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August 5, 1987

To: Members of the Executive Board

From: The Secretary

Subject: Review of the Fund's Liquidity - Financing Needs and  
Financial Considerations for Access Policy in 1988

Attached for consideration by the Executive Directors is a paper on a review of the Fund's liquidity, financial needs and financial considerations for access policy in 1988. This subject, together with a paper on preliminary policy considerations of access limits for 1988 (EBS/87/167, 7/29/87) and a paper on review of access limits for special facilities (EBS/87/171, 7/31/87) is scheduled for discussion on Wednesday, September 2, 1987.

Mr. Dhruba Gupta (ext. 7627) or Mr. Zavoico (ext. 7626) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)



INTERNATIONAL MONETARY FUND

Review of the Fund's Liquidity - Financing Needs and  
Financial Considerations for Access Policy in 1988

Prepared by the Treasurer's Department

Approved by F. Gerhard Laske

August 4, 1987

I. Introduction

This paper reports on the Fund's liquidity position as of July 31, 1987. It also discusses prospective developments in the Fund's liquidity position through the end of 1988, on the assumption of unchanged policies on access to the Fund's resources, and considers some financial issues that bear on the financing of enlarged access policy in 1988.

The paper is organized as follows: Section II discusses the supply of usable resources as of July 31, 1987; Section III reviews projections of demand for the Fund's resources for 1987 and 1988; Section IV discusses the availability of ordinary and borrowed resources in relation to demand through end-1988. Section V draws some conclusions. Two appendices are also attached. The first sets out the usual analysis of the evolution of the ratios used in assessing the Fund's liquidity position, while the second discusses broad trends, past and prospective, in repurchases and repayments to lenders over the ten year period 1981 through 1991 and their impact on the Fund's supply of ordinary resources.

II. The Supply of Resources as of July 31, 1987

1. Ordinary resources

As of July 31, 1987, the Fund's stock of usable ordinary resources totaled SDR 39.1 billion. This comprised (i) a total of SDR 38.1 billion of currencies of members considered sufficiently strong to be included for transfers in the current operational budget (EBS/87/118, May 28, 1987), and (ii) SDR 1.0 billion of SDRs held by the Fund. At that level, the stock of usable ordinary resources was at the same level as of January 31, 1987, as reported in the last liquidity review (EBS/87/56, March 9, 1987).

Although the Fund's holdings of usable ordinary resources was augmented by the net impact of the addition of Finland and Malaysia to, and the exclusion of Trinidad and Tobago from, the list of members considered sufficiently strong for their currencies to be used for transfers under the operational budget (SDR 0.8 billion), this was

offset by net outflows from transactions and operations in the General Resources Account, reflecting primarily repayments with ordinary resources of borrowings used to finance the policy of enlarged access (see Section III, paragraph 4 (iii) below).

The 26 members that are currently considered sufficiently strong for inclusion of their currencies for transfer under the Fund's operational budget account for about 65 percent of Fund quotas. This is relatively high by historical standards. The list of members considered strong continues to include all but four of the industrial countries (Australia, Iceland, Luxembourg and New Zealand), and ten developing countries, five of which are petroleum exporters. The exclusion of one or more of the members presently included in the operational budget cannot be precluded in the period immediately ahead in the light of the continued difficulties that some of these members are experiencing in their external positions; no further major additions to the stock of usable currencies are currently in prospect.

The staff continues to consider it appropriate to adjust the stock of usable currencies by a factor of one quarter to take account of uncertainties related to the evolution of members' balance of payments and reserve positions as well as the Fund's need to maintain working balances of individual currencies. This adjustment, amounting to SDR 9.5 billion, should also provide a reasonable allowance for any encashment of reserve tranche positions in excess of the SDR 0.4 billion and SDR 1.0 billion included for the remainder of 1987 and for 1988, respectively (see Section III, paragraph 4(i) below). After taking account of this adjustment, the total of adjusted usable currencies and SDRs amounted to SDR 29.6 billion as of July 31, 1987 (Annex Table 1), or SDR 0.2 billion below the level reported on the occasion of the last liquidity review.

Undrawn commitments of ordinary resources totaled SDR 0.8 billion as of July 31, 1987 (after deducting SDR 0.6 billion representing amounts that are not likely to be drawn). <sup>1/</sup> Thus, the total of adjusted and uncommitted ordinary resources was SDR 28.8 billion at July 31, 1987 (Table 1), compared with SDR 28.4 billion at January 31, 1987.

## 2. Borrowed resources

As of July 31, 1987 the amount of borrowed resources available to the Fund (excluding the General Arrangements to Borrow) totalled SDR 6.4 billion, of which SDR 3.4 billion--including investments amounting to SDR 0.3 billion held in the Borrowed Resources Suspense Accounts pending disbursement--represents Fund borrowing under the

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<sup>1/</sup> See footnote 1, Annex Table 1.

enlarged access policy from the Saudi Arabian Monetary Authority 1/ and SDR 3.0 billion of borrowing from the Government of Japan that was agreed in December 1986 (Annex Table 1); at that level available borrowed resources are SDR 0.7 billion lower than at the time of the last review of the Fund's liquidity. Undrawn commitments of borrowed resources totaled SDR 1.5 billion as of July 31, 1987 (after deducting SDR 0.3 billion that are not likely to be drawn). 2/ The stock of uncommitted borrowed resources as of July 31, 1987 thus amounted to SDR 4.9 billion, compared to a total of SDR 5.6 billion as of January 31, 1987.

Only a small drawing (SDR 15 million) has been made so far under the borrowing agreement with Japan in conjunction with Fund arrangements. The Executive Board decided that initially this agreement should be used to help finance purchases of borrowed resources under the enlarged access policy, alongside other resources borrowed in connection with EAR. 3/

### 3. Overdue repurchases to the Fund

Overdue repurchases increased to SDR 1.0 billion as of July 31, 1987, in comparison to SDR 0.8 billion at the time of the last liquidity review. Overdue repurchases were thus equivalent to 3.4 percent of the Fund's stock of adjusted usable ordinary resources, compared with 2.7 percent as of January 31, 1987 (line 5(i), Appendix I, Table 2). As in the past, the projections of the stock of ordinary resources assume no changes in the amount of overdue repurchases.

The level of overdue repurchases to the General Resources Account has been rising rapidly and is now of an order that is beginning to materially affect the Fund's liquidity position. Not only is the total of usable ordinary resources lower by SDR 1 billion than they would otherwise have been, but any further increase in overdue repurchases

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1/ In December 1986 SAMA agreed to extend the drawdown periods of both its borrowing agreements with the Fund. The drawdown period of the 1984 agreement was extended by two years to May 6, 1989, but the final maturity date of calls within the extended period remained unchanged and all drawings must be repaid by November 1989 (see EBS/86/250, November 12, 1986). Drawings on this credit line during the extended drawdown period thus entail a progressive shortening of maturities. Notice of calls have been given to SAMA for the remaining SDR 0.1 billion under the medium-term agreement (SDR 8 billion) and for SDR 0.3 billion under the short-term agreement (SDR 3 billion), for value August 31, 1987.

2/ See footnote 1, Annex Table 1.

3/ See "Chairman's Summing Up at the Conclusion of the Discussion on Borrowing by the Fund from the Government of Japan ...," (86/244, December 24, 1986) and Executive Board Minutes at the last discussion on the Fund's Liquidity Position (EBM/87/57).

Table 1: Summary of Projections on Fund Liquidity

(In billions of SDRs)

|   | Actual<br>end-July<br>1987 | Projected<br>end-1987      end-1988 |      |
|---|----------------------------|-------------------------------------|------|
| 1. <u>Ordinary Resources</u><br>(adjusted and uncommitted)              | 28.8                       | 28.6                                | 25.7 |
| 2. <u>Borrowed Resources</u><br>(uncommitted and including Japan)       | 4.9                        | 4.2                                 | 2.4  |
| <u>Memoranda 1/</u>   |                            |                                     |      |
| a. Total Fund credit outstanding  | 31.8                       | 31.0                                | 30.2 |
| b. Total liquid liabilities   | 35.4                       | 34.5                                | 33.7 |
| Of which:   |                            |                                     |      |
| Reserve tranche positions   | 24.1                       | 23.7                                | 25.3 |
| Outstanding borrowing (loan claims)                                     | 11.3                       | 10.8                                | 8.4  |
| 3. <u>Gross New Commitments</u><br>(in calendar years)                  |                            |                                     |      |
| Total   |                            | 3.9                                 | 4.3  |
| Of which:   |                            |                                     |      |
| Ordinary resources  |                            | 2.3                                 | 2.5  |
| Borrowed resources  |                            | 1.6                                 | 1.8  |
| 4. <u>Fund Credit</u><br>(in calendar years)                            |                            |                                     |      |
| a. Total purchases  |                            | 5.2                                 | 6.2  |
| b. Total repurchases  |                            | 7.5                                 | 7.0  |
| c. Net change in Fund credit<br>outstanding                             |                            | -2.3                                | -0.8 |
| 5. <u>Repayments to Lenders from Ordinary Resources</u><br>(Cumulative) |                            | 2.3                                 | 3.2  |

Note: The detailed projections and other data underlying this table are to be found in Tables 1 and 2 of the Annex.

1/ No use has been made of the GAB lines of credit and the associated agreement with Saudi Arabia, which total SDR 18.5 billion.

will have a progressively larger impact as the total of usable assets falls over the next few years. This prospect is of special concern if account is taken, in particular, of the forthcoming obligations, totaling some SDR 2 billion, of the members that at present have protracted overdue repurchases to the Fund.

### III. Demand for the Fund's Resources in 1987 and 1988

#### 1. Overview

New commitments under arrangements are projected at SDR 3.9 billion during 1987, which is somewhat lower than the total projected in the previous review but which nevertheless represents an increase relative to the amounts actually committed in 1985 and 1986 (SDR 3.3 billion and SDR 3.7 billion, respectively). New commitments in 1988 are projected to rise to about SDR 4.3 billion (Annex Table 2).

Purchases under existing and prospective arrangements are expected to total SDR 3.2 billion in 1987 and SDR 4.2 billion in 1988, while purchases under the compensatory financing facility (CFF) are projected to total SDR 2.0 billion in both 1987 and 1988. Total purchases are thus projected in the order of SDR 5 billion in 1987 and SDR 6 billion in 1988. 1/ The projected increase in total purchases during 1987 and 1988 is thus due in large part to higher levels of projected CFF purchases.

Repurchases are scheduled to amount to SDR 7.5 billion in 1987 and SDR 7.0 billion in 1988 (in contrast to SDR 5.6 billion in 1986), reflecting the large extension of credit in the early 1980's. Current projections of purchases and repurchases suggest that outstanding Fund credit financed from the General Resources Account (i.e., purchases less repurchases) which totaled SDR 31.8 billion as of July 31, 1987, will decline by about SDR 0.8 billion during the remainder of 1987 and by a further SDR 0.8 billion in 1988. Despite this decline in aggregate net use of Fund credit, approximately 30 members (or about 40 percent of all members with outstanding Fund credit), including several with relatively large quotas, are projected to receive net financing from the Fund in 1987 and 1988. 2/ The distribution of purchases, repurchases, and the use of Fund credit by region and by analytical category is set out in Annex Table 3.

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1/ The projection for 1987 is SDR 0.9 billion lower than in the last review because purchases under arrangements are expected to be less by that amount as a result of cancellations of arrangements or shifts of purchases to subsequent years.

2/ These figures exclude changes in credit to members associated with SAF loans and Trust Fund repayments; these flows are currently projected to broadly offset each other in the period through end-1988 (see Annex Table 2).

The projected decline in outstanding Fund credit in the period through end-1988 would normally be accompanied by an increase in the stock of usable currencies. However, the stock of usable currencies is projected to decline concurrently with a reduction in the total of the Fund's liquid liabilities because of relatively large net repayments of Fund borrowing out of the Fund's ordinary resources which are projected to amount to SDR 1.0 billion through end-1988.

2. New commitments under arrangements in 1987

Current projections, based on country-by-country estimates, indicate that the Fund will conclude new stand-by and extended arrangements amounting to a total of SDR 3.9 billion in 1987. Of this total SDR 2.3 billion would be financed with ordinary resources, and SDR 1.6 billion would be financed with borrowed resources (Annex Table 2). <sup>1/</sup> All arrangements projected for 1987 are with developing countries.

These projections are lower by SDR 0.5 billion than those presented in EBS/87/56 (March 9, 1987). The reasons for the reductions are as follows: (i) fourteen arrangements for a total of SDR 1.0 billion projected earlier are not expected to materialize during 1987 (ten of these arrangements, for a total of SDR 0.9 billion, have been shifted into the projections for 1988); (ii) two arrangements for a total of SDR 0.1 billion which were not anticipated earlier are now projected for 1987 (both of these replace arrangements considered inoperative); and (iii) changes in probabilities attached to the likelihood that arrangements would be concluded and in the amounts reported by Area Departments resulted in a net increase of SDR 0.4 billion.

3. New commitments under arrangements in 1988

New commitments under arrangements during 1988 are projected to amount to SDR 4.3 billion, of which SDR 2.5 billion is expected to be financed with ordinary resources and SDR 1.8 billion with borrowed resources. All projected arrangements for 1988 are with developing countries. The projections for 1988 contain provision, with relatively low probabilities, for arrangements with some developing countries that have large quotas and which are expected to have substantial external deficits and financing needs. Without adjustment for probability factors, projected arrangements in 1988 would total SDR 7.4 billion.

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<sup>1/</sup> These figures include arrangements already entered in 1987 as well as arrangements projected for the remainder of 1987. The figures for projected arrangements reflect adjustments for the probability that individual arrangements will actually be concluded. Without these probability adjustments, actual and projected commitments under arrangements in 1987 would total SDR 4.3 billion.



4. Other demand for Fund resources in 1987 and 1988

(i) Reserve positions in the Fund

Liquid claims on the Fund totaled SDR 35.4 billion as of July 31, 1987, of which SDR 24.1 billion represented reserve tranche positions and SDR 11.3 billion represented loan claims on the Fund. The decline in reserve tranche positions from the level of SDR 24.4 billion on January 31, 1987 is due to the relatively large volume of repurchases that were effected in currencies during the last six month period. Of the total of reserve tranche positions, about 20 percent (SDR 5.0 billion) was held by countries (excluding Saudi Arabia and the United States) that are expected to experience current account deficits in 1987. Although prospective current account deficits do not provide a reliable guide to probable drawdowns of reserve positions, they may nevertheless be used as an indicator of the firmness with which these positions in the Fund are held.

Provision has been made in the projections for the remainder of 1987 and for 1988 for reserve tranche purchases of SDR 0.4 billion and SDR 1.0 billion, respectively. This compares with actual encashment of reserve tranche positions of SDR 0.1 billion so far in 1987, SDR 0.4 billion during 1986 and SDR 0.1 billion in 1985. The projections for the remainder of 1987 and 1988 are essentially notional figures which are intended to cover the possibility of an encashment of reserve tranche positions by members whose currencies are not usable for transfers under the operational budgets. The possibility of encashment of reserve tranche positions in excess of these notional amounts, or encashment of loan claims (which are not expected during the period under review), is taken into account in the adjustment to the stock of usable resources (see discussion in Section II,(1) above).

Total reserve tranche positions are projected to increase slightly from the current level of SDR 24.1 billion to SDR 25.3 billion by end-1988 due to repayments of Fund borrowing out of ordinary resources which offset repurchase flows. This increase, combined with a reduction in outstanding loan claims amounting to SDR 2.9 billion (to SDR 8.4 billion by end-1988), is projected to result in a net reduction in total liquid liabilities of SDR 1.7 billion (to SDR 33.7 billion at end-1988).

(ii) Use of Fund resources under special facilities  
in 1987 and 1988

Purchases under special facilities are projected, based on a country-by-country survey, to total about SDR 2.0 billion in 1987 and are expected to be confined to purchases under the compensatory financing facility. Purchases so far in 1987 have totaled SDR 1.2 billion. Although considerable uncertainty exists in respect of projections for 1988, it would not be unreasonable to assume that CF purchases could

amount to about SDR 2.0 billion in that year. These projections compare with CF purchases of SDR 0.9 billion and SDR 0.6 billion in 1985 and 1986, respectively. The relatively high level of CF purchases projected for both 1987 and 1988 is due to the unusually large export earnings shortfalls expected in 1986 and 1987. <sup>1/</sup>

(iii) Repayments of EAR and SFF borrowing

As discussed in previous liquidity papers, a mismatch in maturities arises in connection with repayments with ordinary resources of borrowings used to finance the policy of enlarged access and, to a lesser extent, the Supplementary Financing Facility. Repayments under a number of the Fund's borrowing agreements have final maturities which are shorter than the maturities of the corresponding repurchases of the purchases financed with borrowed resources (see EBS/87/56, p.11 for details).

The Fund's obligation to repay lenders before the corresponding repurchases are made is financed out of the Fund's ordinary resources. The mismatch between repayments of debt and the discharge of member's repurchase obligations will be reversed as and when these repurchases are made. The maturity mismatch currently amounts to SDR 2.2 billion and is projected to rise to SDR 2.3 billion by end-1987 and to SDR 3.2 billion by end-1988.

IV. Availability of the Fund's Resources during the remainder of 1987 and through end-1988

1. Uncommitted ordinary resources

The stock of uncommitted ordinary resources (adjusted) is projected to fall from a level of SDR 28.8 billion at July 31, 1987 to SDR 28.6 billion at end-1987 and SDR 25.7 billion at end-1988 (Table 1 and Annex Table 1). The decline of SDR 0.2 billion in the total of uncommitted ordinary resources (adjusted) during the remainder of 1987 is projected to result from new commitments of ordinary resources of SDR 0.9 billion, purchases under the special facilities of SDR 0.8 billion, reserve tranche purchases of SDR 0.4 billion, and net repayments to EAR and SFF lenders amounting to SDR 0.1 billion. These outflows will be partially offset by repurchases made with ordinary resources amounting to SDR 2.0 billion. Tentative projections suggest that the stock of uncommitted ordinary resources (adjusted) will decline by a further SDR 2.9 billion in the course of 1988, due in large part to a continued use of ordinary resources to repay borrowings prior to the discharge of repurchases with respect to purchases financed by borrowed resources.

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<sup>1/</sup> For further discussion of CF purchases during 1987 and 1988, see "Review of Access Limits for Special Facilities for 1988" (EBS/87/171, dated July 31, 1987).

## 2. Uncommitted borrowed resources

Commitments of borrowed resources are projected to amount to SDR 0.7 billion in the remainder of 1987 and SDR 1.8 billion in 1988 (Annex Table 2). As a consequence, the stock of uncommitted borrowed resources is projected to decline from SDR 4.9 billion as of July 31, 1987 to about SDR 2.4 billion by end-1988. 1/

As noted above, drawings on the 1984 short-term borrowing agreement with SAMA during the extended drawdown period (May 7, 1987 through May 6, 1989) entail a progressive shortening of maturities; drawings made very late during this period would have effects on the Fund's liquidity that would be increasingly similar to the direct use of ordinary resources in financing purchases of borrowed resources. As discussed in EBS/87/56, emphasis has been given, and will continue to be given, to finance purchases under the policy of enlarged access by drawing down the credit lines available under the loan with SAMA, rather than to use resources available under the 1986 loan with Japan, because early use of the SAMA loan will minimize the impact of the maturity mismatch on the Fund's liquidity position. 2/

## 3. Mix of borrowed and ordinary resources

The mix of ordinary and borrowed resources in financing purchases under the enlarged access policy was modified in December 1986 to conserve the use of ordinary resources. The change in the mix had the effect of using more effectively the financing available under the loan with SAMA. It is projected that the change in mix will result in the use of an additional SDR 0.7 billion of borrowed resources through end-1987 (on a commitment basis), which is broadly in line with earlier estimates. The existing mix policy remains appropriate in the broad context of the management of the Fund's resources and no change in the mixing rules are proposed at this time.

## 4. Financing the policy on enlarged access in 1988

The Executive Board decision in 1984 to continue the policy on enlarged access provided for annual reviews to consider the future of that policy "in light of all relevant factors, including the magnitude

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1/ For the purposes of these projections, no use of the Japanese loan except for financing EAR purchases has been assumed; other uses are not precluded by the terms of the loan agreement with Japan. The use of resources under this loan is subject to regular review by the Executive Board.

2/ On current projections, the SAMA credit line under the 1984 agreement is likely to be fully committed by end-1988.

of member' payments problems and developments in the Fund's liquidity". 1/ The paper "Access Limits for 1988 - Preliminary Policy Considerations" (EBS/87/167, July 29, 1987) has analyzed the factors bearing on those limits for 1988, while the paper "Review of Access Limits for Special Facilities for 1988" (EBS/87/171, July 31, 1987) describes the background to the recommendation that present quota limits be maintained for 1988. This paper sets out the factors bearing on the Fund's liquidity position for the remainder of 1987 and in 1988 on the assumption of unchanged policies on access to the Fund's resources in 1988.

As indicated above, the total of uncommitted usable ordinary resources (adjusted) is projected to decline by about SDR 3.1 billion, or about 11 percent, in the period through end-1988. As also pointed out, a sharper decline cannot be precluded in the event, for example, of an unexpected deterioration in the external positions of members whose currencies are included in the operational budget for net transfers without compensating additions to the list of usable currencies. Despite these uncertainties, the total of usable ordinary resources would appear adequate to meet projected needs through end-1988. With the present ratio of the mix of ordinary and borrowed resources, the existing stock of borrowed resources is projected to be sufficient to finance EAR commitments under the enlarged access policy through end-1988. Consequently, there does not appear to be a need at this time for the Fund to consider new borrowing agreements to finance commitments under the Fund's policy on enlarged access in 1987, or, on a somewhat more tentative basis, in 1988.

On the basis of the projections summarized in this paper, it may be concluded that the Fund's overall liquidity position can be expected to remain broadly satisfactory both for the immediate future and, with somewhat less certainty, through end-1988. Furthermore, the Fund's liquidity position would at present seem sufficiently strong to accommodate the projected demands on the Fund's resources in 1988, and in particular, the level of access proposed in connection with the enlarged access policy as set out in EBS/87/167 and in connection with the special facilities as set out in EBS/87/171. However, taking into account the rising level of overdue repurchases and the increasing size of the mismatch, a reduction in the level of usable currencies as a result of, say, a deterioration in the balance of payments and reserves position of members whose positions are regarded as sufficiently strong at present, could result in the emergence of some strain in the Fund's liquidity position toward the end of the review period.

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1/ Executive Board Decision No. 7599-(84/3), adopted January 6, 1984, as amended by Decision No. 7841-(84/165), adopted November 16, 1984.

## V. Summary and Conclusions

1. a. The stock of uncommitted usable ordinary resources (adjusted) remains relatively high at SDR 28.8 billion as of July 31, 1987. It is projected that these resources will decline to SDR 25.7 billion by end-1988 in large part as a result of the repayments of Fund borrowings that are not matched by repurchases and despite a projected fall in outstanding net credit. The decline in the stock of usable assets will be accompanied by a substantial reduction in the Fund's liquid liabilities. A faster rate of decline could occur in the event of unanticipated demands for Fund resources, a weakening of the positions of members where currencies are included in the operational budget, or further increases in arrears.

Overdue repurchases to the General Resources Account currently total SDR 1.0 billion, and at this level are now of an order that they are beginning to materially affect the Fund's liquidity position. Overall, however, the stock of uncommitted usable resources is currently at a relatively high level and seems likely to remain adequate in the foreseeable future.

b. Uncommitted borrowed resources amounted to SDR 4.9 billion at July 31, 1987, and are projected to decline to about SDR 2.4 billion by end-1988, all of which would represent amounts available under the agreement with Japan. Existing credit lines and investments can be regarded as sufficient to finance the policy of enlarged access as proposed in EBS/87/167 through end-1988 without the need to seek new borrowing arrangements.

2. Commitments under new stand-by and extended arrangements--all to developing countries--are likely to total in the order of about SDR 4 billion in both 1987 and 1988.

There has been an increase in commitments and disbursements of borrowed resources as a result of the decision in December 1986 to change the mix of ordinary and borrowed resources in financing enlarged access. The results projected are fully consistent with those envisaged at the time of the change, and the staff does not suggest any modification to the mix policy at this time. This matter will be reviewed again on the occasion of the next semi-annual liquidity review.

3. Total purchases under existing and new arrangements and under the CFF are projected to be about SDR 5 billion in 1987 and about SDR 6 billion in 1988, while repurchases are scheduled to average SDR 7.3 billion in the years 1987 and 1988. Accordingly, outstanding Fund credit financed from the General Resources Account is projected to decline in both years, albeit by a substantially smaller amount in 1988 than in 1987. The reduction in Fund credit in the period to

end-1988 is, however, consistent with the revolving character of the Fund's resources and does not exclude relatively large amounts of Fund financing in individual cases in the period ahead subject to appropriate programs of adjustment.

4. Regarding management of resources under existing borrowing arrangements with SAMA and Japan, the staff proposes to continue to emphasize drawdowns on the short-term credit line with SAMA so as to make optimal use of the resources available under the borrowing agreements.

5. On balance, and notwithstanding the considerable and increasing degree of uncertainty as regards the evolution of the Fund's liquidity position, it can be concluded that the liquidity position is projected to remain satisfactory in the period through end-1988 and would seem sufficient to accommodate the levels of access proposed in connection with the enlarged access policy in 1988 in EBS/87/167 and in connection with special facilities in EBS/87/171.

Table 1. Estimates of Fund's Usable Resources  
Mid-1987 to end-1988

(In billions of SDRs)

|   | End-July<br>1987 | End-<br>1987 | End-<br>1988 |
|---|------------------|--------------|--------------|
| <b>A. Ordinary Resources</b>  |                  |              |              |
| 1. Usable currencies and SDRs<br>(adjusted)                                 | 29.6             | 29.6         | 27.0         |
| Less: Members' undrawn balances<br>under commitments                        | <u>0.8</u> 1/    | <u>1.0</u>   | <u>1.3</u>   |
| 2. Uncommitted ordinary resources<br>(adjusted)                             | 28.8             | 28.6         | 25.7         |
| <b>B. Borrowed Resources</b>  |                  |              |              |
| 1. Unused EAR credit lines and<br>investments                               | 3.4              | 2.5          | 0.7          |
| 2. Japan (1986) credit line   | 3.0              | 2.8          | 2.6          |
| 3. Total unused credit lines and<br>investments                             | 6.4              | 5.3          | 3.3          |
| Less: Members' undrawn<br>balances under commitments                        | <u>1.5</u> 1/    | <u>1.1</u>   | <u>0.9</u>   |
| 4. Uncommitted borrowed resources   | 4.9              | 4.2          | 2.4          |
| <b>C. Total enlarged GAB and associated<br/>agreement with Saudi Arabia</b> | (18.5)           | (18.5)       | (18.5)       |
| <b>Memoranda</b>  |                  |              |              |
| 1. Total Fund credit outstanding  | 31.8             | 31.0         | 30.2         |
| 2. Total liquid liabilities   | 35.4             | 34.5         | 33.7         |
| Of which:   |                  |              |              |
| Reserve tranche positions   | 24.1             | 23.7         | 25.3         |
| Outstanding borrowing (loan claims)   | 11.3             | 10.8         | 8.4          |

1/ The amounts have been reduced by SDR 0.6 billion of ordinary resources and SDR 0.3 billion of borrowed resources to adjust for: (i) undrawn balances under arrangements that are inoperative and are not likely to be drawn upon; and (ii) an additional amount to allow for the possibility that existing operative arrangements may not be fully utilized.

Table 2. Commitments and Changes in Use and Receipt of the Fund's Resources  
1986 to 1988

(In billions of SDRs)

|  | 1986<br>(Actual) | 1987             |                  | Total 1988 |                   |
|--|------------------|------------------|------------------|------------|-------------------|
|  |                  | Jan.1-<br>Jul.31 | Aug.1-<br>Dec.31 |            |                   |
| A. <u>Gross New Commitments</u>                                  |                  |                  |                  |            |                   |
| Total  | 3.7              | 2.3              | 1.6              | 3.9        | 4.3               |
| Of which:  |                  |                  |                  |            |                   |
| Ordinary resources   | 1.7              | 1.4              | 0.9              | 2.3        | 2.5               |
| Borrowed resources   | 2.0              | 0.9              | 0.7              | 1.6        | 1.8               |
| B. <u>Use and Receipts</u>                                       |                  |                  |                  |            |                   |
| 1. <u>Use and Receipt of Ordinary Resources</u>                  |                  |                  |                  |            |                   |
| a. <u>Purchases</u>  |                  |                  |                  |            |                   |
| i) Under arrangements  | 2.2              | 0.6              | 0.7              | 1.3        | 2.2               |
| ii) Under compensatory financing                                 | 0.6              | 1.2              | 0.8              | 2.0        | 2.0               |
| iii) Under buffer stock  | --               | --               | --               | --         | --                |
|  | 2.8              | 1.8              | 1.5              | 3.3        | 4.2               |
| b. <u>Repurchases</u>  |                  |                  |                  |            |                   |
| i) Under arrangements  | 1.4              | 1.1              | 1.0              | 2.1        | 2.3               |
| ii) Under CFF and buffer stock                                   | 2.3              | 1.3              | 1.0              | 2.3        | 1.2               |
|  | 3.7              | 2.4              | 2.0              | 4.4        | 3.5               |
| c. Net use of ordinary resources to<br>finance Fund credit (a-b) | -0.9             | -0.6             | -0.5             | -1.1       | 0.7               |
| d. Net use of ordinary resources<br>to finance:                  |                  |                  |                  |            |                   |
| (i) repayment to EAR and<br>SFF lenders <u>1/</u>                | -0.1             | 1.2              | 0.1              | 1.3        | 0.9               |
| (ii) encashment of reserve tranche<br>positions                  | 0.4              | 0.1              | 0.4              | 0.5        | 1.0               |
| e. Net use of ordinary resources ((a-b)+d)                       | -0.6             | 0.7              | --               | 0.7        | 2.6               |
| 2. <u>Use and Receipt of Borrowed Resources</u>                  |                  |                  |                  |            |                   |
| a. <u>Purchases</u>  | 1.0              | 0.8              | 1.1              | 1.9        | 2.0               |
| b. <u>Repurchases</u>  | 1.9              | 1.7              | 1.4              | 3.1        | 3.5               |
| c. Net use of borrowed resources<br>to finance Fund credit (a-b) | -0.9             | -0.9             | -0.3             | -1.2       | -1.5              |
| C. <u>Change in Fund Credit Outstanding (GRA)</u>                |                  |                  |                  |            |                   |
| 1. Total purchases (B.1.a + B.2.a)                               | 3.8              | 2.6              | 2.6              | 5.2        | 6.2               |
| 2. Total repurchases (B.1.b + B.2.b)                             | 5.6              | 4.1              | 3.4              | 7.5        | 7.0               |
| 3. Net change in Fund credit<br>outstanding (B.1.c + B.2.c)      | -1.8             | -1.5             | -0.8             | -2.3       | -0.8              |
| Of which: CFF and buffer stock                                   | -1.7             | -0.1             | -0.2             | -0.3       | 0.8               |
| D. <u>Change in Credit Provided by Fund</u>                      |                  |                  |                  |            |                   |
| 1. SAF loan disbursements  | 0.1              | 0.1              | 0.4              | 0.5        | 0.6 <sup>2/</sup> |
| 2. Trust Fund repayments   | 0.5              | 0.3              | 0.3              | 0.6        | 0.6               |
| 3. Net Credit Provided by Fund (C.3+D.1-D.2)                     | -2.2             | -1.7             | -0.7             | -2.4       | -0.8              |

1/ Repayments under EAR and SFF borrowing agreements made using ordinary resources net of repurchases corresponding to calls made under these arrangements.

2/ Does not include financing in connection with the possible augmentation of the SAF.



Table 3: Purchases, Repurchases and Use of Fund Credit -  
Distributed by Region and by Analytical Criteria

(In billions of SDRs)

|   | 1986 (Actual)  |                  |                              | 1987 1/        |                  |                              | 1988           |                  |                              |
|---|----------------|------------------|------------------------------|----------------|------------------|------------------------------|----------------|------------------|------------------------------|
|   | Pur-<br>chases | Repur-<br>chases | Net use<br>of Fund<br>credit | Pur-<br>chases | Repur-<br>chases | Net use<br>of Fund<br>credit | Pur-<br>chases | Repur-<br>chases | Net use<br>of Fund<br>credit |
| Industrial countries                      | --             | --               | --                           | --             | --               | --                           | --             | --               | --                           |
| Developing countries                      | 3.8            | 5.6              | -1.8                         | 5.2            | 7.5              | -2.3                         | 6.2            | 7.0              | -0.8                         |
| a. By region:                             |                |                  |                              |                |                  |                              |                |                  |                              |
| Africa                                    | 0.7            | 1.5              | -0.7                         | 1.0            | 1.5              | -0.6                         | 1.1            | 1.4              | -0.2                         |
| Asia                                      | 1.2            | 1.6              | -0.4                         | 1.4            | 1.8              | -0.5                         | 0.9            | 1.8              | -1.0                         |
| Europe                                    | 0.1            | 0.9              | -0.8                         | 0.1            | 1.4              | -1.3                         | 0.7            | 1.4              | -0.8                         |
| Middle East                               | --             | --               | --                           | 0.2            | --               | 0.1                          | 0.1            | --               | 0.1                          |
| Western Hemisphere                        | 1.8            | 1.6              | 0.1                          | 2.6            | 2.7              | -0.1                         | 3.4            | 2.3              | 1.1                          |
| b. By financial criteria: 2/              |                |                  |                              |                |                  |                              |                |                  |                              |
| i. By predominant type of credit:         |                |                  |                              |                |                  |                              |                |                  |                              |
| Market borrowers                          | 2.3            | 2.7              | -0.4                         | 3.5            | 4.2              | -0.7                         | 4.7            | 3.6              | 1.1                          |
| Official borrowers                        | 0.6            | 1.2              | -0.7                         | 0.7            | 1.3              | -0.6                         | 0.7            | 1.4              | -0.7                         |
| Diversified borrowers                     | 1.0            | 1.7              | -0.7                         | 1.0            | 2.0              | -1.0                         | 0.8            | 1.9              | -1.1                         |
| ii. By debt-service experience:           |                |                  |                              |                |                  |                              |                |                  |                              |
| Recent difficulties                       | 2.7            | 3.7              | -1.0                         | 3.7            | 4.9              | -1.1                         | 4.7            | 4.3              | 0.5                          |
| Other                                     | 1.2            | 2.0              | -0.8                         | 1.5            | 2.6              | -1.2                         | 1.5            | 2.7              | -1.2                         |
| Memorandum Item:                          |                |                  |                              |                |                  |                              |                |                  |                              |
| Prolonged users of Fund's<br>resources 3/ | 1.7            | 2.3              | -0.5                         | 1.6            | 2.6              | -1.0                         | 1.1            | 2.9              | -1.8                         |

Note: Details may not add to totals due to rounding.

1/ Based on actual data through July 31, 1987 and projections for the remainder of 1987.

2/ Based on classification used in World Economic Outlook. See Statistical Appendix, World Economic Outlook - April 1987 (pp. 109-112).

3/ Members making prolonged use of the Fund's resources include countries with arrangements with the Fund for five or more years since mid-1977 and outstanding use of Fund credit in excess of 200 percent of quota as at July 31, 1987.

Principal Ratios for Assessing Fund Liquidity

1. The principal financial elements of the Fund's liquidity and its borrowing for the period 1981 through 1988 are set out in Appendix I, Table 1. On the basis of these data, various ratios have been calculated and are shown in Appendix 1, Table 2.

2. Quota Ratio

The "quota ratio" (line 1), at 33.0 percent at end of July 1987, has declined by 2.9 percentage points from its level at January 31, 1987 (EBS/87/56) due to continuing repayments of amounts borrowed in connection with the Supplementary Financing Facility and EAR. This ratio remains well below the limit of 50 percent of quota at which point the Executive Board would need to review the availability of unused lines of credit. <sup>1/</sup>

On the basis of the projections in this paper, the quota ratio is expected to decline to 31.3 percent at end-December 1987 and to 26.4 percent at end-December 1988 as repayments of loans under the SFF and EAR continue to be made.

Outstanding borrowing as of July 31, 1987 totaled SDR 11.3 billion, or 12.6 percent of total quotas, and is projected to decrease to SDR 10.8 billion by end-1987 and to SDR 8.4 billion by end-1988 (12.0 percent and 9.3 percent of total quotas respectively).

3. Liquidity Ratios

The "liquidity ratio" (line 2) shows the relationship between the Fund's highly liquid assets (i.e., adjusted and uncommitted ordinary resources and temporary investments in BRS accounts) and the Fund's liquid liabilities in the form of reserve tranche positions and loan claims. At July 31, 1987, this ratio stood at 82.2 percent, which represents an increase of 5.8 percentage points from the level six months earlier. This substantial increase is primarily due to the inclusion of Finland and Malaysia in the list of members included on the transfer side of the operational budget. Based on the present list of currencies considered usable and other projections in the paper, the liquidity ratio is expected to continue to rise to 83.5 percent at end-1987 as a decline in the Fund's liquid liabilities more than offsets a fall in usable ordinary resources. The liquidity ratio is then projected to decline to 76.9 percent by end-1988.

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<sup>1/</sup> Executive Board Decision No. 7589-(83/181), adopted December 23, 1983.

The "cash ratio", which is a variant of the "liquidity ratio", is the ratio of adjusted and uncommitted ordinary resources to reserve tranche positions (line 3). As reserve tranche positions appear more likely to be drawn upon than loan claims (which are included in the "liquidity ratio"), this ratio is an indicator of the Fund's highly liquid assets and liabilities. This ratio is expected to increase from 119.5 percent at end-July 1987 to 120.7 percent at end-1987 as a decrease in the Fund's holdings of usable ordinary resources is offset by a decline in reserve tranche positions. A decline in the cash ratio to 101.6 percent is projected at end-1988 as ordinary resources are used to effect loan repayments.

At present, about 21 percent of reserve tranche positions in the Fund (or about SDR 5.0 billion) are held by members expected to have current account deficits in 1987 (excluding Saudi Arabia and the United States).

#### 4. Asset Ratios

The two "asset ratios" (line 4) relate the Fund's usable assets to its total obligations. The numerator includes all ordinary resources considered usable (i.e. including amounts committed and without any adjustment for members with relatively weak balance of payments and reserve positions) and temporary investments in the BRS accounts plus, alternatively, gold valued at the former official price. The denominator in both cases consists of the total of outstanding borrowing and reserve tranche positions.

At end-July 1987, the asset ratio, excluding gold, was 111.3 percent and, including gold, the asset ratio was about 121.5 percent. During the remainder of 1987 both variants of this ratio are expected to rise as the Fund's holdings of ordinary resources are projected to remain unchanged while total liquid liabilities decline. Both asset ratios are projected to decline in 1988.

#### 5. Ratios of Arrears

Overdue repurchases in relation to adjusted usable ordinary resources and credit outstanding (lines 5(i) and 5(ii)) stood at 3.4 percent and 3.1 percent respectively at July 31, 1987, representing further increases from the levels prevailing at the time of the last liquidity review.

Table 1. Selected Balance Sheet Data  
(In billions of SDRs)

| Item   | December 31 |       |       |       |       |       | Jan.31 | Jul.31 | Dec.31  | Dec.31  |
|--|-------------|-------|-------|-------|-------|-------|--------|--------|---------|---------|
|  | 1981        | 1982  | 1983* | 1984  | 1985  | 1986  | 1987   | 1987   | 1987    | 1988    |
|  |             |       |       |       |       |       |        |        | (Proj.) | (Proj.) |
| 1. Usable Ordinary Resources<br>(unadjusted) | 24.4        | 17.4  | 39.8  | 41.0  | 38.5  | 38.4  | 39.1   | 39.1   | 39.1    | 35.7    |
| of which:                                    |             |       |       |       |       |       |        |        |         |         |
| (a) Adjusted <u>1/</u>                       | 19.5        | 14.7  | 31.6  | 32.0  | 29.6  | 29.3  | 29.8   | 29.6   | 29.6    | 27.0    |
| (b) Adjusted and uncommitted                 | 15.4        | 10.8  | 27.7  | 30.6  | 28.0  | 28.4  | 28.4   | 28.8   | 28.6    | 25.7    |
| of which: SDR holdings                       | (5.0)       | (3.7) | (7.0) | (5.1) | (3.1) | (1.9) | (2.2)  | (1.0)  | (1.0)   | (1.0)   |
| 2. Gold at SDR 35 per fine ounce             | 3.6         | 3.6   | 3.6   | 3.6   | 3.6   | 3.6   | 3.6    | 3.6    | 3.6     | 3.6     |
| 3. Borrowing                                 | 18.8        | 17.9  | 16.8  | 20.7  | 19.2  | 20.2  | 20.0   | 17.4   | 15.9    | 11.5    |
| (a) Outstanding borrowing                    |             |       |       |       |       |       |        |        |         |         |
| i) EAR <u>2/</u>                             | 1.1         | 2.0   | 6.2   | 7.5   | 9.3   | 9.6   | 9.5    | 8.4    | 8.4     | 7.1     |
| of which:                                    |             |       |       |       |       |       |        |        |         |         |
| BRS Accounts                                 | (0.4)       | (0.4) | (0.9) | (--)  | (0.6) | (0.3) | (0.4)  | (0.3)  | (0.2)   | (0.2)   |
| ii) SFF                                      | 3.6         | 5.3   | 6.8   | 6.5   | 5.4   | 3.9   | 3.8    | 2.9    | 2.2     | 0.9     |
| iii) Japan 1986                              | ...         | ...   | ...   | ...   | ...   | ...   | --     | --     | 0.2     | 0.4     |
| iv) GAB and associated                       | 0.8         | 0.8   | --    | --    | --    | --    | --     | --     | --      | --      |
| v) Other <u>3/</u>                           | 0.9         | 0.1   | --    | --    | --    | --    | --     | --     | --      | --      |
| Total  | 6.4         | 8.2   | 13.0  | 14.0  | 14.7  | 13.5  | 13.3   | 11.3   | 10.8    | 8.4     |
| (b) Unused credit lines                      |             |       |       |       |       |       |        |        |         |         |
| i) EAR                                       | 8.2         | 7.3   | 3.0   | 6.7   | 4.5   | 3.7   | 3.7    | 3.1    | 2.3     | 0.5     |
| ii) SFF                                      | 4.2         | 2.4   | 0.8   | --    | --    | --    | --     | --     | --      | --      |
| iii) Japan 1986                              | ...         | ...   | ...   | ...   | ...   | 3.0   | 3.0    | 3.0    | 2.8     | 2.6     |
| Total  | 12.4        | 9.7   | 3.8   | 6.7   | 4.5   | 6.7   | 6.7    | 6.1    | 5.1     | 3.1     |
| 4. Unused GAB and Associated <u>4/</u>       | 2.5         | 2.4   | 3.2   | 12.3  | 12.3  | 12.3  | 12.3   | 12.3   | (12.3)  | (12.3)  |
| 5. Total Liquid Liabilities                  | 21.5        | 25.9  | 40.3  | 42.8  | 41.7  | 38.3  | 37.7   | 35.4   | 34.5    | 33.7    |
| (a) Reserve tranche positions                | 15.1        | 17.7  | 27.3  | 28.8  | 27.0  | 24.8  | 24.4   | 24.1   | 23.7    | 25.3    |
| (b) Outstanding borrowing                    | 6.4         | 8.2   | 13.0  | 14.0  | 14.7  | 13.5  | 13.3   | 11.3   | 10.8    | 8.4     |
| 6. Overdue Repurchases                       | --          | --    | 0.1   | 0.1   | 0.4   | 0.7   | 0.8    | 1.0    | ...     | ...     |
| 7. Total Fund Credit Outstanding             | 13.4        | 19.3  | 29.9  | 34.9  | 35.2  | 33.3  | 32.8   | 31.8   | 31.0    | 30.2    |
| 8. Total Quotas                              | 60.7        | 61.1  | 88.5  | 89.2  | 89.3  | 90.0  | 90.0   | 90.0   | 90.0    | 90.0    |

\* Years in which quota increases became effective.

1/ Usable currency holdings that are included in this total are reduced to provide for the possible exclusion of the Fund's holdings of the currencies of creditor members with weakening balance of payments positions and for working balances as follows:

|                   |        |        |        |        |        |        |        |        |        |        |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| End of period     | 1981   | 1982   | 1983   | 1984   | 1985   | 1986   | Jan.87 | Jul.87 | Dec.87 | Dec.88 |
| Adjustment factor | (0.25) | (0.20) | (0.20) | (0.25) | (0.25) | (0.25) | (0.25) | (0.25) | (0.25) | (0.25) |

2/ Including borrowings temporarily invested in the Borrowed Resources Suspense Account.

3/ Oil facility and special borrowing arrangements with Swiss National Bank in connection with the activation of the GAB.

4/ The renewed GAB will expire on December 25, 1987 and those figures assume that the GAB will be renewed for a further period prior to its expiry date. As defined in the Guidelines for Borrowing, which provide that the amount included would equal outstanding borrowing by the Fund under the GAB and associated borrowing arrangements or two thirds of the total under these arrangements, whichever is greater. The present total of these arrangements is SDR 18.5 billion. For end-1987 and 1988, the figures have been placed in parentheses in order to indicate that no assumption has been made regarding the use of these arrangements.

Table 2. Fund Liquidity - Selected Ratios

(In percent)

| Item  | December 31 |      |       |       |       |       | Jan.31 | Jul.31 | Dec.31  | Dec.31  |
|---|-------------|------|-------|-------|-------|-------|--------|--------|---------|---------|
|   | 1981        | 1982 | 1983  | 1984  | 1985  | 1986  | 1987   | 1987   | 1987    | 1988    |
|   |             |      |       |       |       |       |        |        | (Proj.) | (Proj.) |
| 1. Quota ratio <u>1/</u>                            | 35.1        | 33.2 | 22.6  | 37.0  | 35.3  | 36.1  | 35.9   | 33.0   | 31.3    | 26.4    |
| 2. Liquidity ratio <u>2/</u>                        | 73.5        | 43.2 | 71.0  | 71.5  | 68.6  | 74.9  | 76.4   | 82.2   | 83.5    | 76.9    |
| 3. Cash ratio <u>3/</u>                             | 102.0       | 61.0 | 101.5 | 106.3 | 103.7 | 114.5 | 116.4  | 119.5  | 120.7   | 101.6   |
| 4. Asset ratio <u>4/</u>                            |             |      |       |       |       |       |        |        |         |         |
| (i) excluding gold                                  | 115.3       | 68.7 | 101.0 | 95.8  | 93.8  | 101.0 | 104.8  | 111.3  | 113.9   | 106.5   |
| (ii) including gold                                 | 132.1       | 82.6 | 109.9 | 104.2 | 102.4 | 110.4 | 114.3  | 121.5  | 124.3   | 117.2   |
| 5. Ratio of overdue repurchases                     |             |      |       |       |       |       |        |        |         |         |
| (i) to adjusted usable ordinary resources <u>5/</u> | --          | --   | 0.2   | 0.4   | 1.5   | 2.7   | 2.7    | 3.4    | ...     | ...     |
| (ii) to Fund credit outstanding <u>6/</u>           | --          | --   | 0.2   | 3.4   | 1.2   | 2.3   | 2.4    | 3.1    | ...     | ...     |

1/ The quota ratio, as defined under the decision on guidelines for borrowing, is the ratio of the total of outstanding borrowing, unused credit lines and unused resources in the (conditional) GAB category to total quotas (see Appendix Table 1, lines 3, 4, and 8).

2/ The liquidity ratio is the ratio of adjusted and uncommitted ordinary resources and temporary investments in the BRS Accounts to the total of outstanding borrowing and reserve tranche positions (see Appendix Table 1, lines 1(b), 3(a)(i) and 5).

3/ The cash ratio is the ratio of adjusted and uncommitted ordinary resources to reserve tranche positions (see Appendix Table 1, lines 1(b) and 5(a)).

4/ The asset ratio under (i) is the ratio of usable ordinary resources (unadjusted) and temporary investments in BRS Accounts to the total of outstanding borrowing and total reserve tranche positions (see Appendix Table 1, lines 1, 3(a)(i) and 5). The asset ratio under (ii) also includes, in the numerator, gold held by the Fund and valued at SDR 35 per fine ounce (line 2).

5/ Overdue repurchases as percent of adjusted usable ordinary resources (see Appendix Table 1, lines 6 and 1(a)).

6/ Overdue repurchases as percent of total Fund credit outstanding (see Appendix Table 1, lines 6 and 7).

Repurchases and Repayments of Borrowings and the Net Reflows to  
The Fund's Ordinary Resources  
During the Period 1981-1991

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This Appendix briefly describes the flows of repurchases and repayments of loans made in connection with the financing of purchases through end-1988 and the likely impact of these flows on the stock of the Fund's ordinary resources through 1991. Relevant data are provided in Appendix II, Table 3.

Total repurchases fluctuated around SDR 2 billion during the four year period 1981 through 1984; during this same period total purchases increased rapidly, peaking at about SDR 13 billion in 1983, as the Fund responded to the financing needs of members arising from the world recession and the debt crisis. This acceleration of purchases was reflected in an increase in scheduled repurchases in 1985 and 1986. The peak in repurchases is expected to be reached in 1987, or about four years after the peak in purchases, when repurchases are projected to total SDR 7.5 billion. <sup>1/</sup> During the period 1988 through 1990, repurchases are projected to decline to a range of about SDR 6 to 7 billion.

Increased repurchases in 1987 are expected to result in net reflows of ordinary resources amounting to SDR 3.2 billion, after taking account of repayments of loans by the Fund totaling SDR 4.3 billion in that year. In 1988 and 1989, and notwithstanding a continued high level of repurchases, net reflows of ordinary resources will fall to SDR 2.6 billion and SDR 1.8 billion, respectively, as a result of substantially larger repayments of borrowings by the Fund during those years, including, in particular, projected repayments of borrowings in 1989 under the 1984 short-term borrowing agreements. The large volume of repayments expected in 1989 will cause a net mismatch of maturity to peak at about SDR 5 billion in late 1989.

Beginning in 1990, however, repurchases of purchases financed with calls made under the 1984 short-term borrowing agreements will begin to augment the Fund's usable resources with the result that reflows of ordinary resources for repurchases less repayments of borrowings will rise to SDR 4.6 billion. Such net reflows of ordinary resources (including repurchases of purchases projected through end-1988) are projected to rise to about SDR 5.4 billion in 1991.

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<sup>1/</sup> Most repurchases are scheduled to commence 3 1/4 to 3 1/2 years after the purchase date; the exception is repurchases of purchases under the extended fund facility which begin 4 1/2 years after the purchase date.

Table 3: Projected Repurchases, Repayments to Lenders and the  
Consequent Effect on Ordinary Resources  
1981-1991

(In billions of SDRs)

| Calendar Year | Total Repurchases                            |   |              | Repayments<br>to<br>Lenders <u>1/</u> | Net Reflows<br>of Ordinary<br>Resources<br>(3)-(4)<br>(5) | Memorandum<br>Item<br>Total<br>Purchases <u>2/</u> |
|---------------|--|---|--------------|---------------------------------------|---|--|
|               | Of<br>purchases<br>through<br>7/31/87<br>(1) | Of sub-<br>sequent<br>purchases<br>through<br>12/31/88<br>(2) | Total<br>(3) |                                       |   |  |
| 1981          | 2.1  | --  | 2.1          | 1.0                                   | 1.1   | 6.8  |
| 1982          | 1.6  | --  | 1.6          | 0.7                                   | 0.9   | 7.4  |
| 1983          | 2.0  | --  | 2.0          | 1.1                                   | 0.9   | 12.6   |
| 1984          | 2.3  | --  | 2.3          | 1.5                                   | 0.8   | 7.3  |
| 1985          | 3.6  | --  | 3.6          | 1.5                                   | 2.1   | 4.0  |
| 1986          | 5.6  | --  | 5.6          | 2.0                                   | 3.6   | 3.8  |
| 1987          | 7.5  | --  | 7.5          | 4.3                                   | 3.2   | 5.2  |
| 1988          | 7.0  | --  | 7.0          | 4.4                                   | 2.6   | 6.2  |
| 1989          | 6.4  | --  | 6.4          | 4.6                                   | 1.8   | ...  |
| 1990          | 6.1  | 0.1   | 6.2          | 1.6                                   | 4.6   | ...  |
| 1991          | <u>4.3</u>                                   | <u>1.9</u>  | <u>6.2</u>   | <u>0.8</u>                            | <u>5.4</u>  | <u>...</u>   |
| Total         | 48.5   | 2.0   | 50.5         | 23.5                                  | 27.0  | 53.3   |

1/ Assumes use of SAMA and Japan credit lines totalling SDR 3.0 billion to finance EAR purchases through end-1988.

2/ Excludes reserve tranche purchases.

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2  
3  
4

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