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FOR
AGENDA

EBS/88/95

CONFIDENTIAL

May 18, 1988

To: Members of the Executive Board

From: The Secretary

Subject: Extended Fund Facility and Policy on Enlarged Access -
Amendments

The attached draft decisions that reflect the consensus reached by the Executive Board have been tentatively scheduled for discussion on Friday, June 3, 1988.

Mr. Asser (ext. 7709) is available to answer technical or factual questions relating to the proposed decisions prior to the Board discussion.

Att: (1)

INTERNATIONAL MONETARY FUND

Extended Fund Facility and Policy on Enlarged
Access--Amendments

Prepared by the Legal Department

(In consultation with the Exchange and Trade Relations and
Treasurer's Departments)

Approved by François Gianviti

May 18, 1988

Attached are draft decisions that reflect the consensus of the Executive Board to make the following changes in the Extended Fund Facility, the Policy on Enlarged Access, and the Guidelines for Phasing:

- (a) the period of an existing extended arrangement may be lengthened up to four years, where appropriate;
- (b) purchases under extended arrangements will be made with ordinary resources up to 140 percent of quota and thereafter with borrowed resources; 1/ and
- (c) performance criteria and purchases for extended arrangements could be phased at semiannual intervals.

The attached draft decisions are proposed for the approval of the Executive Board.

1/ In accordance with paragraph 8(c) of Decision No. 6783-(81/40), adopted March 11, 1981 (Selected Decisions, Thirteenth Issue, p. 47), the mix between ordinary and borrowed resources under an arrangement is determined as of the date of approval of the arrangement, even if it has been preceded by an approval in principle, and repurchases made after that date are not taken into account. If the amount of the arrangement is subsequently adjusted and/or the period of the arrangement is subsequently lengthened, repurchases made after the original date of approval are not taken into account.

In accordance with paragraph 8(d) of said Decision, a change in the mixing ratio applies uniformly to both arrangements approved after the change and amounts that may be purchased under existing arrangements after the change. Consequently, if adopted, the new ratio for extended arrangements will apply to purchases still to be made after the date of adoption of the new ratio under existing extended arrangements.

Extended Fund Facility and Policy on Enlarged Access:
Lengthening of Program Period

Paragraph 3, first sentence, of Decision No. 4377-(74/114), adopted September 13, 1974, as amended, shall be amended to read as follows:

"Extended arrangements under this decision will be for periods not exceeding three years; where appropriate, and at the request of the member, the period of an existing extended arrangement may be lengthened up to four years."

Paragraph 6, last sentence, of Decision No. 6783-(81/40), adopted March 11, 1981, shall be amended to read as follows:

"The period of an extended arrangement will be normally three years; where appropriate, and at the request of the member, the period of an existing extended arrangement may be lengthened up to four years."

Policy on Enlarged Access: Use of Ordinary
and Borrowed Resources

1. Effective _____, 1988, subparagraphs (a) and (b) of paragraph 8 of Decision No. 6783-(81/40), adopted March 11, 1981, on the Policy on Enlarged Access shall read as follows:

- (a) Under a stand-by arrangement, purchases will be made with ordinary and borrowed resources in the ratio of 2 to 1 in the first credit tranche, and 1 to 2 in the next three credit tranches. Thereafter, purchases will be made with borrowed resources only.
- (b) Under an extended arrangement, purchases by a member will be made with ordinary resources until the outstanding use of ordinary resources in the upper credit tranches and under the Extended Fund Facility equals 140 percent of the member's quota. Thereafter, purchases will be made with borrowed resources.

2. Effective _____, 1988, Decision No. 8487-(86/205), adopted December 19, 1986 shall be terminated.

Relationship Between Performance Criteria and Phasing of
Purchases Under Fund Arrangements--Operational Guidelines

Decision No. 7925-(85/38), adopted March 8, 1985, shall be amended by adding the following new paragraph (9):

"(9) Notwithstanding the foregoing, in the case of extended arrangements, performance criteria and purchases could be phased at semiannual intervals, provided that appropriate monitoring of macroeconomic developments would be ensured, normally in the form of quarterly benchmarks."