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EBS/92/159
Correction 1

CONFIDENTIAL

October 23, 1992

To: Members of the Executive Board

From: The Secretary

Subject: Access Policy and Limits in Connection with the Quota Increases - Further Consideration

The following correction has been made in EBS/92/159 (10/6/92):

Page 9, Table 2, SAF/ESAF eligible, column 1: for "6.7" read "9.5."

A corrected page is attached.

Att: (1)

Other Distribution:
Department Heads

Table 2. Implications of a 65 Percent Annual Access Limit on Potential Maximum Annual Access

Categories of Fund Membership	Proposed Quotas Ninth Review (1)	Percentage Change from Eighth Review (2)	Annual Access at 90% of Present Quotas (3)	Adjust 90 Percent of Quotas: To 65 Percent of New Quotas (4)	Adjust 90 Percent of Quotas: Difference (4) / (3) (5)
	(In bn. of SDRs)		(In bn. of SDRs)	(In bn. of SDRs)	(Percentage change)
Existing members as of 12/31/91 1/	136.7	50.0	82.0	88.8	8.3
Industrial	85.9	51.1	51.2	55.9	9.2
Developing	50.8	48.0	30.9	33.0	6.9
Africa	8.6	43.1	5.4	5.6	3.4
Asia	13.5	45.8	8.3	8.8	5.3
Europe	5.6	46.0	3.4	3.6	5.5
East Europe	4.7	45.6	2.9	3.1	5.2
Middle East	11.7	60.5	6.5	7.6	15.9
W. Hemisphere	11.4	43.8	7.2	7.4	3.9
Miscellaneous WEO groupings					
Net creditor	8.7	61.7	4.9	5.7	16.8
Net debtor	41.8	45.5	25.9	27.2	5.1
O/w with debt-servicing difficulties	23.4	44.9	14.5	15.2	4.6
15 heavily-indebted	13.1	45.0	8.2	8.5	4.7
Fuel exporters	18.0	55.0	10.4	11.7	12.0
Nonfuel exporters	32.8	44.4	20.4	21.3	4.3
Manufacturers	16.6	47.3	10.1	10.8	6.3
Primary products	8.3	38.8	5.4	5.4	0.2
SAF/ESAF eligible 2/	9.5	40.5	6.1	6.2	1.5
Past Fund users	38.6	44.0	24.1	25.1	4.0
O/w past CCFF users	30.3	44.2	18.9	19.7	4.2
New and prospective members for which quotas have been established 3/	9.3	48.7	5.6	6.1	7.4
Industrial countries 4/	2.5	45.3	1.5	1.6	5.0
Developing countries 5/	6.8	50.0	4.1	4.4	8.3

1/ Includes Albania which was not a member at the time EBS/91/152 was prepared.

2/ Other than China and India, but including 11 countries that became ESAF-eligible in April 1992, i.e., Albania, Angola, Côte d'Ivoire, Dominican Republic, Egypt, Honduras, Mongolia, Nicaragua, Nigeria, Philippines, and Zimbabwe.

3/ Excluding the Republics of Croatia, Slovenia, and Bosnia - Herzegovina, which have applied for membership but for which quotas have not yet been established, as of end-September 1992.

4/ Switzerland.

5/ Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrghyzstan, Latvia, Lithuania, Moldova, Russia, Tajikistan*, Turkmenistan, Ukraine, Uzbekistan, the Federal States of Micronesia, the Marshall Islands, and San Marino.

(*) indicates that country has not yet become a member.

countries, adjusting the annual access limits from the current lower base of 90 percent of quota. 1/

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Although these various considerations may point in different directions, the staff considers that on balance caution is warranted in setting new limits, in part because of the heightened uncertainties associated with the large addition to the Fund's membership that is now in progress and a possibly relatively fast deterioration in the Fund's liquidity ratios. In particular among the specific alternatives discussed, and in light of the liquidity projections presented above, it would seem difficult to provide strong justification for the solution of new limits of 83/333 percent of quota (Alternative II), which would in fact entail a significant expansion of maximum potential access for all groups of members against any base.

New limits of the order of, say, 65/290 percent of quota (roughly maintaining the relationship between the existing lower annual and cumulative limits and rounding to the nearest number ending in five or zero), would fall in the range supported earlier by the majority of the Board and would seem to meet many of the desiderata mentioned by Executive Directors in the November meeting. Specifically, such a solution would avoid a reduction of maximum access from the present operational base for any of the groups of members identified earlier--including the group of past users of Fund resources; it would provide a limit that is well above the

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1/ Although the staff continues to feel that calculations based on the present lower annual limit are the most relevant in an operational sense, it has to be acknowledged that the present dual limit structure introduces a degree of ambiguity that makes it difficult to establish clearly whether countries or groups would "gain" or "lose" from selection of any particular new limits. One's perception as to which base is relevant for comparison (i.e., either the upper or lower limits) can swamp the calculations. For example, the new annual access limit suggested by the staff in the September 1991 paper (68 percent of quota) implied a "gain" in maximum potential access for the then existing members--by some 14 percent on average--in comparison with the present lower limit; but the same new limit implies a "loss" in absolute maximum access for the then existing members--by 7 percent on average--in comparison with the present upper limit. Among the alternatives discussed, only Alternative II (83/333) produces the result that there are unambiguously no "losers" in terms of maximum potential access by comparison with either base, because this alternative is defined, in effect, to increase maximum potential access above the present upper limit for all but the country with the smallest percentage quota increase (the increase in maximum access under this alternative is 14 percent on average in terms of the present upper limit and some 39 percent in terms of the present lower limit). If nothing else, this ambiguity would seem to reinforce the arguments to move to a single set of annual and cumulative limits which would be transparent and understandable to the membership.