Buff Document No. 91/213 - November 21, 1991

Concluding Remarks by the Chairman
Preliminary Consideration of Access Policy and Limits in Connection with Quota Increases and Review of Fund's Liquidity Position
Executive Board Meeting 91/156 - November 15, 1991

I will make only concluding remarks today, because Directors' positions understandably were quite tentative. The discussion has been constructive, but it has also indicated a broadly held desire for simplification. The Board is generally agreed that access limits to be established under the new quotas must enable the Fund to continue to play a central, even if catalytic, role in promoting macroeconomic and structural adjustment in member countries, which for many entails far-reaching systemic changes. The Board is equally agreed that access policies must continue to be applied with prudence in order to strike an appropriate balance between members' needs for financing and adjustment and the revolving nature of the resources of a monetary institution. In that connection, it was noted again by many that access limits are ceilings and not targets. Additional documentation will be prepared in light of the views expressed by Directors today, which provide guidance for our further work.

Directors generally indicated that maximum potential access available under the present Enlarged Access Policy should be maintained, at least for an interim period, under a new access policy--or whatever the eventual label--following implementation of the quota increases under the Ninth General Review. Directors agreed that, as new borrowings are not now anticipated in the period following the quota increases, financing of access by borrowed resources under the Enlarged Access Policy should be ended with the effectiveness of new quotas. Directors also generally agreed that all purchases under a new access policy should be subject to the repurchase terms for ordinary resources of 3 1/4 to 5 years and 4 1/2 to 10 years under stand-by and extended arrangements, respectively. It was also agreed that all Fund holdings of members' currency arising from purchases under the new access policy would be subject to the same rate of charge referred to in Rule I-6(4).

Views on the operational meaning to be given to the concept of "maintenance of maximum potential access" varied. Many Directors stressed the continuing payments difficulties and uncertainties facing many members and indicated their support for setting the new annual and cumulative access limits at 83 percent and 333 percent of new quotas, respectively. This would base the new limits on the present upper limits of 110 percent and 440 percent and would ensure against any reduction in potential maximum absolute access for all members (except for the United Kingdom and Cambodia) from that base.

Many other Directors were concerned that such a course of action would effectively represent an expansion of potential access for virtually all members. A few in this group thought it would be more prudent to set the new annual and cumulative limits at 60 percent and 267 percent of new quotas, respectively--that is, to use the limits of 90 percent and 400 percent of present quotas as the base and maintain access on average--while others tended to favor the suggestion by the staff regarding limits of about 68 percent and 303 percent. A few asked that the staff consider possible compromises that would result in limits somewhere between these two latter alternatives, and interest was also expressed in possible mechanisms for a gradual transition to new access limits. In addition, a number of Directors noted that the Executive Board had always stressed the temporary nature of the Enlarged Access Policy, and some considered that it should be envisaged that any proposed access limits would be phased down in the future. The staff will reflect on Directors' comments on this issue, and we will try to come back soon with proposals that would have Directors' broad support.

While the overall limits are important, Directors noted that access in individual cases would continue to be the ruling factor and would suggest actual use significantly below the limits. Directors considered that the guidelines on access in individual cases had enabled the Fund to respond prudently but effectively to members' needs for the Fund's financial assistance on a case-by-case basis. It was also agreed that the exceptional circumstances clause--as long as these circumstances were indeed regarded as truly exceptional, as has been our practice so far--was an important feature of the guidelines that should be retained, especially in view of the highly uncertain world economic environment.

Directors stressed that the Fund's liquidity position must be maintained at a level that provides confidence to its creditors and assurances to potential users that resources will be made available under the appropriate conditions. The staff's projections indicate that the access limits discussed today for application under the new quotas can be accommodated without undue strain on the Fund's liquidity over the medium term. However, while the present position is adequate, projections point clearly to the need for urgent action on the quota increase. Whatever is finally agreed for new access policies, the management and staff will, of course, monitor and report to the Executive Board any significant developments in the area of Fund liquidity.

On other issues related to access, Directors were generally in favor of the elimination of the triennial limits and the dual limit structure. They also accepted the staff proposals as regards access to the special facilities and access for debt and debt-service reduction operations.

Regarding the structural adjustment facility (SAF) and the enhanced structural adjustment facility (ESAF), Directors indicated support for adjusting access levels in relation to the average of quota increases for eligible members. Most Directors also considered that the SAF regulations should be amended to ensure that the SDR amounts of those SAF arrangements that are in effect at the time of the quota increases are not reduced because of the change in access limits as a percentage of quotas.

As regards the floating nature of facilities financed by the Fund's general resources, many Directors appeared to favor retaining the floating provisions, some Directors could support their elimination, and others wished to reflect further. My sense of the discussion is that a change would not find at this stage sufficiently wide support, but we should keep the question open.

* * *

Our discussion today has focused on the access policies to be followed when the new quotas take effect. I continue to hope that this will be the case by the end of this year, and Directors have been emphatic about the need for prompt action. We again urge all that have not yet consented to the quota increase and accepted the Third Amendment to do so quickly. But as some Directors have noted, we may have to contemplate difficulties in meeting this deadline. We have agreed to meet to consider the situation on December 4.