

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

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CONFIDENTIAL

March 31, 1986

To: Members of the Executive Board

From: The Acting Secretary

Subject: Structural Adjustment Facility - Use of Resources
of Special Disbursement Account

Attached for the records of Executive Directors are the texts of the five decisions and two annexes adopted at EBM/86/56 (3/26/86) concerning the Structural Adjustment Facility within the Special Disbursement Account.

Att: (1)

INTERNATIONAL MONETARY FUND

Structural Adjustment Facility Within Special Disbursement Account

Executive Board Decisions - March 26, 1986

I. Income from Investment and Loans - Availability for Use

Pursuant to Article V, Section 12(f), the income from investment of resources available for the Structural Adjustment Facility within the Special Disbursement Account, and the interest on loans disbursed under the Facility, accruing to the Special Disbursement Account for the period December 17, 1980 to June 30, 1991, shall be available, as they accrue, for use under the Facility.

Decision No. 8237-(86/56) SAF, adopted
March 26, 1986

II. Regulations for Administration

Pursuant to Article V, Section 12(j), the Fund adopts the Regulations set forth in the Annex to this decision for the administration of the Structural Adjustment Facility within the Special Disbursement Account.

Decision No. 8238-(86/56) SAF, adopted
March 26, 1986

Structural Adjustment Facility
Within Special Disbursement Account

Paragraph 1. Purposes

The Structural Adjustment Facility within the Special Disbursement Account shall provide balance of payments assistance on concessional terms, on a uniform basis, to low-income developing members of the Fund in need of such assistance, in accordance with these Regulations.

Paragraph 2. Resources

The resources of the Special Disbursement Account available for the Structural Adjustment Facility ("the Facility") shall consist of the assets that have been made, or will be, available for the Facility pursuant to Executive Board Decision No. 6704-(80/185) TR and Decision No. 8237-(86/56) SAF.

Paragraph 3. Conditions for Assistance

Balance of payments assistance shall be provided in the form of loans on the terms specified in paragraph 7 to eligible members that qualify for assistance under paragraph 5.

Paragraph 4. Amount of Assistance

(1) The potential access of all eligible members to the resources of the Facility shall be expressed as a uniform proportion of their quotas in the Fund. It shall be determined from time to time, at least annually, by the Fund.

(2) Whenever a member has notified the Fund that it does not intend to make use of the resources available under the Facility, the member shall not be included in the calculations under subparagraph (1) above.

(3) If, after resources have been committed to a member under paragraph 5(2), the member's potential access is increased or decreased pursuant to subparagraph (1) or (2) above, the total amount available to the member under the three-year commitment will be proportionately modified and subsequent disbursements will be modified accordingly.

(4) Access to the Fund's resources under other policies of the Fund will remain available in accordance with the terms of those policies.

Paragraph 5. Qualification for Assistance

(1) An eligible member shall consult the Managing Director before making an initial request for a commitment of resources for a three-year period.

(2) Resources shall be committed to a qualifying member, subject to these Regulations, for a three-year period upon approval by the Fund of an arrangement in support of a three-year macroeconomic and structural adjustment program presented by the member. The arrangement will prescribe the total amount, and the annual amounts within the total, available in accordance with the original or any modified terms of the arrangement, subject to these Regulations.

(3) Before approving a three-year arrangement, the Fund shall be satisfied that the member has a protracted balance of payments problem and is making a reasonable effort to strengthen its balance of payments position.

(4) A member shall be deemed to be making a reasonable effort within the meaning of subparagraph (3) of this paragraph if the member has presented to the Fund (i) a three-year adjustment program which seeks to correct macroeconomic and structural problems that have impeded balance of payments adjustment and economic growth, and (ii) the first of three annual programs setting forth the objectives for the year and the policies to be followed during the year to meet those objectives.

(5) Resources under three-year commitments shall be made available annually in the form of loans under three successive, but not necessarily contiguous, annual arrangements approved by the Fund. The approval of an annual arrangement under a three-year commitment must precede the expiration of the commitment period.

(6) An annual arrangement shall be approved only for a member that has submitted a satisfactory program for the corresponding year and has a need for balance of payments assistance.

(7) If, during a three-year commitment period, a member ceases to be eligible for assistance under the Facility, a commitment of resources under the Facility, made to the member for that period, shall remain in effect, subject to these Regulations.

Paragraph 6. Disbursements

(1) One disbursement shall be made for each annual arrangement upon approval of the arrangement.

(2) Disbursements to a member under the Facility shall be suspended while the member has an overdue financial obligation to the Fund in the General Resources Account, the Special Disbursement Account, or the SDR Department, or to the Fund as Trustee under the Trust Instrument. The disbursements shall be made when the overdue financial obligation has been discharged.

(3) No disbursement under a three-year commitment shall be made after the expiration of the commitment period.

Paragraph 7. Terms of Loans

(1) Interest shall be charged at the rate of one-half of one percent per annum on the outstanding balance of a loan and shall be paid on June 30 and December 31 of each year, or the next day if the day when payment is due is not a business day.

(2) A member shall repay each loan in ten equal semiannual installments, which shall begin not later than the end of the first six months of the sixth year, and be completed at the end of the tenth year, after the date of the disbursement.

(3) On the request of a member when repayment of an installment is due under a loan, the Fund may reschedule the repayment to a date not later than two years after the due date if the Fund finds that repayment on the due date would result in serious hardship for the member and that such rescheduling would not impair the ability of the Special Disbursement Account to meet the liabilities of the Facility.

Paragraph 8. Unit of Account

The SDR shall be the unit of account for commitments, loans, and all other operations under the Facility.

Paragraph 9. Media of Payment

Loans shall be disbursed and repaid, and interest paid, in U.S. dollars. The Managing Director is authorized to make arrangements under which, at the request of a member, SDRs may be used for disbursements to the member or payment of interest or repayments of loans by it to the Fund.

Paragraph 10. Reimbursement of Expenses

The General Resources Account of the Fund shall be reimbursed annually by the Special Disbursement Account in respect of the expenses of administration of the Facility that are paid from the General Resources Account. Reimbursement shall be made on the basis of a reasonable estimate of these expenses by the Fund.

Paragraph 11. Reserves

The Fund may establish, in the Special Disbursement Account, such reserves for the purposes of the Facility as it deems appropriate.

Paragraph 12. Modifications

Any modification of these Regulations will affect only loans made after the effective date of the modification, provided that a modification of the interest rate shall apply to interest accruing after the effective date of the modification.

Paragraph 13. Identification of Decisions

Decisions and other actions taken by the Fund in the administration of the Facility shall be identified as such.

III. Use of SDRs in Operations

In accordance with Article XVII, Section 3, the Fund prescribes that:

1. A prescribed holder, by agreement with a participant and at the instruction of the Fund, may transfer SDRs to the participant in disbursement of a loan payable from the Structural Adjustment Facility within the Special Disbursement Account ("the Facility").

2. A participant, by agreement with a prescribed holder and at the instruction of the Fund, may transfer SDRs to the prescribed holder in repayment of loans, and/or payment of interest on loans, under the Facility.

3. The Fund shall record operations pursuant to these prescriptions in accordance with Rule P-9.

Decision No. 8239-(86/56) SAF, adopted
March 26, 1986

IV. List of Eligible Members and Amounts of Assistance

1. The members on the list annexed to this decision are eligible to receive balance of payments assistance under the Structural Adjustment Facility within the Special Disbursement Account ("the Facility").

2. The potential access of each eligible member to the resources of the Facility as of March 26, 1986 shall be 47 percent of quota; no more than 20 percent of quota shall be disbursed under the first annual arrangement.

Decision No. 8240-(86/56) SAF, adopted
March 26, 1986

V. Review of Operation of Facility

The Fund shall review the operation of the Structural Adjustment Facility within the Special Disbursement Account not later than May 31, 1988.

Decision No. 8241-(86/56) SAF, adopted
March 26, 1986

Low-Income Developing Members Eligible for Assistance Under
Structural Adjustment Facility Within Special Disbursement Account

Member	Quota (In SDR millions)	Member	Quota (In SDR millions)
China, P.R. of <u>1/</u>	2,390.9	Maldives	2.0
India <u>1/</u>	<u>2,207.7</u>	Mali	50.8
Subtotal	<u>4,598.6</u>	Mauritania	33.9
		Mozambique	61.0
		Nepal	37.3
Afghanistan	86.7	Niger	33.7
Bangladesh	287.5	Pakistan	546.3
Benin	31.3	Rwanda	43.8
Bhutan	2.5	St. Christopher and Nevis	4.5
Bolivia	90.7	St. Lucia	7.5
Burkina Faso	31.6	St. Vincent	4.0
Burma	137.0	São Tomé and Príncipe	4.0
Burundi	42.7	Senegal	85.1
Cape Verde	4.5	Sierra Leone	57.9
Central African Rep.	30.4	Solomon Islands	5.0
Chad	30.6	Somalia	44.2
Comoros	4.5	Sri Lanka	223.1
Djibouti	8.0	Sudan	169.7
Dominica	4.0	Tanzania	107.0
Equatorial Guinea	18.4	Togo	38.4
Ethiopia	70.6	Uganda	99.6
Gambia, The	17.1	Vanuatu	9.0
Ghana	204.5	Viet Nam	176.8
Grenada	6.0	Western Samoa	6.0
Guinea	57.9	Yemen Arab Rep.	43.3
Guinea-Bissau	7.5	Yemen, People's D.R.	77.2
Guyana	49.2	Zaire	291.0
Haiti	44.1	Zambia	<u>270.3</u>
Kampuchea, Dem.	25.0	Subtotal	<u>4,186.0</u>
Kenya	142.0	Total	<u>8,784.6</u>
Lao, People's D.R.	29.3		
Lesotho	15.1		
Liberia	71.3		
Madagascar	66.4		
Malawi	37.2		

1/ China and India have indicated that they do not intend to make use of the resources of the Structural Adjustment Facility.