

DOCUMENT OF INTERNATIONAL MONETARY FUND
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**IMMEDIATE
ATTENTION**

EBS/85/127
Supplement 1

CONFIDENTIAL

May 24, 1985

To: Members of the Executive Board

From: The Secretary

Subject: Suspension of Transfers to SFF Subsidy Account and Investment
of Balances Retained in the Special Disbursement Account

There is attached for consideration by the Executive Directors supplementary information on the suspension of transfers to the SFF subsidy account. In the absence of an objection by an Executive Director by the close of business on Tuesday, May 28, 1985 the draft decisions contained in EBS/85/127 (5/14/85) will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Mr. Leddy (ext. 8332) is available to answer technical or factual questions relating to this paper.

Att: (1)

INTERNATIONAL MONETARY FUND

Suspension of Transfers to SFF Subsidy Account--
Supplementary Information

Prepared by the Treasurer's Department

(In consultation with the Legal Department)

Approved by W. O. Habermeier

May 24, 1985

In EBS/85/127, it is proposed that transfers of funds from the Special Disbursement Account (SDA) to the Supplementary Financing Facility (SFF) Subsidy Account be suspended as soon as arrangements can be made for the investment of funds retained in the SDA, on the basis that the assets available to the SFF Subsidy Account, including resources on hand and a further contribution of US\$22 million from Saudi Arabia, are estimated to be sufficient to meet all of the Account's obligations. The Saudi Arabian authorities have advised the Fund of their view that, in light of the fact that the Account's purposes will have been fully achieved with substantially smaller amounts of financing than had been projected at the time of its establishment, and in view of the relatively large share of Saudi Arabia's donation in total donations to the Account, it would not be appropriate to call fully on the remaining amount of Saudi Arabia's contribution. The authorities feel that it would be reasonable and appropriate to adjust Saudi Arabia's contribution in proportion to the reduction in total requirements of the Account, which would involve the payment of a further US\$5 million to the Account. They would be prepared to re-examine the matter in the event the Account's total requirements prove to be larger than now anticipated.

At the time of the original communications with Saudi Arabia and other potential donors regarding contributions to the Account, it was envisaged that the total requirements of the Account might be on the order of SDR 750 million. It was hoped that approximately SDR 250 million of this total would be financed by contributions, of which half might be provided by OPEC countries and half by non-OPEC countries. As indicated in EBS/85/127, the maximum requirements of the Account will amount to SDR 508.3 million, approximately one third less than the amount estimated earlier. A proportionate adjustment would reduce Saudi Arabia's donation from US\$52 million to approximately US\$35 million. As Saudi Arabia has already made payments totaling US\$30 million, further payments by Saudi Arabia would amount to US\$5 million (approximately the same SDR amount at present exchange rates). On this basis, total donations to the Account would amount to approximately SDR 57.6 million, of which the equivalent of SDR 32.2 million would have been provided by Saudi Arabia.

The attached table updates Table 1 of EBS/85/127 on the basis described above (and also reflects additional transfers to the Account in recent days). As the estimated resources available to the Account, including amounts on hand and the further payment of US\$5 million to be received from Saudi Arabia, continue to exceed the Account's maximum requirements, no change in the form or timing of the decisions proposed in EBS/85/127 is needed. The excess in the SFF Subsidy Account, which will be retransferred to the Special Disbursement Account following adoption of the decisions, is, however, at present SDR 1.1 million in comparison to the figure of SDR 17.1 million shown in EBS/85/127.

Attachment

SFF Subsidy Account --
Resources and Disbursement of Funds

(as of May 21, 1985 - in SDR millions)

Disbursements

SFF Subsidy Payments to Date	225.6
Loan Repayments <u>1/</u>	4.6
Maximum Future Subsidy Payments 1985-1991	<u>278.1</u>
Total	508.3 =====

Resources

Transfers from the Special Disbursement Account	405.2 <u>2/</u>
Donations Received	52.6
Loans Received	4.6 <u>3/</u>
Interest Income Received	13.9
Pledged Donation <u>4/</u>	5.0
Future Interest Income on Existing Deposits With BIS <u>5/</u>	<u>28.1</u>
Total	509.4 =====

1/ Loan repayments made to Belgium and Luxembourg. All loans have been repaid.

2/ This figure is SDR 38.6 million below the total Trust Fund interest payments and loan repayments due by May 21, 1985 (SDR 444.0 million), because of outstanding overdue obligations (SDR 21.0 million) and because transfers to the SFF Subsidy Account did not begin until April 30, 1981 upon termination of the Trust Fund. Before that date, SDR 17.6 million of Trust Fund interest payments were combined with the other assets of the Trust, in accordance with Section II, Paragraph 5(a) of the Trust Instrument, and used to make subsequent disbursements or to satisfy the liabilities specified in Section V, Paragraph 2 of the Trust Instrument. All of the Trust's liabilities have been provided for.

3/ Inadvertently included with interest income received in Table 1 of EBS/85/127.

4/ As discussed in the text, Saudi Arabia has indicated that it intends to donate a further U.S.\$ 5 million (equivalent to approximately the same SDR amount) in addition to payments totaling U.S.\$ 30 million (SDR 27.2 million) to date.

5/ Estimates of future investment income on the existing resources in the two-day notice account with the BIS and on reinvestment of interest receipts on existing fixed term deposits are not included. If an annual rate of interest of 8 percent is assumed, total future income from these reinvestments could amount to about SDR 12 million.