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SM/92/193

October 30, 1992

To: Members of the Executive Board

From: The Secretary

Subject: Access Policy and Limits, and Elimination of Floating
of Facilities with Respect to First Credit Tranche
Conditionality - Proposed Decisions

There is attached for the consideration of the Executive Directors a memorandum containing proposed decisions that would give effect to the understandings reached at EBM/92/128 and EBM/92/129 (10/28/92) on the new access policy and limits and the elimination of the floating of facilities with respect to first credit tranche conditionality. The Chairman's summing up of that meeting is being circulated as BUFF/92/133 (10/30/92).

In the absence of objection by the close of business on Tuesday, November 3, 1992, the proposed decisions will be deemed approved by the Executive Board, and it will be so recorded in the minutes of the next meeting thereafter.

Mr. Munzberg (ext. 36675) or Mr. Elizalde (ext. 37796) is available to answer technical or factual questions on the proposed decisions.

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INTERNATIONAL MONETARY FUND

Access Policy and Limits, and Elimination
of Floating of Facilities with Respect to First Credit
Tranche Conditionality: Proposed Decisions

Prepared by the Legal Department

(In Consultation with the Policy Development and Review
and Treasurer's Departments)

Approved by François Gianviti

October 30, 1992

At EBM/92/128 and EBM/92/129 (10/28/92), the Executive Board requested the staff to prepare a final draft of the decisions reflecting the understandings reached at that meeting, which would implement the new access policy and limits following the effectiveness of the quota increases under the Ninth General Review, and to submit draft decisions implementing the agreed elimination of the floating of facilities with respect to first credit tranche conditionality. These proposed decisions are set forth in this paper.

The following remarks may be made with respect to the proposed decisions:

(a) As a point of clarification in response to a question raised by an Executive Director, the cumulative limit under the new access policy will be, as in the past, net of scheduled repurchases (with respect to purchases in the credit tranches and under the extended facility) falling due during the period of the requested arrangement.

(b) The limits and sublimits of the compensatory and contingency financing facility (CCFF) and the buffer stock financing facility (BSFF) have been adjusted by a factor of 0.7556, in proportion to the adjustment in the annual limit on access in the credit tranches and under the extended Fund facility, taking the present lower annual limit as the base (i.e., $68/90 = 0.7556$). The results have been rounded to the nearest number ending in five or zero, except that in two cases, for consistency with the sum of the resulting sublimits on the cereal import component (15 percent of quota) and the optional tranche (20 percent of quota) of the CCFF, relevant limits have been rounded from 32 to 35 percent of quota and from 92 to 95 percent of quota, respectively.

(c) The limit for requests for additional resources in connection with debt and debt-service reduction operations has been adjusted following the same procedure, from 40 to 30 percent of quota (i.e., $40 \times 0.7556 = 30.2$).

As this limit was originally included in a Summing Up by the Chairman, ¹/ the decision on the new limit will be reflected in the Chairman's Summing Up of the meeting of October 28, 1992, rather than in a formal decision.

(d) As explained in the paper entitled "Issues Related to the Floating of Facilities Financed by the Fund's General Resources" (EBS/91/186, 10/31/91), the relevant paragraphs of the draft decision on the elimination of floating propose to deem purchases under the CCFE and the BSFF, when requested concurrently with purchases in the first credit tranche, as made first, so as to provide the Fund with flexibility, where warranted, to avoid the very large frontloading of access that can occur as a result of concurrent requests under present provisions.

A revision of Table 3 in EBS/92/159, showing the main limits under present and new quotas, is attached for reference.

Proposed Decisions

I. Policy on Access Under Credit Tranches and Extended Facility: Guidelines on Access Limits

(1) The Fund having reviewed Decisions No. 6783-(81/40), March 11, 1981, as amended, No. 7600-(84/3), January 6, 1984, as amended, and No. 9546-(90/145), September 17, 1990, as amended, and having noted that, upon the fulfillment of the requirement for effectiveness of increases in quotas under the Ninth General Review of Quotas specified by paragraph 3 of the Resolution of the Board of Governors No. 45-2, it may no longer approve stand-by or extended arrangements under the Enlarged Access Policy, decides that, after that date, access by members to the Fund's general resources under the credit tranches and the extended Fund facility shall be subject to an annual limit of 68 percent of quota and a cumulative limit of 300 percent of quota, net of scheduled repurchases. These limits shall not be regarded as targets. Within these limits, the amount of access

¹/ Selected Decisions, Seventeenth Issue, pp. 189-94.

in individual cases will vary according to the circumstances of the member in accordance with criteria established by the Executive Board. The Fund may approve stand-by or extended arrangements that provide for amounts in excess of these access limits in exceptional circumstances.

(2) The guidelines and the access limits are intended to be temporary. Therefore, they will be reviewed not later than October 29, 1993, and annually thereafter in light of all relevant factors, including the magnitude of members' payments problems and developments in the Fund's liquidity.

II. Extended Fund Facility

Upon the fulfillment of the requirement for effectiveness of the increases in quotas under the Ninth General Review of Quota specified by paragraph 3 of the Resolution of the Board of Governors No. 45-2, Decision No. 4377-(74/114), September 13, 1974, as amended, shall be amended further by deleting Section II, paragraph 4(a), and the reference to that paragraph in Section II, paragraph 4(b).

III. Access Limits Under Special Facilities

Upon the fulfillment of the requirement for effectiveness of the increases in quotas under the Ninth General Review of Quota specified by paragraph 3 of the Resolution of the Board of Governors No. 45-2:

(a) The percentages of a member's quota referred to in Decision No. 8955-(88/126), August 23, 1988, as amended, on the establishment of the compensatory and contingency financing facility shall be changed as follows:

- in paragraph 8(a)(i), 105 percent shall be changed to 80 percent;
- in paragraph 8(a)(ii), 83 and 40 percent shall be changed to 65 and to 30 percent, respectively;
- in paragraph 8(a)(iii), 40 percent shall be changed to 30 percent;
- in paragraph 8(a)(iv), 83 and 17 percent shall be changed to 65 and to 15 percent, respectively;
- in paragraph 8(a)(v), the references to 83 percent and 57 percent shall be deleted;
- in paragraph 8(a)(vi), the reference to 122 percent shall be changed to 95 percent;
- in paragraph 8(b), 40, 17, and 25 percent shall be changed to 30, 15, and 20 percent, respectively, and the reference to 57 percent shall be deleted;
- in paragraphs 12(a)(i) and 12(a)(ii), respectively, 40 percent shall be changed to 30 percent, and 65 percent to 50 percent;
- in paragraphs 12(b)(i), 12(b)(ii) and 12(b)(iii), respectively, 20 percent shall be changed to 15 percent, 40 percent to 30 percent, and 65 percent to 50 percent;
- in paragraph 12(c), 83 percent shall be changed to 65 percent;
- in paragraph 21(a), 35 percent shall be changed to 25 percent;
- in paragraph 23, 40 percent shall be changed to 30 percent;
- in paragraphs 36(b)(i), 36(b)(ii), 36(c)(i) and 36(c)(ii), 17 and 42 percent shall be changed to 15 and 35 percent, respectively;

- in paragraph 37(a), 105 percent shall be changed to 80 percent.

- In Section V, on the compensatory financing of fluctuations in the cost of oil imports, all the references to percentages of a member's quota shall be deleted.

(b) The percentage in paragraph 2 of Decision No. 2772-(69/47), June 25, 1969, as amended, on the buffer stock financing facility, shall be changed from 45 percent to 35 percent.

IV. Access Limits Under the Structural Adjustment Facility

Upon the fulfillment of the requirement for effectiveness of the increases in quotas under the Ninth General Review of Quota specified by paragraph 3 of the Resolution of the Board of Governors No. 45-2, the percentages of quota referred to in paragraph 2 of Decision No. 8240-(86/56) SAF, March 26, 1986, as amended, on access under the structural adjustment facility, shall be changed as follows:

- 70 percent shall be changed to 50 percent;
- 20 percent shall be changed to 15 percent; and
- 30 percent shall be changed to 20 percent,

provided that, notwithstanding paragraph 4(3) of Decision No. 8240-(86/56) SAF, the SDR amount under three year commitments in effect at the time this Decision becomes effective, shall not be reduced as a consequence of such changes.

V. Access Limits Under the Enhanced
Structural Adjustment Facility

Upon the fulfillment of the requirement for effectiveness of the increases in quotas under the Ninth General Review of Quota specified by paragraph 3 of the Resolution of the Board of Governors No. 45-2, the percentages of quota referred to in paragraph 1 and 2 of Decision No. 8845-(88/61) ESAF, April 20, 1988, on access under the enhanced structural adjustment facility shall be as follows:

- 250 percent shall be changed to 190 percent, and
- 350 percent shall be changed to 255 percent.

VI. Elimination of Floating with Respect to
First Credit Tranche Conditionality

(Buffer Stock Financing Facility)

a. Except for the purpose of determining the level of conditionality applied to purchases in the credit tranches, the Fund's holdings of a member's currency resulting from purchases under Decision No. 2772-(69/47), June 25, 1969, as amended, on the buffer stock financing facility, shall be considered separate from the Fund's holdings of the same currency resulting from purchases under any other policy on the use of the Fund's general resources. In cases of concurrent requests for purchases under Decision No. 2772-(69/47) and purchases in the credit tranches, purchases under Decision No. 2772-(69/47) shall be deemed to be made first.

(Extended Fund Facility)

b. Decision No. 4377-(74/114), September 13, 1974, as amended, on the extended Fund facility, shall be further amended by deleting the second sentence of Section II, paragraph 4(b).

(Borrowed and Substituted Resources under Enlarged Access Policy)

c. For purposes of determining the level of conditionality applied to purchases in the credit tranches, the Fund will take into account its holdings of a member's currency resulting from purchases made with borrowed resources under Decisions No. 6783-(81/40), March 11, 1981, as amended, and with substituted resources in accordance with Decision No. 9546-(90/145), September 17, 1990, as amended.

(Compensatory and Contingency Financing Facility)

d. Decision No. 8955-(88/126), August 23, 1988, as amended, on the establishment of the compensatory and contingency financing facility shall be amended further by replacing paragraph 4 of Section I, by the following:

"4. Except for the purpose of determining the level of conditionality applied to purchases in the credit tranches, the Fund's holdings of a member's currency resulting from purchases under any of the policies set forth in this Decision shall be considered separate from the Fund's holdings of the same currency resulting from purchases under any other policy on the use of the Fund's general resources. In cases of concurrent requests for purchases under any Section of this

Decision and for purchases in the credit tranches, purchases under this Decision shall be deemed to be made first."

Revision to EBS/92/159, 10/6/92

Table 3. Access Limits Under Fund Arrangements, Special Facilities, and in Connection with Augmentation for Debt and Debt-Service Reduction

(In percent of quota)

	Under Present Quotas	Under New Quotas (Rounded) <u>1/</u>
Access under credit tranches and the Extended Fund Facility		
Annual	90-110	68
Cumulative	400-440	300
SAF <u>2/</u>		
1st year	70	50
2nd year	20	15
3rd year	30	20
	20	15
ESAF <u>2/</u>		
Expected Average	150	110
Maximum	250	190
Exceptional	350	255
ESAF newly eligible members (expected average) <u>2/</u>	" 80	60
CCFF <u>3/</u>		
Sublimits:	122	95
Compensatory <u>4/</u>	40	30
Contingency	40	30
Cereal <u>4/</u>	17	15
Optional tranche	25	20
Combined (compensatory or contingency plus optional tranche)	65	50
Combined (compensatory, contingency and optional tranches)	105	80
BSFF <u>3/</u>	45	35
Augmentation for debt operations <u>3/</u>	40	30

Source: Fund staff calculations.

1/ Limits have been rounded upward or downward to the nearest number ending in five or zero, except that in two cases, for consistency with the sum of the resulting sublimits on the cereal import component (15 percent of quota and the optional tranche (20 percent of quota).

2/ Access over a three year period.

3/ Reflects a downward adjustment of about 24 percent (or $68/90 = 0.7556$), which is based on 68 percent annual access for new quotas compared to lower annual (operational) limit of 90 percent of present quota.

4/ If the balance of payments position apart from the effects of the export shortfall (cereal import costs) is satisfactory, the current limit is 83 percent of quota and the new limit is 65 percent of quota.

