1,872	-62.5	-3.3	--	-3.3	--	-3.3
Belgium	4,605	-266.3	-5.8	--	-5.8	--	-5.8
Botswana	63	24.6	39.0	--	39.0	-- 7/	39.0
Brunei Darussalam	150	4.3	2.9	--	2.9	-- 7/	2.9
Canada	6,369	-366.1	-5.7	--	-5.7	--	-5.7
Chile	856	-105.6	-12.3	47	-6.8	9	-11.3
China	4,687	338.8	7.2	--	7.2	--	7.2
Czech Republic	819	0.2	0.0	--	0.0	-- 7/	0.0
Denmark	1,643	20.0	1.2	--	1.2	--	1.2
Finland	1,264	-17.3	-1.4	--	-1.4	--	-1.4
France	10,739	-817.0	-7.6	87	-6.8	17	-7.5
Germany	13,008	152.1	1.2	--	1.2	--	1.2
Greece	823	-96.9	-11.8	41	-6.8	8	-10.8
Hungary	1,038	5.9	0.6	--	0.6	-- 7/	0.6
Ireland	838	-54.1	-6.5	--	-6.5	--	-6.5
Israel	928	-106.2	-11.4	43	-6.8	9	-10.5
Italy	7,056	-527.0	-7.5	47	-6.8	9	-7.3
Japan	13,313	949.6	7.1	--	7.1	--	7.1
Kuwait	1,381	34.3	2.5	--	2.5	--	2.5
Luxembourg	279	-14.5	-5.2	--	-5.2	--	-5.2
Netherlands	5,162	113.8	2.2	--	2.2	--	2.2
New Zealand	895	-132.9	-14.9	72	-6.8	14	-13.3
Norway	1,672	102.9	6.2	--	6.2	--	6.2
Oman	194	-4.1	-2.1	--	-2.1	--	-2.1
Poland	1,369	10.6	0.8	--	0.8	-- 7/	0.8
Portugal	867	-16.9	-1.9	--	-1.9	--	-1.9
Qatar	264	2.8	1.1	--	1.1	--	1.1
Saudi Arabia	6,986	-68.5	-1.0	--	-1.0	--	-1.0
Singapore	863	79.9	9.3	--	9.3	-- 7/	9.3
Slovenia	232	-23.4	-10.1	8	-6.8	2	-9.4
Spain	3,049	-92.5	-3.0	--	-3.0	--	-3.0
Sweden	2,396	-97.3	-4.1	--	-4.1	--	-4.1
Switzerland	3,459	194.2	5.6	--	5.6	-- 7/	5.6
Trinidad and Tobago	336	-46.1	-13.7	23	-6.8	5	-12.3
United Arab Emirates	612	-32.9	-5.4	--	-5.4	--	-5.4
United Kingdom	10,739	-1,674.5	-15.6	944	-6.8	190	-13.8
United States	37,149	2,910.6	7.8	--	7.8	--	7.8
TOTAL	151,209	-85.6		1,500		300	

1/ The quotas and SDR holdings reflect transactions and operations scheduled to be completed by end-May 2000.

2/ Ratio of column (2) to column (1).

3/ An assumed amount of designation over a two year period is distributed among participants, through an iterative process, to raise the lowest excess holdings ratios to a common ratio. The total amount of designation over eight quarters (SDR 1.5 billion) has been assumed in designation plans prepared since September 1988.

4/ Assuming designation of amounts shown in column (4), which results in a common minimum ratio for those members listed with designation amounts in column (4).

5/ Derived by proportionately reducing amounts shown in column (4) with some rounding so that the total equals SDR 300 million.

6/ Assuming designation of amounts shown in column (6).

7/ Holdings of the participant are above its acceptance limit. Brunei Darussalam, the Czech Republic, Hungary, Poland, and Switzerland have not received SDRs in allocation.