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Summing Up by the Chairman
Access Policy and Limits in Connection with
Quota Increases Under Ninth General Review
Executive Board Meeting 92/129 - October 28, 1992

Executive Directors have considered the access policy and limits that should apply following the effectiveness of increases in quotas under the Ninth General Review. The discussion today underlined Directors' concerns about both the need to safeguard the Fund's liquidity position and the need to maintain the Fund's critical catalytic role in supporting members' adjustment efforts. In supporting those views, Directors expressed differing positions. While several Directors believed that access limits lower than those proposed by the staff were appropriate, many Directors argued that higher access limits were desirable. In addition, the Board was divided on whether to retain or eliminate the provisions for the floating of facilities in relation to conditionality in the credit tranches. I am grateful for the efforts made by Directors following the initial tour de table to move toward a position on the various issues on the agenda that could attract broad agreement in the Executive Board. In the end, it has not proved possible to achieve a full consensus on these matters, but on balance, Directors, in their majority, supported decisions that will equip the Fund to meet the needs of members in the period immediately ahead. I shall describe the sense of the meeting as follows.

1. Access under the credit tranches and the extended Fund facility

The enlarged access policy is to be terminated. We pay tribute to those who have allowed the policy to work and to serve the Fund well during the past decade. In the future, the Fund will use its ordinary resources to finance purchases in the credit tranches or under the extended facility, and the normal terms regarding charges (including burden sharing) and repurchase periods for the use of ordinary resources will apply.

Limits on annual and cumulative access to the Fund's resources are to be set initially at 68 percent and 300 percent of quota, respectively. The new limits are intended to be of a temporary nature, and, therefore, will be reviewed within 12 months and annually thereafter. The triennial limits and the dual limit structure are to be terminated.

Executive Directors stressed that the limits are neither entitlements nor targets. The philosophy of our policy on access remains unchanged. Within the limits, the amount of access in individual cases will continue to be governed, mutatis mutandis, by the criteria set out in the Chairman's summing up of December 2, 1983 on the subject.

The exceptional circumstances clause is to be retained.

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2. Access under special facilities and in support of debt operations

Access under the compensatory and contingency financing facility and the buffer stock financing facility (including sublimits) is to be adjusted in proportion to the adjustment in the annual limit on access under the credit tranches and the extended facility, taking the present lower annual limit as the base. The same adjustment is to be applied to the limit for requests for additional resources in connection with debt and debt-service-reduction operations, resulting in a limit of 30 percent of quota.

3. Access under SAF and ESAF arrangements

Potential access under SAF arrangements is to be set at 50 percent of quota, of which 15 percent of quota would be available in the first year, 20 percent in the second year, and 15 percent in the third year. However, the SDR amounts available to those members under three-year commitments in effect at the time of the adjustment will not be reduced.

Regarding access under the ESAF for originally eligible member countries, the maximum limit on access is to be set at 190 percent of quota and the exceptional limit at 255 percent of quota. On average, access would be expected to amount to around 110 percent of quota.

Regarding access under the ESAF for member countries which became newly eligible in April 1992, maximum access is reduced by potential SAF access--now 50 percent of quota. Access to ESAF resources would be expected to average around 60 percent of quota for these countries.

4. Floating of facilities

There is support for the elimination, for purposes of conditionality in the credit tranches, of the provisions for the floating of facilities in relation to the credit tranches. The staff will circulate the needed decisions shortly.

Finally, let me say again how much Directors emphasized the importance of ensuring that the Fund's liquidity position remains strong, so as to reassure members that the Fund can at all times meet their potential needs for encashment of their reserve positions in the Fund, and provide the necessary support for members undertaking strong adjustment programs. The staff's projections in the paper indicate that the access limits under the new quotas agreed today are compatible with the maintenance of a sound liquidity position over the next two years or so. However, the staff and management will continue to monitor closely developments in the Fund's liquidity position and will bring to the attention of the Executive Board any significant developments.