

**IMMEDIATE
ATTENTION**

EBS/09/52

April 15, 2009

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Enlargement and Extension of the Financial Transactions Plan,
Extension of the SDR Designation Plan for the Period February–April
2009 to February–May 2009, and Use of Borrowed Resources**

Attached for consideration by the Executive Directors is a paper on the enlargement and extension of the Financial Transactions Plan, an extension of the SDR Designation Plan for the period February–April 2009 to February–May 2009, and the use of borrowed resources.

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 Thursday, April 16, 2009**. In the absence of such a request, the draft decisions that appear on page 4 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

It is not intended to publish this paper on the Fund's external website.

Questions may be referred to Ms. Fennell (ext. 38341) and Mr. Hatch (ext. 37552) in FIN.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

**Enlargement and Extension of the Financial Transactions Plan
and Extension of the SDR Designation Plan for the Period
February–April 2009 to February–May 2009 and
Use of Borrowed Resources**

Prepared by the Finance Department
(In consultation with the Legal Department)

Approved by Andrew Tweedie

April 15, 2009

1. This paper proposes that the current Financial Transactions Plan (FTP) for the period February–April 2009 be enlarged to provide for an increase in the use of currencies in transfers and extended through end-May 2009.¹ It also proposes to extend the current SDR designation plan by one month in order to keep the same period for both plans. The enlargement is proposed to allow the Fund to accommodate possible additional requests for Fund support, including under the recently approved Flexible Credit Line (FCL). The extension of the current FTP through end-May would allow time for the Board to consider a paper being prepared on the operational modalities for the use of borrowed resources prior to the beginning of the forthcoming FTP. The paper also proposes to include Brazil, Colombia, Libya, and Malta in the list of members considered sufficiently strong for inclusion in the enlarged and extended FTP.
2. Transfers of currencies under the current plan have so far amounted to SDR 3 billion of an authorized total of SDR 15 billion. Based on the latest staff estimates, purchases of SDR 1.5 billion under current Fund arrangements, and SDR 5 billion under projected new arrangements, could be brought to the Board during the remainder of the extended plan period. This leaves a margin of SDR 5.5 billion to provide for unanticipated drawings under current and new arrangements, including those treated as precautionary, during the current plan period.
3. Since the current plan was approved, the Board has agreed on a major reform of the Fund's GRA facilities, including the introduction of the FCL.² A request from Mexico for a precautionary FCL of SDR 31.5 billion will be considered by the Board on April 17 and other requests are possible. While Mexico has indicated that it does not plan to draw on the FCL, staff proposes as a contingency measure to expand the existing plan by SDR 20 billion. Staff also proposes to make provision for possible drawings under the borrowing agreement

¹ See *Financial Transactions Plan for the Period February–April 2009* (EBS/09/13, 1/26/09).

² See *GRA Lending Toolkit and Conditionality—Reform Proposals* (SM/09/69, 3/13/09).

with Japan of up to SDR 15 billion (equivalent to the monthly drawdown limit under the Japan agreement).³ This would increase the total resources available during the extended plan period to SDR 50 billion.

4. Regarding the use of borrowed resources, the Board temporarily suspended a provision in the Fund's borrowing guidelines—requiring that the Board approve quantitative limits on borrowing as a condition for any further borrowing—so as to enable approval of the Japan borrowing agreement.⁴ Staff is preparing a paper on the operational modalities for the use of borrowed resources for Board consideration in the coming weeks. The provision proposed in this paper for possible use of the Japan borrowing agreement prior to that discussion reflects the importance of preserving quota resources in the face of possible large demands on the Fund's resources, and does not pre-judge the Board's consideration of the broader policy issues involving the mix of quota and borrowed resources in meeting that demand.

5. Staff considers that a proposed enlargement of the current FTP of SDR 20 billion and the provision for up to SDR 15 billion in drawings under the borrowing agreement with Japan would provide an adequate margin for potential drawings during the remainder of the extended plan period. The additional FTP transfers would be made entirely in currencies and would be allocated in proportion to the quotas of FTP members, including the new FTP participants proposed below (Table 1). If the proposed total transfers should prove to be insufficient to meet demand during the remainder of the current plan period, staff would propose a further amendment to the FTP, which may need to be considered on short notice as in this instance and on past occasions.

6. The staff proposes to include four new countries in the list of members considered sufficiently strong for inclusion in the enlarged and extended FTP. An assessment of members' external positions at the time of the last FTP cycle identified eight countries—Algeria, Angola, Brazil, Colombia, Libya, Malta, Namibia, and Peru—as having sufficiently strong external positions to warrant their early inclusion in the FTP. Consultations were concluded to enable the inclusion of Peru in the February–April 2009 FTP. Staff consultations with relevant members' authorities, through their Executive Directors' offices, have now also been concluded for Brazil, Colombia, Libya, and Malta, which are proposed for inclusion in the enlarged and extended FTP. Consultations are continuing regarding the inclusion of Algeria in the next FTP. The external positions of Angola and Namibia have deteriorated since the previous assessment and it is therefore not proposed to include them at this time.

7. To the extent that consultation with or concurrence of members is required for use of currencies in transfers, it is suggested that consideration of the proposed amended FTP by the Executive Board constitutes the necessary consultation, and concurrence will be assumed unless an objection is raised by an Executive Director.

³ See *Borrowing Agreement with the Government of Japan* (EBS/09/19, 2/10/09).

⁴ See *Guidelines for Borrowing by the Fund—Temporary Suspension of Certain Provisions* (EBS/09/20, 2/20/09).

Table 1. Amended Financial Transactions Plan and Use of Borrowed Resources for the Period February–April 2009
(In millions of SDRs)

Member	Current Plan			Proposed ¹	
	Agreed Amounts	Use ²	Remaining	Increase	Amended Amounts
Australia	278	0	278	362	640
Austria	161	40	121	210	371
Belgium	395	130	265	516	911
Botswana	5	0	5	7	12
Brazil ³	--	--	--	340	340
Brunei Darussalam	18	0	18	24	42
Canada	547	180	367	713	1,260
Chile	73	0	73	96	169
China	694	75	620	906	1,600
Colombia ³	--	--	--	87	87
Cyprus	12	0	12	16	28
Czech Republic	70	0	70	92	162
Denmark	141	57	84	184	325
Finland	108	0	108	141	249
France	922	220	702	1,202	2,124
Germany	1,116	110	1,006	1,456	2,572
Greece	71	0	71	92	163
India	357	86	271	465	822
Ireland	72	0	72	94	166
Israel	80	0	80	104	184
Italy	605	200	405	790	1,395
Japan	1,142	400	742	1,490	2,632
Korea	251	0	251	328	579
Kuwait	119	0	119	155	274
Luxembourg	24	9	15	31	55
Libya ³	--	--	--	126	126
Malaysia	128	45	83	166	294
Malta ³	--	--	--	11	11
Mauritius	9	0	9	11	20
Mexico	271	80	191	353	624
Netherlands	443	140	303	578	1,021
New Zealand	77	0	77	100	177
Norway	143	50	93	187	330
Oman	17	0	17	22	39
Peru	55	0	55	71	126
Poland	117	25	92	153	270
Portugal	74	8	66	97	171
Qatar	23	0	23	30	53
Russia	510	110	400	666	1,176
Saudi Arabia	599	180	419	782	1,381
Singapore	74	30	44	97	171
Slovak Republic	31	15	16	40	71
Slovenia	20	0	20	26	46
Spain	262	85	177	341	603
Sweden	206	70	136	268	474
Switzerland	297	0	297	387	684
Thailand	93	36	57	121	214
Trinidad and Tobago	29	15	14	38	67
United Arab Emirates	52	0	52	68	120
United Kingdom	922	300	622	1,202	2,124
United States	3,187	318	2,869	4,158	7,345
Total Currencies	14,900	3,013	11,887	20,000	34,900
SDRs	100	7	93	--	100
Total FTP	15,000	3,020	11,980	20,000	35,000
Borrowed Resources (Japan)	--	--	--	15,000	15,000
Grand Total	15,000	3,020	11,980	35,000	50,000

¹ Assumes extension of the current plan period through May 31, 2009.

² As of April 15, 2009.

³ Member not included in current FTP but proposed for inclusion in amended FTP.

PROPOSED DECISIONS

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

A. Financial Transactions Plan

The Executive Board approves the amended list of members considered sufficiently strong and the amendment to the Financial Transactions Plan for the quarterly period February-April 2009 (Executive Board Decision No. 14257-(09/10), adopted January 30, 2009) as set out in Table 1 of EBS/09/52, and decides that the plan shall remain in effect through May 31, 2009.

B. SDR Designation Plan

The Executive Board decides that the SDR designation plan for the quarterly period February–April 2009 (Executive Board Decision No. 14256-(09/10) S, adopted January 30, 2009) shall remain in effect until May 31, 2009.

C. Use of Borrowed Resources

For the period through May 31, 2009, the Executive Board approves drawings under the borrowing agreement with the government of Japan as set out in Table 1 of EBS/09/52.