SELECTED DECISIONS

AND SELECTED DOCUMENTS OF THE INTERNATIONAL MONETARY FUND

TWENTY-FOURTH ISSUE
WASHINGTON, DC
JUNE 30, 1999

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PREFACE

This volume is the Twenty-Fourth Issue of *Selected Decisions of the International Monetary Fund and Selected Documents*. It contains the decisions, interpretations, and resolutions of the Executive Board and the Board of Governors of the International Monetary Fund, as well as selected documents, to which frequent reference is made in the current activities of the Fund. In addition, the volume contains certain documents relating to the Fund, the United Nations, and other international organizations. With few exceptions, the decisions are of a general nature and relate to certain obligations, policies, and procedures under the Articles of Agreement.

The Fourteenth Issue had an accompanying Annex containing bilateral borrowing agreements entered into by the Fund for the financing of the Enlarged Access Policy and for the financing of the ESAF Trust and associated lending, as well as related decisions adopted by April 30, 1989; an updated Annex containing bilateral borrowing agreements and related decisions in force on November 30, 1995 was published as an Annex to the Twentieth Issue. Bilateral borrowing agreements entered into by the Fund in connection with the General Arrangements to Borrow are included in this volume.

This issue contains the decisions published in the Twenty-Third Issue that remain in effect, as well as new general decisions adopted after the publication of the Twenty-Third Issue.

Wherever reference is made in this volume to provisions of the Fund's Articles or Rules and Regulations that have subsequently been renumbered by, or because of, the Second Amendment of the Fund's Articles of Agreement (effective April 1, 1978), the corresponding provision currently in effect is cited in a footnote.

The General Counsel
FRANÇOIS P. GIANVITI

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ARTICLE III

Quotas and Subscriptions

ADJUSTMENT OF QUOTAS

The first interval of five years, at the end of which the Fund shall review the quotas of the members in accordance with Article III, Section 2, began on the date when the Fund Agreement, in accordance with Article XX, Section 1,* entered into force; i.e., on December 27, 1945.

Decision No. 408-2
March 11, 1949

[For increases in Quotas of Members—Eleventh General Review, see pages 721-33]

GOLD AND CURRENCY SUBSCRIBED TO THE FUND AND ACCOUNTING BY MEMBERS FOR TRANSACTIONS WITH THE FUND

The following principles should be observed by members in reflecting their participation in the Fund in their accounts:

(1) Gold and currency subscribed to the Fund are clearly within its unrestricted ownership. They do not belong in any way to the subscriber.

(2) Although the accounting practices of a member are primarily its own concern, each member should prepare its accounts in such a way that misconceptions as to the ownership of the gold and currency subscribed to the Fund would be avoided. . . .

Decision No. 170-3
May 20, 1947

*Corresponds to Article XXXI, Section 1 of the Articles of Agreement after the Second Amendment.

Guidelines on Payment of Reserve Assets in Connection with Subscriptions

The Executive Board approves the draft "Guidelines for Determining the Amount of Reserve Assets to Be Paid in Connection with Subscriptions" set forth [below].

Decision No. 6266-(79/156)
September 10, 1979

Guidelines for Determining the Amount of Reserve Assets to Be Paid In Connection with Subscriptions

The following are proposed for adoption by the Executive Board as guidelines for Committees of the Executive Board when considering the amount of a subscription that should be paid in reserve assets:

1. These guidelines shall be taken into account by a Committee of the Executive Board established to consider an application for membership in the Fund or to consider a request for an increase in quota that is made outside the framework of a general review of quotas. In applying the guidelines, a Committee shall pay due regard to present and prospective economic and financial circumstances of the country concerned.

2. In view of the requirement of Article II, Section 2, that the terms for membership, including the terms for subscriptions, shall be based on principles consistent with those applied to other countries that are already members, new members will be expected to pay a part of their initial subscription in reserve assets. The payment of reserve assets in connection with the initial subscription of a new member is largely a matter of exchanging one form of reserves for another.

3. The amount of the subscription to be paid in reserve assets shall be determined in the light of all the payments of reserve

assets made by existing members and the country's external reserve position at the time of membership.

4. A reasonable approximation of the amount of the subscription that has been paid in reserve assets in the past is the average of all reserve assets actually paid in terms of the quotas of all members, rather than the proportions paid in the past by individual members. In making the calculation of the reserve assets to be paid, account will be taken of the repurchases made in the past by members, including those made in accordance with Schedule B of the amended Articles, and of sales of the currencies of members made to reduce to that level the amounts of the member's currency paid in excess of 75 percent of quota by a member that had joined the Fund before the date of the Second Amendment.

Taking into account the asset payments made by all members in connection with the Sixth General Review of Quotas and adding them to the sum of asset payments taken as the equivalent of 25 percent of total quotas as of the date of the Second Amendment, the reserve asset payments made by all members average 20 percent of present quotas. In the event that all eligible members consent to the full increases in their quotas approved under the Seventh General Review of Quotas and taking into account that 25 percent of any increase in quotas is to be paid in SDRs (or acceptable currency for nonparticipants), the reserve asset payment made by eligible members will average 21.7 percent of total quotas.

Consequently, for the period prior to the coming into effect of the quotas approved under the Seventh General Review of Quotas, the reserve asset payment for a country applying for membership can normally be expected to be of the order of 20 percent of its initial quota; after the Seventh General Review is completed, the reserve asset payment for a country applying for membership would rise to the order of 21.7 percent of its initial quota.

5. Normally, countries joining the Fund would be expected to make a payment of reserve assets in the amount, in terms of quota, calculated along the lines outlined in paragraph 3 above. However,

consideration may be given, at the request of a prospective new member, for a payment of reserve assets smaller than the average size of such payments in terms of all quotas. In exceptional circumstances, and in light of the actual and prospective balance of payments and gross reserve position of the prospective member (including its ability to acquire or mobilize external financial assets and also any allocations of SDRs that might be in prospect) at the time its application is being considered, the size of the reserve asset payment may be reduced, provided that it is not less than the equivalent of 10 percent of the member's gross reserves or 10 percent of initial quota, whichever was the higher.

6. In determining the amount of the reserve asset payment, account should also be taken of the effect the size of such payment would have on the remuneration that might be payable to the new member. This factor would ameliorate a higher reserve asset payment in terms of quota because the acquisition of a remunerated reserve tranche position would tend to ease the loss of interest income involved in the payment of a reserve asset. However, there may be circumstances where the new member has a reserve level somewhat below the average level of all members or when other features of its external financial position would seem to call for some mitigation of the payment. In such circumstances, the norm for remuneration could be applied for the new member rather than the average of reserve asset payments made in the past noted in paragraph 3 above. As the norm for remuneration is likely to rise over time, the applicability of this approach would need to be kept under review and would be subject to the minimum payment in paragraph 5 above.

7. As regards the amount of reserve asset payments to be made in connection with ad hoc increases in quotas which occur outside a general review of quotas, and to the extent that such increases are effectively a "catching up" of the quota increases already granted to other members in past general reviews, the amount of the reserve assets to be paid shall be based on the amount of reserve assets required as a result of such past general reviews. For other ad hoc increases, if any, the amount of the

reserve asset payment shall be equivalent to 25 percent of the increase in quota.

8. As regards the media of payment, payments of reserve assets shall be made in SDRs to the maximum extent practicable or in a currency that is acceptable to the Fund and which is included in the operational budget as a currency that could be sold on a net basis for the foreseeable future.

ARTICLE IV

Exchange Arrangements

NOTIFICATION OF EXCHANGE ARRANGEMENTS UNDER ARTICLE IV, SECTION 2

1. . . .*

2. The procedures set forth in Section IV of SM/77/277 [attached] are approved, and members shall be guided by the considerations in Section IV with respect to the prompt notification of any changes in their exchange arrangements.

3. . . .*

Decision No. 5712-(78/41)
March 23, 1978

Attachment

Section IV of SM/77/277

IV. Issues Connected with Subsequent Notification

Once the procedures for initial notification have been clarified, only a few issues remain to be dealt with in respect of subsequent notifications. One of these is the question of what would constitute a change in an exchange arrangement requiring notification. Clearly, any official action involving the adoption of a different type of arrangement would require notification. Furthermore, in cases where a member pegs its currency, it would be appropriate to notify the Fund of all changes in the peg; this would include not only every change in the central point around which a member was

*Not included in this volume.

maintaining margins, but also those involving a change in the composition of a composite, other than one occurring from a redistribution of currency weights on the basis of newly available trade or payments data.

For members with flexible exchange arrangements, it is more difficult to specify changes which will require notification to the Fund. For members classified as fixing the rate according to a set of indicators, it would seem an appropriate rule that they communicate to the Fund details of any discrete exchange rate changes that are not consistent with the changes produced by the set of indicators. It would also be expected, if the suggested approach outlined earlier in this paper is accepted, that all members maintaining flexible exchange arrangements be asked to notify the Fund whenever the authorities have taken a significant decision affecting such arrangements. This would involve, as a minimum, notification of such decisions whenever public policy statements have been issued. In addition, in any instance in which the Managing Director considered that a significant change had occurred in a member's exchange policy (including intervention arrangements), and no notification has been received from that member, he would consult with the member to request information on the background to such developments. If considered appropriate, a formal notification of the change would be sought from the member.

Members would be expected to inform the Fund of all actions involving exchange taxes and subsidies. Indeed, under Article VIII, Section 3, members will continue to be required to request prior Fund approval of any multiple currency practices that may be involved in such actions.

Upon receipt of notification of a change in exchange arrangements from a member the staff would circulate it to the Executive Board. If the Board wishes, it could continue to be the normal practice that whenever a change is significant, its communication to the Board would be followed promptly by a staff paper describing the context of the change in policy and giving the staff's assessment.

Surveillance over Exchange Rate Policies

1. The Executive Board has discussed the implementation of Article IV of the proposed Second Amendment of the Articles of Agreement and has approved the attached document entitled "Surveillance over Exchange Rate Policies." The Fund shall act in accordance with this document when the Second Amendment becomes effective. In the period before that date the Fund shall continue to conduct consultations in accordance with present procedures and decisions.

2. The Fund shall review the document entitled "Surveillance over Exchange Rate Policies" at intervals of two years and at such other times as consideration of it is placed on the agenda of the Executive Board.

Decision No. 5392-(77/63)
April 29, 1977, as amended by
Decision No. 8564-(87/59), April 1, 1987,
Decision No. 8856-(88/64), April 22, 1988,
and Decision No. 10950-(95/37), April 10, 1995

Surveillance over Exchange Rate Policies

General Principles

Article IV, Section 3(*a*) provides that "The Fund shall oversee the international monetary system in order to ensure its effective operation, and shall oversee the compliance of each member with its obligations under Section 1 of this Article." Article IV, Section 3(*b*) provides that in order to fulfill its functions under 3(*a*), "The Fund shall exercise firm surveillance over the exchange rate policies of members, and shall adopt specific principles for the guidance of all members with respect to those policies." Article IV, Section 3(*b*) also provides that "The principles adopted by the Fund shall be consistent with cooperative arrangements by which members maintain the value of their currencies in relation to the value of the currency or currencies of other members, as well as

with other exchange arrangements of a member's choice consistent with the purposes of the Fund and Section 1 of this Article. These principles shall respect the domestic social and political policies of members, and in applying these principles the Fund shall pay due regard to the circumstances of members." In addition, Article IV, Section 3(*b*) requires that "each member shall provide the Fund with the information necessary for such surveillance, and, when requested by the Fund, shall consult with it on the member's exchange rate policies."

The principles and procedures set out below, which apply to all members whatever their exchange arrangements and whatever their balance of payments position, are adopted by the Fund in order to perform its functions under Section 3(*b*). They are not necessarily comprehensive and are subject to reconsideration in the light of experience. They do not deal directly with the Fund's responsibilities referred to in Section 3(*a*), although it is recognized that there is a close relationship between domestic and international economic policies. This relationship is emphasized in Article IV which includes the following provision: "Recognizing . . . that a principal objective [of the international monetary system] is the continuing development of the orderly underlying conditions that are necessary for financial and economic stability, each member undertakes to collaborate with the Fund and other members to assure orderly exchange arrangements and to promote a stable system of exchange rates."

Principles for the Guidance of Members' Exchange Rate Policies

A. A member shall avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members.

B. A member should intervene in the exchange market if necessary to counter disorderly conditions which may be characterized inter alia by disruptive short-term movements in the exchange value of its currency.

C. Members should take into account in their intervention policies the interests of other members, including those of the countries in whose currencies they intervene.

Principles of Fund Surveillance over Exchange Rate Policies

1. The surveillance of exchange rate policies shall be adapted to the needs of international adjustment as they develop. The functioning of the international adjustment process shall be kept under review by the Executive Board and Interim Committee and the assessment of its operation shall be taken into account in the implementation of the principles set forth below.

2. In its surveillance of the observance by members of the principles set forth above, the Fund shall consider the following developments as among those which might indicate the need for discussion with a member:

(i) protracted large-scale intervention in one direction in the exchange market;

(ii) an unsustainable level of official or quasi-official borrowing, or excessive and prolonged short-term official or quasi-official lending, for balance of payments purposes;

(iii) (a) the introduction, substantial intensification, or prolonged maintenance, for balance of payments purposes, of restrictions on, or incentives for, current transactions or payments, or

(b) the introduction or substantial modification for balance of payments purposes of restrictions on, or incentives for, the inflow or outflow of capital;

(iv) the pursuit, for balance of payments purposes, of monetary and other domestic financial policies that provide abnormal encouragement or discouragement to capital flows;

(v) behavior of the exchange rate that appears to be unrelated to underlying economic and financial conditions including factors affecting competitiveness and long-term capital movements; and

(vi) unsustainable flows of private capital.

3. The Fund's appraisal of a member's exchange rate policies shall be based on an evaluation of the developments in the member's balance of payments, including the size and sustainability of capital flows, against the background of its reserve position and its external indebtedness. This appraisal shall be made within the framework of a comprehensive analysis of the general economic situation and economic policy strategy of the member, and shall recognize that domestic as well as external policies can contribute to timely adjustment of the balance of payments. The appraisal shall take into account the extent to which the policies of the member, including its exchange rate policies, serve the objectives of the continuing development of the orderly underlying conditions that are necessary for financial stability, the promotion of sustained sound economic growth, and reasonable levels of employment.

. . .

Procedures for Surveillance

I. Each member shall notify the Fund in appropriate detail within thirty days after the Second Amendment becomes effective of the exchange arrangements it intends to apply in fulfillment of its obligations under Article IV, Section 1. Each member shall also notify the Fund promptly of any changes in its exchange arrangements.

II. Members shall consult with the Fund regularly under Article IV. In principle, the consultations under Article IV shall comprehend the regular consultations under Articles VIII and XIV, and shall take place annually. They shall include consideration of the observance by members of the principles set forth above as well as of a member's obligations under Article IV, Section 1. Not

later than three months after the termination of discussions between the member and the staff, the Executive Board shall reach conclusions and thereby complete the consultation under Article IV.

III. Broad developments in exchange rates will be reviewed periodically by the Executive Board, inter alia in discussions of the international adjustment process within the framework of the World Economic Outlook. The Fund will continue to conduct special consultations in preparing for these discussions.

IV. The Managing Director shall maintain close contact with members in connection with their exchange arrangements and exchange policies, and will be prepared to discuss on the initiative of a member important changes that it contemplates in its exchange arrangements or its exchange rate policies.

V. If, in the interval between Article IV consultations, the Managing Director, taking into account any views that may have been expressed by other members, considers that a member's exchange rate policies may not be in accord with the exchange rate principles, he shall raise the matter informally and confidentially with the member, and shall conclude promptly whether there is a question of the observance of the principles. If he concludes that there is such a question, he shall initiate and conduct on a confidential basis a discussion with the member under Article IV, Section 3(*b*). As soon as possible after the completion of such a discussion, and in any event not later than four months after its initiation, the Managing Director shall report to the Executive Board on the results of the discussion. If, however, the Managing Director is satisfied that the principles are being observed, he shall informally advise all Executive Directors, and the staff shall report on the discussion in the context of the next Article IV consultation; but the Managing Director shall not place the matter on the agenda of the Executive Board unless the member requests that this procedure be followed.

VI. The Executive Board shall review the general implementation of the Fund's surveillance over members' exchange rate poli-

cies at intervals of two years and at such other times as consideration of it is placed on the agenda of the Executive Board.

SURVEILLANCE: PROCEDURES

1. *Review.* The Executive Board has reviewed the procedures relating to the Fund's surveillance over members' exchange rate policies. These procedures, and the procedures for regular consultations under Article IV, will be reviewed again by the Executive Board in December 1979. The Executive Board will review the document "Surveillance over Exchange Rate Policies" at an appropriate time not later than April 1, 1980, as provided for in paragraph 2 of Decision No. 5392-(77/63), adopted April 29, 1977. . .

2. . . .*

3. *Supplemental surveillance procedures.*

(a) Whenever the Managing Director considers that important economic or financial developments are likely to affect a member's exchange rate policies or the behavior of the exchange rate of its currency, he shall initiate informally and confidentially a discussion with the member. After such discussion the Managing Director may report to the Executive Board or informally advise the Executive Directors and, if the Executive Board considers it appropriate, an ad hoc Article IV consultation between the member and the Fund shall be conducted in accordance with the procedure set out in subparagraph (b) below.

(b) A staff report will be circulated to the Executive Directors under cover of a note from the Secretary specifying a tentative date for Executive Board discussion which will be at least 15 days later than the date upon which the report is circulated. The Secretary's note will also set out a draft decision taking note of the staff report and completing the ad hoc consultation without discussion or

*Not included in this volume.

approval of the views contained in the report; the decision will be adopted upon the expiration of the two-week period following the circulation of the staff report to the Executive Directors unless, within such period, there is a request from an Executive Director or decision of the Managing Director to place the report on the agenda of the Executive Board. If the staff report is placed on the agenda, the Executive Board will discuss the report and will reach conclusions which will be reflected in a summing up.

(c) Unless otherwise decided by the Executive Board, the conduct of an ad hoc consultation with a member will not affect the consultation cycle applicable to the member or the deadline for completion of the next consultation with the member.

Decision No. 6026-(79/13)
January 22, 1979, as amended by
Decision No. 10273-(93/15)
January 29, 1993, and
Decision No. 10364-(93/67)
May 10, 1993

SURVEILLANCE OVER EXCHANGE RATE POLICIES: REVIEW

1. . . .

2. The Executive Board also has reviewed the document entitled "Surveillance over Exchange Rate Policies" attached to Decision No. 5392-(77/63), adopted April 29, 1977, as amended, as required by paragraph 2 of that decision. The next review of the document shall be conducted not later than January 31, 1993.

Decision No. 9499-(90/111)
July 11, 1990, as amended by
Decision Nos. 10072-(92/85), July 2, 1992 and
10159-(92/122), October 7, 1992

Implementation of Procedures for Surveillance: Review

1. The Executive Board has reviewed the general implementation of the Fund's surveillance over members' exchange rate policies, as required by paragraph VI of Procedures for Surveillance contained in the document entitled "Surveillance over Exchange Rate Policies" attached to Decision No. 5392-(77/63), adopted April 29, 1977, as amended, including the procedures for the conduct of consultations under Article IV, which in principle shall comprehend the regular consultations under Article VIII and Article XIV, and approves the procedures as described in SM/92/234, in the light of the Managing Director's summing up, until the next review, which shall be conducted not later than February 28, 1995.

2. The Executive Board has reviewed the document entitled "Surveillance over Exchange Rate Policies" attached to Decision No. 5392-(77/63), adopted April 29, 1977, as amended, as required by paragraph 2 of that decision. The next review of the document shall be conducted not later than February 28, 1995.

. . .

Decision No. 10273-(93/15)
January 29, 1993,
as amended by
Decision No. 10886-(95/2)
January 6, 1995

The Executive Board has reviewed the general implementation of the Fund's surveillance over members' exchange rate policies, as required by paragraph VI of Procedures for Surveillance contained in the document entitled "Surveillance Over Exchange Rate Policies" attached to Decision No. 5392-(77/63), adopted

April 29, 1977, as amended. The next review shall be conducted no later than September 15, 1996.

Decision No. 10949-(95/37)
April 10, 1995

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1. The Executive Board has reviewed the general implementation of the Fund's surveillance over members' exchange rate policies, as required by paragraph VI of Procedures for Surveillance contained in the document entitled "Surveillance Over Exchange Rate Policies" attached to Decision No. 5392-(77/63), adopted April 29, 1977, as amended. The next review shall be conducted no later than April 15, 1999.

2. The Executive Board has reviewed the document entitled "Surveillance Over Exchange Rate Policies" attached to Decision No. 5392-(77/63), adopted April 29, 1977, as amended, as required by paragraph 2 of that decision. The next review of the document shall be conducted no later than April 15, 1999.

Decision No. 11477-(97/38)
April 15, 1997

ARTICLE IV CONSULTATION CYCLES—REVIEW OF TEMPORARY CHANGES

The Executive Board has reviewed the temporary shift in consultation cycles as provided for in the statement of the Chairman at EBM/91/157 (11/22/91) and decides that, effective November 22, 1992, consultations with members shall be held in accordance with Appendix I of EBD/92/240 (10/9/92).

Decision No. 10168-(92/127)
October 15, 1992

Biennial Review of the Fund's Surveillance Policy—Termination of Bicyclic Consultation Procedure

The bicyclic consultation procedure shall be terminated and each member currently on the bicyclic procedure shall be immediately placed on the standard 12-month cycle; the first consultation with each such member that is completed after the adoption of this decision shall be conducted in accordance with the procedures that apply to consultations under the standard 12-month cycle, and the deadline for completion that applied under the bicyclic procedure shall continue to apply to such consultation.

Decision No. 10362-(93/67)
May 10, 1993

Summing Up by the Chairman
Biennial Review of the Implementation of the Fund's Surveillance Over Members' Exchange Rate Policies and of the 1977 Surveillance Decision; and Transmittal of Fund Documents to Other International Organizations
Executive Board Meeting 97/30
March 28, 1997

. . .

Directors expressed broad satisfaction with current surveillance procedures and emphasized that the principle of annual consultations represented a cornerstone in ensuring the continuity of Fund surveillance. At the same time, Directors recognized the need for flexibility in Fund procedures to ensure an effective focus of Fund surveillance, particularly in the context of the Fund's strained resources. In considering the proposals contained in my buff statement on consultation cycles, Directors encouraged flexibility regarding consultation frequency, mission size and documentation, particularly in cases where economic developments appeared to be on a positive track. In particular:

Directors generally agreed that greater use should be made of longer consultation cycles to allow for redirecting resources toward priority areas. They agreed that the staff and management, on the basis of criteria suggested in my buff statement, should periodicially identify those countries for which annual consultations will be held and those countries for which consultations were not expected to be held within the next year. In cases of consultations on a longer than annual cycle, the Executive Director for the country concerned would, of course, be consulted, and the consent of the member would be needed.

. . .

SURVEILLANCE: PROCEDURES—IMPLEMENTATION OF THREE-MONTH PERIOD

The Executive Board approves the proposed method of applying the three-month rule for implementing the procedures for surveillance, set forth in EBD/83/161 [below].

Decision No. 7427-(83/83)
June 8, 1983

Attachment

EBD/83/161

The document entitled "Surveillance over Exchange Rate Policies," attached to Decision No. 5392-(77/63), includes certain Procedures for Surveillance. Of these, Procedure II states that "Not later than three months after the termination of discussions between the member and the staff, the Executive Board shall reach conclusions and thereby complete the consultation under Article IV." This three-month period begins from the last day of discussions between the authorities and the staff mission and it is

counted off on a calendar basis. Accordingly, the first Board day (viz., Monday, Wednesday, or Friday) upon the completion of the three-month period is regarded as the deadline for Executive Board discussion. Sometimes Executive Board consideration and completion of the Article IV consultation are delayed beyond the three-month deadline (see SM/83/43, 3/1/83, pp. 29–30), and in such cases, Board approval is usually sought on a lapse-of-time basis for an extension of the period. The procedure is administered flexibly in the sense that if Board discussion is scheduled just one or two Board days after the deadline, the three-month waiver paper seeking Board approval is not necessarily circulated.

However, there are certain periods during the year when Board meetings would normally be avoided for the convenience of Executive Directors. For example, in 1983 Board meetings were not scheduled in the weeks of February 7–11 and April 25–29 because of Interim and Development Committee meetings, respectively. For the same reason, Board meetings are not likely to be scheduled during August 8–19, 1983 because of the informal Board recess and during approximately September 16–30 because of the Annual Meetings and ancillary meetings, including caucus meetings. It would be appropriate and convenient to recognize these recurrent and normal gaps in the Board's schedule when applying the three-month rule. Accordingly, if a three-month deadline falls in a period such as one of those mentioned above when a Board meeting would normally not be scheduled, the Friday of the week immediately following such a period would be regarded as the applicable deadline for the purposes of the rule. .

Concluding Remarks by the Chairman—Biennial Review of the Implementation of Surveillance over Exchange Rate Policies and of the 1977 Surveillance Decision Executive Board Meeting 91/15, February 8, 1991

This discussion concludes the Board's consideration of the procedural questions that were not resolved upon the completion on July 11, 1990 of the review of the implementation of Fund surveil-

lance over members' exchange rate policies and of the 1977 Surveillance Decision.

Two areas remained outstanding following the previous rounds of discussion of the biennial review in July and September last year. The first is the question of Board procedures for dealing with interim Article IV consultation reports under the bicyclic procedure and for completing the consultations; the second is a staff operational guidance note, which the Board has been asked to endorse (*Attachment I*).

Executive Directors have reasserted that surveillance should be implemented under the Executive Board's guidance. With the affirmation by the Executive Board of the principle of annual consultations with all members, including those under the bicyclic procedure, the Board has agreed to procedures under which the interim report may be discussed or the consultation completed without discussion. These new procedures for dealing with interim consultation reports are spelled out in the staff operational guidance note (paragraph 2). The guidance note, as amended and endorsed by the Board today, refines the operational elements of the Chairman's summing up of August 23, 1990; the summing up, amended slightly in light of the Executive Directors' informal meeting of September 17, 1990, in all other respects remains valid (*Attachment II*). The Board has also approved today an amendment to the 1977 Decision on Surveillance over Exchange Rate Policies, which is required to implement the new Board procedures with respect to interim consultation reports.

I would also note the broad call on the staff to streamline consultation reports, especially if the circumstances and policies of the country have not changed significantly from the previous year. A number of Directors again either supported or indicated an interest in further exploring the possibility of expanding the application of the bicyclic procedure to more countries. The staff will continue to look for opportunities to widen the use of the bicyclic procedure.

Attachment I

Surveillance Review—Staff Operational Guidance Note

1. The Executive Board confirmed the principle of annual consultations with all members, including under the bicyclic procedure.* In all cases, consultation discussions between the staff and the authorities will result in a staff report to be submitted for consideration by the Executive Board. In the case of staff reports for interim Article IV consultations under the bicyclic procedure, the Board may discuss the staff report or complete the consultation without discussion and without reaching conclusions. In all other cases, the Executive Board will reach conclusions which would be reflected in a summing up of the discussions.

2. Staff reports on interim Article IV consultations will be circulated to the Executive Directors and a tentative date for possible Executive Board discussion will be indicated in the covering note. However, unless there is a request from an Executive Director for a discussion of the report or the Managing Director places the report on the agenda of the Executive Board within two weeks of its circulation, the interim consultation with the member will have been completed without discussion. In such a case, the Executive Board decision completing the consultation will take note of the staff report, but will not endorse or approve the conclusions contained in the appraisal section of the staff report. The decision will become effective on the expiration of the two-week period following the circulation of the staff report to the Executive Directors.

3. Staff reports will focus in each case on the core areas of surveillance over exchange rate policies, within the framework of

*Except those countries under an 18- or 24-month cycle. Under previous bicyclic procedure, consultations were held every two years and a report on interim discussions between the staff and the authorities was circulated to the Executive Board for information. Under this modified bicyclic procedure, the Executive Board will conclude consultations with the member on the basis of the interim discussion reports.

macroeconomic and related structural policies, and will examine whether these policies are conducive to the achievement of reasonable price stability, sustainable external positions, and orderly economic growth. Beyond this coverage of the core policy areas, the staff should exercise judgment regarding the scope of consultation reports, and selectivity rather than uniformity of coverage of subjects will be encouraged.

4. The staff should attempt to streamline a consultation report, especially if the circumstances of the country have not changed significantly from the previous year. More in-depth reporting should be provided where significant changes have occurred in policy or external circumstances since the last staff paper or in cases where it is judged that policy issues need to be covered in greater depth or wider scope. In any event, a comprehensive staff report would be expected for each member at least once every two years. For countries using Fund resources, consultation reports will be folded into the other reports prepared in connection with the use of Fund resources to the fullest extent possible. Special efforts will be made to shorten and focus as much as possible the interim reports under the bicyclic procedure. All reports will be kept concise.

5. Generally, the paper on recent economic developments (RED) would be issued every other year, unless the staff and the authorities deem it appropriate to issue more frequent REDs. This may be the case especially where such reports would be helpful to the member in formulating its own policies or in obtaining external support. Analytic papers or reports on special topics could be presented at any time.

6. The *World Economic Outlook* will continue to evolve as the multilateral framework for bilateral surveillance, as well as the basis for integrating the analysis of individual countries, including in particular the seven major industrial countries, into a larger multilateral context.

7. The staff will endeavor to strengthen the coverage of regional and cross-country issues, particularly in the context of the

WEO, but also, where appropriate, in consultation or special reports.

SURVEILLANCE OVER MONETARY AND EXCHANGE RATE POLICIES: MEMBERS OF EURO AREA

The Executive Board approves the modalities for conducting surveillance over the monetary and exchange rate policies of the members of the euro area, as set out in SM/98/257 [below].

Decision No. 11846-(98/125)
December 9, 1998
Effective December 11, 1998

SM/98/257

. . .

- The current frequency of Article IV consultations with individual euro-area countries, which are generally on the standard 12-month cycle, would be maintained, at least during the initial period of Stage 3 of EMU.*

- There would be twice-yearly staff discussions with EU institutions responsible for common policies in the euro area.** For practical reasons, these discussions would be expected to be held separately from the discussions with individual euro-area countries, but would be considered an integral part of the Article IV process for each member. The discussions with individual euro-area countries would be clustered, to the extent possible, around the discussions with the relevant EU institutions.

*However, it is envisaged that there would be some scaling back of resources devoted to individual Article IV consultations—in the area of monetary and exchange rate policies—to provide the resources needed for surveillance of the common policies of the euro area.
**As is done for Article IV consultations with national authorities, the staff would leave a concluding statement with the ECB at the end of the discussions.

- There would be an annual staff report and Board discussion on "The Monetary and Exchange Rate Policies of Euro-Area Countries in the Context of the Article IV Consultations with these Countries," which would be considered part of the Article IV consultation process with individual euro-area countries. The paper would also cover economic policies from a regional perspective to provide an adequate setting for the discussions on monetary and exchange rate policies.* A report on the second (follow-up) set of discussions would also be issued to the Board for information and to provide adequate context for bilateral consultations with euro-area countries that did not coincide broadly with the annual Board discussion on the euro area.

- There would be a summing up of the conclusion of the Board's annual discussion on "The Monetary and Exchange Rate Policies of the Euro Area Countries in the Context of the Article IV Consultations with these Countries." It would be cross-referenced in the summings up for the Article IV consultations with euro-area countries, which would be given at the conclusion of the Article IV process for each country. This approach would have the advantage of recognizing clearly the obligation of euro-area countries to consult with the Fund in this context.

*As noted in BUFF/98/93 (9/24/98), while for each member of the EU fiscal policy remains the responsibility of national authorities, discussions at the EU level would also need to evaluate the fiscal position of the euro area as a whole in order to assess the stance of monetary and exchange rate policies and the coherence of macroeconomic policies. They would also need to cover developments in structural areas relevant to the Fund's surveillance over the policies of members of the euro area as a whole. In this context, the staff missions referred to above would visit the European Commission.

Press Information Notices—Release

Following the completion of an Article IV consultation for a member, the Fund may release a Press Information Notice reporting on the results of the consultation in accordance with the following terms:

1. Contents of Press Information Notices

The Press Information Notice will be brief (normally 3-4 pages) and will consist of two sections:

(a) A background section with factual information on the economy of a member, including a table of economic indicators. When possible, a draft of this section would be included in the staff report on Article IV consultation discussions to permit an early opportunity for comment.

(b) The Fund's assessment of the member's prospects and policies. This section will correspond closely to the Chairman's summing up of the Executive Board discussion. Editing of the summing up will be minimal, removing only highly market-sensitive information, mainly Fund views on exchange rate and interest rate matters.

2. Member's Consent to the Release of a Press Information Notice

The release of a Press Information Notice shall be subject to the consent of the member concerned, normally to be communicated through its Executive Director, in accordance with the following procedures:

(a) A member may indicate its intention to consent to the release of a Press Information Notice at any time prior to issuance of the Chairman's summing up of the Article IV consultation as a Fund document, but is free not to do so.

(b) The Executive Director concerned will have the opportunity to review the draft Press Information Notice prior to its release.

(c) In case of a serious disagreement between the Managing Director and the Executive Director concerned on the draft, either may request the Executive Board to consider the matter.

(d) A Press Information Notice will be released only upon the written consent of the member, normally communicated through the Executive Director concerned, to the proposed draft. The release of each Press Information Notice will require a separate written consent. A consent can be withdrawn at any time prior to the release of the Press Information Notice.

(e) It is understood that no pressure will be exerted on a member to provide consent for the release of a Press Information Notice by the Managing Director, Fund staff, or other members.

3. Timing of Release

The Press Information Notice will be released shortly following the completion of the Article IV consultation. As an indicative target, the Fund will aim to issue the Press Information Notice five to ten working days following the relevant Executive Board meeting, but in any event not before the end of the working day following the circulation of the summing up as a Fund document.

4. Confirmation of Present Practices

(a) The release of Press Information Notices shall not affect the current Article IV consultation summing up process. In particular, the Chairman's summing up will continue to be provided to the Executive Director concerned for review following the Executive Board meeting.

(b) The possibility of releasing Press Information Notices shall not affect in any way the staff's reporting to the Executive Board on consultation discussions with members.

Decision No. 11493-(97/45)
April 24, 1997

The Executive Board took the following decision:

The Executive Board approves the proposals relating to the release of background reports on recent economic developments and of statistical appendices and annexes . . ., provided that the relevant member, through its Executive Director, will be given 30 days from the date of consideration of the documents by the Executive Board, to identify and delete from them data that it deems to be confidential, or to object to the documents' release.

EBM/94/61
July 11, 1994

Financial and Technical Services

Financial Services

Establishment of the Enhanced Structural Adjustment Facility Trust*

1. The Fund adopts the Instrument to Establish the Enhanced Structural Adjustment Facility Trust that is annexed to this decision.

2. The Fund is committed, if it appeared that any delay in payment by the Trust to lenders would be protracted, to consider fully and in good faith all such initiatives as might be necessary to assure full and expeditious payment to lenders.

Decision No. 8759-(87/176) ESAF
December 18, 1987, as amended by
Decision Nos. 9115-(89/40) ESAF
March 29, 1989,
9488-(90/106) ESAF
July 2, 1990,
9555-(90/146) ESAF
September 24, 1990,
9585-(90/161) ESAF
November 15, 1990,
10092-(92/94) ESAF
July 23, 1992,
10287-(93/23) ESAF
February 22, 1993,
10515-(93/162) ESAF,
November 29, 1993,
10530-(93/170) ESAF,
December 15, 1993,
10532-(93/170) ESAF,
December 15, 1993,

*On the transfer of resources from the Special Disbursement Account to the Enhanced Structural Adjustment Facility Trust and retransfer to the Special Disbursement Account, see Decision No. 8760-(87/176) on page 415. On the establishment of the Enhanced Structural Adjustment Facility, see Decision No. 8757-(87/176) SAF/ESAF on page 411. On modalities of gold pledge for use of ESAF Trust resources under Rights Approach, see Decision No. 10286-(93/23) ESAF on page 417.

11114-(95/110) ESAF,
November 20, 1995,
11395-(96/110) ESAF,
December 9, 1996
11434-(97/10),
February 4, 1997,
11435-(97/10),
February 4, 1997,
11533-(97/67) ESAF,
July 2, 1997,
11610-(97/113),
effective December 19, 1997, and
11832-(98/119) ESAF
November 20, 1998

ANNEX

Instrument to Establish the Enhanced Structural Adjustment Facility Trust

Introductory Section

To help fulfill its purposes, the International Monetary Fund (hereinafter called the "Fund") has adopted this Instrument establishing the Enhanced Structural Adjustment Facility Trust (hereinafter called the "Trust"), which shall be administered by the Fund as Trustee (hereinafter called the "Trustee"). The Trust shall be governed by and administered in accordance with the provisions of this Instrument.

Section I. *General Provisions*

Paragraph 1. Purposes

The Trust shall assist in fulfilling the purposes of the Fund by providing loans on concessional terms (hereinafter called "Trust loans") to low-income developing members that qualify for assistance under this Instrument, in order to support programs to strength-

en substantially and in a sustainable manner their balance of payments position and to foster growth.

Paragraph 2. Accounts of the Trust

The operations and transactions of the Trust shall be conducted through a Loan Account, a Reserve Account, and a Subsidy Account. The resources of the Trust shall be held separately in each Account.

Paragraph 3. Unit of Account

The SDR shall be the unit of account for commitments, loans, and all other operations and transactions of the Trust, provided that commitments of resources to the Subsidy Account may be made in currency.

Paragraph 4. Media of payment of contributions and exchange of resources

(a) Resources loaned or donated to the Trust shall be received in a freely usable currency, subject to the provisions of (c) below, and provided that resources may be received by the Subsidy Account in other currency.

(b) Payments by the Trust to lenders or donors shall be made in U.S. dollars or such other media as may be agreed between the Trustee and such lenders or donors.

(c) Loans or donations to the Trust may also be made in or exchanged for SDRs in accordance with such arrangements as may be made by the Trust for the holding and use of SDRs.

(d) The Trustee may exchange any of the resources of the Trust, provided that any balance of a currency held in the Trust may be exchanged only with the consent of the issuers of such currencies.

Section II. *Trust Loans*

Paragraph 1. Eligibility and conditions for assistance

(a) The members on the list annexed to Decision No. 8240-(86/56) SAF, as amended, shall be eligible for assistance from the Trust.

(aa) The provisions of subparagraphs 1(b), 2(d), and 3(b) of this Section shall apply to assistance committed to qualifying members through November 20, 1998. The provisions of subparagraphs 1(bb), 2(dd), and 3(bb) of this Section shall apply to assistance committed after that date.

(b) This assistance shall be committed to a qualifying member, subject to this instrument, for a three-year period upon approval by the Fund of a three-year arrangement in support of a three-year macroeconomic and structural adjustment program presented by the member. The three-year arrangement will prescribe the total amount, and the annual amounts within the total, committed to the member. Resources so committed shall be made available in the form of loans under three annual arrangements approved by the Fund. An annual arrangement may not be approved before the expiration of the preceding annual arrangement, other than under exceptional circumstances. After the expiration of the original three-year commitment period for an eligible member, the Trustee may approve additional three-year commitments for that member in accordance with this Instrument.

(bb) Assistance shall be committed and made available to a qualifying member under a single three-year arrangement in support of a three-year macroeconomic and structural adjustment program presented by the member. The member shall also present a detailed statement of the policies and measures it intends to pursue for the first twelve months of the arrangement, in line with the objectives and policies of the three-year program. The three-year arrangement will prescribe the total amount of resources committed to the member, the amount to be made available during the first year of the arrangement, the phasing of disbursements during that year, and the overall amounts to be made available during the second and third years of the arrangement. In principle, disbursements shall be phased

at semiannual intervals (one upon approval and at approximately six-monthly intervals thereafter) with semiannual performance criteria and appropriate monitoring of key financial variables in the form of quarterly quantitative benchmarks and structural benchmarks for important structural reforms. The arrangement shall also provide for reviews of the member's program with the Trustee to evaluate the macroeconomic and structural reform policies of the member and the implementation of its program and reach new understandings if necessary. In cases where closer monitoring is needed, the arrangement may provide for quarterly performance criteria and reviews and quarterly disbursements. The determination of the phasing of, and the conditions applying to, disbursements during the second and third years of the arrangement will be made by the Trustee in the context of a review of the program with the member, and of a detailed statement presented by the member describing progress made under the program, and of the policies it will follow during the subsequent year of the arrangement to further the realization of the objectives of the three-year program, with such modifications as may be necessary to assist it to achieve its objectives in changing circumstances. After the expiration of a three-year arrangement for an eligible member, the Trustee may approve additional arrangements for that member in accordance with the Instrument.

(c) Before approving a three-year arrangement, the Trustee shall be satisfied that the member has a protracted balance of payments problem and is making an effort to strengthen substantially and in a sustainable manner its balance of payments position.

(d) Commitments under three-year arrangements may be made during the period from January 1, 1988 to December 31, 2000.

(e) The Managing Director shall not recommend for approval, and the Trustee shall not approve, a request for a three-year arrangement under this Instrument whenever 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, or while the member is failing to meet a repurchase expectation to the Fund pursuant to Decision No.7842-(84/165) on the Guidelines on Corrective Action, or

pursuant to subparagraphs 16(a) or 33(a) of Decision No. 8955-(88/126) on the Compensatory and Contingency Financing Facility, or in respect to a purchase in support of debt and debt service reduction operations pursuant to Decision No. 9331-(89/167), or a purchase pursuant to Decision No. 11627-(97/123) on the Supplemental Reserve Facility, or pursuant to the Guidelines for Fund Support for Currency Stabilization Funds, or is failing to meet a repayment expectation pursuant to the provisions of Appendix I to this Instrument.

Paragraph 2. Amount of Assistance

(a) An initial maximum limit on access to the resources of the Trust shall be established by the Trustee, as a proportion of members' quotas in the Fund, and provisions shall be made for a limit up to which that maximum limit may be exceeded in exceptional circumstances. The maximum access limit and the exceptional maximum limit shall be subject to review from time to time by the Trustee in the light of actual utilization of resources available to the Loan Account.

(b) To the extent that a member has notified the Trustee that it does not intend to make use of the resources available from the Trust, the member shall not be included in the calculations of the access limits on Trust loans.

(c) The access for each member that qualifies for assistance from the Trust shall be determined on the basis of an assessment by the Trustee of the balance of payments need of the member, the strength of its adjustment program, the amount of the member's outstanding use of credit extended by the Fund, and its record in using Fund credit in the past.

(d) The amount of resources committed to a qualifying member under a three-year arrangement may be increased at the time of consideration of each annual program or at the time of any review contemplated under an annual arrangement, to help meet a larger balance of payments need or to support a strengthening of the program during the period of such annual arrangement. The amounts committed to a member shall not be reduced because of developments in its balance of payments, unless such developments are

substantially more favorable than envisaged at the time of approval of the three-year arrangement and the improvement for the member derives in particular from improvements in the external environment.

(dd) The amount of resources committed to a qualifying member under a three-year arrangement may be increased at the time of any review contemplated under the arrangement, to help meet a larger balance of payments need or to support a strengthening of the program. The amount committed to a member shall not be reduced because of developments in its balance of payments, unless such developments are substantially more favorable than envisaged at the time of approval of the three-year arrangement and the improvement for the member derives in particular from improvements in the external environment.

(e) Any commitment shall be subject to the availability of resources to the Trust.

Paragraph 3. Disbursements

(a) Any disbursement shall be subject to the availability of the resources to the Trust.

(b) Disbursements must precede the expiration of the three-year commitment period. If an annual arrangement expires with undisbursed amounts, the Trustee may rephase those amounts over the remaining annual arrangements under the three-year commitment. It may also extend the period of the three-year commitment for up to one year to allow the disbursement of undisbursed amounts or of additional resources committed to the member, subject to appropriate conditions consistent with the terms of assistance under this Instrument.

Each annual arrangement shall determine the phasing of disbursements, which, in principle, shall be at semiannual intervals (one upon approval and at approximately six-monthly intervals thereafter) with semiannual performance criteria and appropriate monitoring of key financial variables in the form of quarterly quantitative benchmarks and structural benchmarks for important structural reforms. Arrangements shall also contain provisions for reviews of the member's program with the Trustee to evaluate the

macroeconomic and structural reform policies of the member and reach new understandings if necessary. In cases where closer monitoring is needed, an annual arrangement may provide for quarterly performance criteria and reviews and quarterly disbursements. In establishing the phasing under an arrangement, the Trustee shall endeavor to avoid undesirable bunching of disbursements under one arrangement with the disbursements under the subsequent arrangement.

(bb) Disbursements under a three-year arrangement must precede the expiration of the arrangement period. If phased amounts under an arrangement do not become available as scheduled due to delays in program implementation, nonobservance of conditions attached to such disbursements or delays in reaching new understandings when necessary, the Trustee may rephase those amounts over the remaining period of the arrangement. The Trustee may also extend the period of the arrangement for up to one year to allow for the disbursement of rephased amounts or to provide additional resources, subject to appropriate conditions consistent with the terms of assistance under the Instrument.

(c) Disbursements shall normally be made on the fifteenth and the last day of the month, provided that if these days are not business days of the Trustee, the disbursement shall be made on the preceding business day. Following a member's qualification for a disbursement, the disbursement shall be made on the first of these value dates for which the necessary notifications and payment instructions can be issued by the Trustee.

(d) No disbursement under any commitment to a member shall be made after the expiration of the period referred to in Section III, paragraph 3.

(e) In cases of misreporting and noncomplying disbursements of Trust loans, the provisions of Appendix I, which shall be incorporated at the end of this Instrument, shall apply.

(f) Disbursements under an arrangement to a qualifying member shall be suspended in all the cases specified in Paragraph 1(e) of this Section.

Paragraph 4. Terms of loans

(a) Interest on the outstanding balance of a Trust loan shall be charged at the rate of one half of one percent per annum subject to the provisions of Section IV, paragraph 5, and provided that interest at a rate equal to the rate of interest on the SDR shall be charged on the amounts of any overdue interest on or overdue repayments of Trust loans.

(b) Trust loans shall be disbursed in a freely usable currency as decided by the Trustee. They shall be repaid, and interest paid, in U.S. dollars or other freely usable currency as decided by the Trustee. 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 for payment of interest or repayments of loans by the member to the Trust.

(c) The Trustee may not reschedule the repayment of loans from the Trust.

Paragraph 5. Modifications

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

Section III. *Borrowing for the Loan Account*

Paragraph 1. Resources

The resources held in the Loan Account shall consist of:

(a) the proceeds of loans made to the Trust for that Account; and

(b) payments of principal and interest on Trust loans, subject to the provisions of Section V, paragraph 3.

Paragraph 2. Borrowing authority

The Trustee may borrow resources for the Loan Account on such terms and conditions as may be agreed between the Trustee and the respective lenders subject to the provisions of this Instrument.

Paragraph 3. Commitments

Commitments for drawings under loan agreements to the Loan Account of the ESAF Trust that were entered into before November 30, 1993 shall extend through December 31, 1997, and under loan agreements that are entered into after November 30, 1993 shall extend through December 31, 1999. The drawdown period may be extended by mutual agreement between the Trustee and the lender. The Managing Director is authorized to conclude such agreements on behalf of the Trustee.

Paragraph 4. Drawings on loan commitments

(a) Drawings on the commitments of individual lenders over time shall be made so as to maintain broad proportionality of these drawings relative to commitments, provided that the Trustee will aim to draw fully all loans entered into prior to November 30, 1993 before calling on loans entered into after that date.

(b) Calls on a lender's commitment shall be suspended temporarily if, at any time prior to June 30, 1997, in case of a commitment under a loan agreement entered into before November 30, 1993, or prior to June 30, 1999, in case of a commitment under a loan agreement entered into after November 30, 1993, the lender represents to the Trustee that it has a liquidity need for such suspension and the Trustee, having given this representation the overwhelming benefit of any doubt, agrees. The suspension shall not exceed three months, provided that it may be extended for further periods of three months by agreement between the lender and the Trustee. No extension shall be agreed which, in the judgment of the Trustee, would prevent drawing of the full amount of the lender's commitment.

(c) Following any suspension of calls with respect to the commitment of a lender, calls will be made on that commitment thereafter

so as to restore proportionality of calls on all lenders as soon as practicable.

Paragraph 5. Payments to lenders

(a) The Trust shall make payments of principal and interest on its borrowing for the Loan Account from the payments into that account of principal and interest made by borrowers under Trust loans. Payments of the authorized subsidy shall be made from the Subsidy Account in accordance with Section IV of this Instrument, and, as required, payments shall be made from the Reserve Account in accordance with Section V of this Instrument.

(b) The Trust shall pay interest on outstanding borrowing for Trust loans promptly after June 30 and December 31 of each year, unless the particular modalities of a loan to the Trust make it necessary for the Trustee to agree with the lender on interest payments at other times.

Section IV. *Subsidy Account*

Paragraph 1. Resources

The resources held in the Subsidy Account shall consist of:

(a) the proceeds of donations made to the Trust for that Account;

(b) the proceeds of loans made to the Trust for that Account; and

(c) transfers from the Special Disbursement Account in accordance with Decision No. 10531-(93/170) to that Account; and

(d) net earnings from investment of resources held in that Account.

Paragraph 2. Donations

The Trustee may accept donations of resources for the Subsidy Account on such terms and conditions as may be agreed between the Trustee and the respective donors, subject to the provisions of this Instrument. To the extent possible, annual contributions should be made before May 30 of each year.

Paragraph 3. Borrowing

The Trustee may, in exceptional circumstances, borrow resources for the Subsidy Account from official lenders on such terms and conditions as may be agreed between the Trustee and the lenders; in order

(a) to prefinance an amount that is firmly committed to be donated to the Trust for the Subsidy Account; repayment of principal and any payments of interest on such borrowing shall be contingent upon the receipt by the Subsidy Account of the Trust of the donation that has been prefinanced;

(b) that the Subsidy Account may benefit from net investment earnings on the proceeds of a loan extended at a concessional interest rate; repayment of principal and any payment of interest on such borrowing shall be made exclusively from the proceeds of liquidation of the investment and the earnings thereon.

Paragraph 4. Authorized subsidy

The Trustee shall draw upon the resources available in the Subsidy Account to pay the difference, with respect to each interest period, between the interest due by the borrowers and the interest due on resources borrowed for Trust Loans.

Paragraph 5. Calculation of subsidy

(a) The amount of the subsidy shall be determined by the Trustee in the light of (i) the objective of ensuring that the Enhanced Structural Adjustment Facility is a highly concessional facility and, to the extent possible, of reducing the rate of interest charged on Trust loans to 0.5 percent, (ii) the rate of interest on resources available to

the Loan Account, and (iii) the availability and prospective availability of resources to the Subsidy Account.

(b) The Trustee shall keep the operation of the Subsidy Account under review. If at any time it determines that resources available or committed are likely to be insufficient to reduce the rate of interest on Trust loans to 0.5 percent throughout the operation of the Trust, the Trustee shall seek such additional resources as may be necessary to achieve this objective.

(c) Should adequate additional resources not be forthcoming to reduce the rate on Trust loans to 0.5 percent, the Trustee shall recalculate the subsidy with a view to reducing that interest rate to the lowest feasible rate that could be applied throughout the remaining life of the Trust. The rate of interest charged on all outstanding loans by the Trust shall be adjusted accordingly in the succeeding interest periods. Borrowers shall be notified promptly of such adjustments. Further recalculations and adjustments shall be made in subsequent interest periods, as necessary in light of developments with respect to the rate of interest on resources available to the Loan Account and to the availability of resources to the Subsidy Account.

(d) If the interest due to lenders for an interest period has exceeded the interest due by borrowers together with the authorized subsidy under paragraph 4 of this Section for that period, and payment to lenders of that difference has been made from the Reserve Account in accordance with Section V, paragraph 2, an amount equivalent to that difference shall be added to the interest due by borrowers for the succeeding interest period. Payment of that amount shall be made to the Reserve Account in accordance with Section V, paragraph 3. The additional interest due shall not be taken into account in the calculation of the authorized subsidy for that same interest period.

Paragraph 6. Termination arrangements

Upon completion of the subsidy operations authorized by this Instrument, the Fund shall wind up the affairs of the Subsidy Account. Any resources remaining in the Subsidy Account shall be used first to reduce to the fullest extent possible, in accordance with this Instrument, to 0.5 percent the interest rate paid by borrowers, by means of payments to borrowers. Any resources remaining after that subsidiza-

tion shall be distributed to the Fund, donors, and lenders that have contributed to the subsidy operation, in proportion to their contributions. The resources representing the Fund's share in such distribution shall be transferred to the Special Disbursement Account. For the purposes of this distribution, account will be taken of donations, the net earnings from investment of the proceeds of concessional loans extended to the Subsidy Account under paragraph 3(b) above, and the subsidy element of concessional loans extended to the Trust under Section III; the subsidy element associated with such loans shall be calculated as the difference, if positive, between the SDR rate of interest and the interest on such loans, applied to the amount of the loans during the period they were outstanding.

Section V. *Reserve Account*

Paragraph 1. Resources

The resources held in the Reserve Account shall consist of:

(a) transfers by the Fund from the Special Disbursement Account in accordance with Decision No. 8760-(87/176), adopted December 18, 1987, as amended by Decision No. 10531-(93/170), adopted December 15, 1993;

(b) net earnings from investment of resources held in the Reserve Account;

(c) net earnings from investment of any resources held in the Loan Account pending the use of these resources in operations;

(d) payments of overdue principal or interest or interest thereon under Trust loans, and payments of interest under Trust loans to the extent that payment has been made to a lender from the Reserve Account;

(e) Transfers by the Fund from the Special Disbursement Account in accordance with Decision No. 10286-(93/23) ESAF, adopted February 22, 1993; and

(f) repayments of the principal under Trust loans, to the extent that resources in the Reserve Account have been used to make payments to a lender due to a difference in timing between scheduled principal repayments to the lender and principal repayments under Trust loans.

Paragraph 2. Use of resources

The resources held in the Reserve Account shall be used by the Trustee to make payments of principal and interest on its borrowing for Trust loans, to the extent that the amounts available from receipts of repayments and interest from borrowers under Trust loans, together with the authorized subsidy under Section IV, paragraph 4, are insufficient to cover the payments to lenders as they become due and payable.

Paragraph 3. Payments to the Reserve Account

Any repayment of principal under Trust loans, to the extent that repayment to a lender has been made from the Reserve Account due to differences in timing between scheduled principal repayments to the lender and principal repayments under Trust loans, any payments of overdue principal or interest or interest thereon under Trust loans, and any payments of interest under Trust loans to the extent that payment has been made to a lender from the Reserve Account, shall be made to the Reserve Account

Paragraph 4. Review of resources

If resources in the Reserve Account are, or are determined by the Trustee likely to become, insufficient to meet the obligations of the Trust that may be discharged from the Reserve Account as they become due and payable, the Trustee shall review the situation in a timely manner.

Paragraph 5. Reduction of resources and liquidation

(a) Whenever the Trustee determines that amounts in the Reserve Account of the Trust exceed the amount that may be needed to cover the total liabilities of the Trust to lenders that are authorized to be

discharged by the Reserve Account, the Trustee shall retransfer such excess amount to the Fund's Special Disbursement Account.

(b) Notwithstanding (a) above, the equivalent of up to SDR 250 million may be transferred from the Reserve Account to the Special Disbursement Account to be used to provide Trust grants or Trust loans, as defined in the Instrument to Establish a Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations. Transfers will be made only when and to the extent that the Trustee of the Trust established by that Instrument determines that there are no other resources immediately available for this purpose.

(c) Upon liquidation of the Trust, all amounts in the Reserve Account remaining after discharge of liabilities authorized to be discharged by the Reserve Account shall be transferred to the Special Disbursement Account.

Section VI. *Transfer of Claims*

Paragraph 1. Transfers by lenders

(a) Any lender shall have the right to transfer at any time all or part of any claim to any member of the Fund, to the central bank or other fiscal agency designated by any member for purposes of Article V, Section 1 ("other fiscal agency"), or to any official entity that has been prescribed as a holder of SDRs pursuant to Article XVII, Section 3 of the Fund's Articles of Agreement.

(b) The transferee shall, as a condition of the transfer, notify the Trustee prior to the transfer that it accepts all the obligations of the transferor relating to the transferred claim with respect to renewal and new drawings, and shall acquire all the rights of the transferor with respect to repayment of and interest on the transferred claim.

Paragraph 2. Transfers among electing lenders

(a) Any lender to the Loan Account ("electing lenders") may inform the Trustee that it stands ready, upon request by the Trustee,

to purchase claims on the Trust from any other electing lender, provided that the holdings of claims so acquired shall at no time exceed the amount communicated to the Trustee and subject to the other provisions of this Section. A list of electing lenders and the amounts communicated by them shall be established separately by the Trustee. This list may be extended and the amounts therein increased in accordance with communications received subsequently.

(b) An electing lender shall have the right to transfer temporarily to other electing lenders part or all of any claim arising from its loans to the Trust under Section III, if the electing lender represents to the Trustee that it has a liquidity need to make such transfer and the Trustee, having given this representation the overwhelming benefit of any doubt, agrees.

(c) The Trustee shall allocate each transfer by an electing lender under this provision to all other electing lenders in proportion to the amounts by which the respective maximum holdings listed in the attachment exceed actual holdings of claims acquired under this provision; provided, however, that no allocation shall be made to an electing lender if it represents to the Trustee that it has a liquidity need for exclusion from an allocation and the Trustee agrees, in which case allocations to the remaining electing lenders shall be adjusted accordingly.

(d) The purchaser of any claim transferred under this provision shall assume, as a condition of the transfer, any obligation of the transferor, relating to the transferred claim, with respect to the renewal of drawing on loans to the Trust and to new drawings on loans in the event a renewal, having been requested, is not agreed by the transferor.

(e) Transfers of claims under this provision shall be made in exchange for freely usable currency and shall be reversed in the same media within three months, provided that such transfers may be renewed, by agreement between the transferor and the Trustee, for further periods of three months up to a total of one year. Notwithstanding the above, the transferor shall reverse a transfer under this provision not later than the date on which the transferred claim is due to be repaid by the Trust.

(f) Interest on claims transferred under this Section shall be paid by the Trust to the transferor in accordance with the provisions of the transferor's lending agreement with the Trust. The transferor shall pay interest to the transferee(s) on the amount transferred, so long as the transfer remains outstanding, at a daily rate equal to that set out in Rule T-1 of the Fund's Rules and Regulations; such interest shall be payable three months after the date of a transfer or of its renewal, or on the date the transfer is reversed, whichever is earlier.

Section VII. *Administration of the Trust*

Paragraph 1. Trustee

(a) The Trust shall be administered by the Fund as Trustee. Decisions and other actions taken by the Fund as Trustee shall be identified as taken in that capacity.

(b) Subject to the provisions of this Instrument, the Fund in administering the Trust shall apply the same rules as apply to the operation of the General Resources Account of the Fund.

(c) The Trustee, acting through its Managing Director, is authorized:

(i) to make all arrangements, including establishment of accounts in the name of the International Monetary Fund, which shall be accounts of the Fund as Trustee, with such depositories of the Fund as the Trustee deems necessary; and

(ii) to take all other administrative measures that the Trustee deems necessary to implement the provisions of this Instrument.

Paragraph 2. Separation of assets and accounts, audit and reports

(a) The Resources of the Trust shall be kept separate from the property and assets of all other accounts of the Fund, including other administered accounts, and shall be used only for the purposes of the Trust in accordance with this Instrument.

(b) The property and assets held in the other accounts of the Fund shall not be used to discharge liabilities or to meet losses arising out of the administration of the Trust. The resources of the Trust shall not be used to discharge liabilities or to meet losses arising out of the administration of the other accounts of the Fund.

(c) The Fund shall maintain separate financial records and prepare separate financial statements for the Trust.

(d) The audit committee selected under Section 20 of the Fund's By-Laws shall audit the financial transactions and records of the Trust. The audit shall relate to the financial year of the Fund.

(e) The Fund shall report on the resources and operations of the Trust in the Annual Report of the Executive Board to the Board of Governors and shall include in that Annual Report the report of the audit committee on the Trust.

Paragraph 3. Investment of resources

(a) Any balances held by the Trust and not immediately needed in operations shall be invested.

(b) Investments may be made in any of the following: (i) marketable obligations issued by an international financial organization and denominated in SDRs or in the currency of a member of the Fund; (ii) marketable obligations issued by a member or by a national official financial institution of a member and denominated in SDRs or in the currency of that member; and (iii) deposits with a commercial bank, a national official financial institution of a member, or an international financial institution that are denominated in SDRs or in the currency of a member. Investment which does not involve an exchange of currency shall be made only after consultation with the member whose currency is to be used, or, when an exchange of currencies is involved, with the consent of the issuers of such currencies.

Section VIII. *Period of Operation and Liquidation*

Paragraph 1. Period of operation

The Trust established by this Instrument shall remain in effect for as long as is necessary, in the judgment of the Fund, to conduct and to wind up the business of the Trust.

Paragraph 2. Liquidation of the Trust

(a) Termination and liquidation of the Subsidy Account shall be made in accordance with the provisions of Section IV, paragraph 6.

(b) All other resources, if any, shall be used to discharge any liabilities of the Trust, other than those incurred under Section IV, and any remainder shall be transferred to the Special Disbursement Account of the Fund.

Section IX. *Amendment of the Instrument*

The Fund may amend the provisions of the Instrument, except this Section and Section I, paragraphs 1 and 2; Section III, paragraphs 4 and 5; Section IV, paragraphs 4 and 6; Section V; Section VI; Section VII, paragraph 2(a) and (b); Section VIII, paragraph 2(b).

APPENDIX I

Misreporting and Noncomplying Disbursements Under ESAF Arrangements—Provisions on Corrective Action

a. A noncomplying disbursement occurs when (i) the Trustee makes a disbursement to a member under an arrangement approved in accordance with the Instrument on the basis of a finding by the Trustee or the Managing Director that all applicable performance criteria and other conditions established for that disbursement under the terms of the decisions on the arrangement have been observed, and (ii) that finding later proves to be incorrect. For the purposes of these provisions, a condition established under the terms of a decision on an arrangement means a condition specified in the

arrangement, in a decision approving the arrangement, completing a review, or granting a waiver for the nonobservance of a performance criterion under the arrangement.

b. Whenever evidence comes to the attention of the Trustee indicating that a member may have received a noncomplying disbursement within the previous two years, the Managing Director shall promptly inform the member concerned.

c. If, after consultation with the member, the Managing Director determines that the member did receive a noncomplying disbursement, he shall promptly notify the member and submit a report to the Executive Board together with his recommendations, which may include a recommendation that the member be called upon to make an early repayment or that the nonobservance be waived. If the decision of the Executive Board is to call upon the member to make an early repayment, the member will be expected to repay an amount equivalent to the noncomplying disbursement, together with any interest accrued thereon, within a period of 30 days from the date of the Executive Board decision.

d. A waiver will be granted only if the deviation from the relevant performance criterion or other condition was minor or temporary, or if, subsequent to the disbursement, the member had adopted additional measures appropriate to achieve the objectives of the program supported by the arrangement under which the disbursement was made.

e. If a member fails to meet a repayment expectation under these guidelines within the period established by the Executive Board, (i) the Managing Director shall promptly submit a report to the Executive Board together with a proposal on how to deal with the matter, and (ii) interest shall be charged on the amount subject to the repayment expectation at the rate applicable to overdue amounts under Section II, Paragraph 4 of the Instrument.

PUBLICATION OF LETTERS OF INTENT, MEMORANDA OF ECONOMIC AND FINANCIAL POLICIES AND POLICY FRAMEWORK PAPERS

When a member submits a request relating to a Fund arrangement, it will be presumed that the relevant letters of intent, memoranda of economic and financial policies, and the policy framework paper (if any) will be published (including by the Fund on its web site) no later than shortly after the Fund approves the request. If, in a particular case, a member does not intend to publish these documents, this and the basis for the decision would be explained, through its Executive Director, to the Fund before the Fund approves its request relating to a Fund arrangement.

Decision No. 11974-(99/58)
June 3, 1999

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST—OTHER PROVISIONS

. . .

2. All the provisions applying to assistance under the Enhanced Structural Adjustment Facility Trust Instrument, other than those amended or deleted pursuant to Part I* of this Decision, shall continue to apply to assistance committed after November 20, 1998 under such Instrument, including the maturity of loans, which will continue to be repaid in ten equal semiannual installments beginning not later than five and a half years from the date of each disbursement and completed at the end of the tenth year after that date.

3. The Managing Director shall not recommend, and the Fund shall not approve, a request by a member for the use of the Fund's general resources, Special Disbursement Account resources, or resources administered by the Fund as Trustee, whenever the member is in arrears, or is failing to meet a repayment expectation, to the Enhanced Structural Adjustment Facility Trust.

*Part I amended Sections II and V of the ESAF Instrument and added Appendix I.

4. Provision shall be made in Stand-By and Extended Arrangements for the suspension of further purchases whenever a member fails to meet a repayment obligation to the ESAF Trust or a repayment expectation to that Trust within the period established by the Executive Board pursuant to the provisions of Appendix I to the ESAF Trust Instrument.

Decision No. 11832-(98/119) ESAF
November 20, 1998

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST—EXTENSION AND ENLARGEMENT

1. The Fund adopts the following decisions,* which shall become effective when (i) the Executive Board has determined that sufficient contributions to the Loan and Subsidy Accounts of the Enhanced Structural Adjustment Facility Trust (ESAF Trust) are committed or in firm prospect to initiate operations under the enlarged and amended ESAF Trust, and (ii) all creditors to the Loan Account of the ESAF Trust have consented to the partial transfer to the Subsidy Account of the ESAF Trust of resources from the Special Disbursement Account that were to be transferred to the Reserve Account of the ESAF Trust in accordance with Decision No. 8760-(87/176), adopted December 18, 1987, as amended.

2. The period for making commitments specified in Section II, subparagraph 1(d) of the ESAF Trust Instrument is extended until February 28, 1994 or the date of effectiveness of the decisions referred to in paragraph 1 of this decision, whichever is earlier.

Decision No. 10530-(93/170) ESAF
December 15, 1993

*Decision Nos. 10531-(93/170) SAF, 10532-(93/170) ESAF, 10533-(93/170) ESAF, 10534-(93/170) ESAF, and 10535-(93/170) SAF.

ESAF SUCCESSOR—INITIATION OF OPERATIONS

The Executive Board determines that sufficient contributions to the Loan and Subsidy Accounts of the ESAF Trust are committed or in firm prospect to initiate operations under the enlarged and amended ESAF Trust.

Decision No. 10597-(94/14) ESAF
February 23, 1994

ESAF TRUST—TRANSFER TO THE ESAF/HIPC TRUST

For financial year 1998, no reimbursement shall be made to the General Resources Account from the ESAF Trust Reserve Account for the cost of administering the ESAF Trust. An amount equivalent to such cost shall be transferred after the end of the financial year from the ESAF Trust Reserve Account (through the Special Disbursement Account) to the ESAF/HIPC Trust.

Decision No. 11683-(98/27)
March 12, 1998

ESAF TRUST-RESERVE ACCOUNT-TRANSFER TO THE ESAF/HIPC TRUST

For financial year 1999, no reimbursement shall be made to the General Resources Account from the ESAF Trust Reserve Account for the cost of administering the ESAF Trust. One-fourth of the estimated annual cost shall be transferred after the end of each financial quarter ended July 31 and October 31, 1998 and January 31 and April 30, 1999 from the ESAF Trust Reserve Account (through the Special Disbursement Account) to the ESAF-HIPC Trust.

Decision No. 11713-(98/49) ESAF
May 22, 1998

For financial year 2000, no reimbursement shall be made to the General Resources Account from the ESAF Trust Reserve Account for the cost of administering the ESAF Trust. One-fourth of the estimated annual cost shall be transferred at the end of each financial quarter ended July 31 and October 31, 1999 and January 31 and April 30, 2000 from the ESAF Trust Reserve Account (through the Special Disbursement Account) to the ESAF-HIPC Trust.

Decision No. 11946-(99/49) ESAF
April 30, 1999

The Chairman's Summing Up of the Discussion on the Enhancement of the Structural Adjustment Facility—Operational Arrangements
Executive Board Meeting 87/171, December 15, 1987

. . .

Let me summarize the agreed position on a number of important points.

1. *Establishment of the enhanced adjustment facility and review of the existing facility*

Directors reviewed the existing Structural Adjustment Facility and agreed that it should continue to operate as in the past. The existing facility will continue to be available to eligible members that already have arrangements under the facility as well as to those that have not yet requested use of the facility's resources.

Directors agreed that a new lending facility—the Enhanced Structural Adjustment Facility—should be established and that it will operate concurrently with the existing Structural Adjustment Facility. The enhanced facility will be financed from two Fund-related sources—the Special Disbursement Account and the Enhanced Structural Adjustment Facility Trust—and will also include the possibility that other lenders might support enhanced structural adjustment arrangements through loans to qualifying

members in association with loans under the enhanced facility. For a member qualifying for an arrangement under the enhanced facility, resources will be provided from the Special Disbursement Account to the extent that the member has not exhausted its potential access under the existing facility; resources made available in excess of these amounts will be provided from the Trust and from associated sources.

Until the cutoff date for commitment of resources, eligible members that have not yet made use of the resources of the Structural Adjustment Facility will have the option to request a full three-year arrangement under either the existing facility or the enhanced facility. Members currently making use of the resources of the existing facility may request a new three-year arrangement under the enhanced facility or continue their current arrangement to its conclusion. If a member currently using the resources of the Structural Adjustment Facility chooses to request a new three-year arrangement under the enhanced facility, that request should normally be made at the time of expiration of an annual arrangement under the existing facility. However, earlier replacement of an existing arrangement by a three-year arrangement under the enhanced facility could also be permitted in exceptional cases.

2. *Terms and conditions of loans under the Enhanced Structural Adjustment Facility*

Commitments of resources under the enhanced facility will be made upon approval of a three-year arrangement. All commitments and disbursements will be subject to the availability of resources. Commitments may be made at any time until the cutoff date. Most Directors agreed, taking into account the limited period of time during which the resources would be made available by contributors, that the cutoff date should be November 30, 1989. At the same time, most Directors considered that the final date for disbursements should not now be extended beyond June 30, 1992, although it was recognized that maintenance of this date would imply that there would be little flexibility to accommodate delays under annual programs in arrangements that were agreed later in

the commitment period. This matter will be kept under review as experience is gained with the facility.

Disbursements from the Special Disbursement Account in conjunction with enhanced structural adjustment arrangements will be provided under the financial terms applying to loans under the existing facility, as amended. To the extent possible, the financial terms applying to loans from the Enhanced Structural Adjustment Facility Trust will be the same as those under the existing facility. In particular, it was agreed that the maturities of loans will be five and a half to ten years. Most Directors also believed that it would be appropriate to set the initial interest rate charged on loans from the Trust at 0.5 percent per annum, even if the amount of firmly committed resources in the Subsidy Account was initially not fully sufficient for this purpose, but additional resources were confidently expected. These Directors indicated that if it appeared, because of inadequate contributions or future adverse developments in interest or exchange rates, that resources available or committed to the Subsidy Account were likely to be insufficient to maintain the rate of interest at 0.5 percent throughout the period of operation of the Trust, the Fund should seek the additional resources necessary to achieve this objective. This issue is to be kept under review, and the interest rate will be adjusted as necessary at the beginning of each six-month interest period whenever resources available to the Subsidy Account are judged insufficient to maintain a rate of 0.5 percent on loans under the enhanced facility.

The intended terms for the Trust's lending, with which you have agreed, determine the essential features of the borrowing arrangements that will have to be concluded by the Fund as Trustee for the Enhanced Structural Adjustment Facility Trust and the lenders to it. These have been set out in a prototype circulated to potential lenders and annexed to EBS/87/245. While there will need to be comparability in *substance* among agreements, there will no doubt need to be alterations to the form and structure of this prototype to meet the particular legal and institutional requirements of individual lenders, and we will be flexible in meeting these requirements. There was further discussion of the

security to be provided to the claims on the Trust. Directors accepted that the proposals that had been put forward to safeguard the resources lent to the Trust were adequate to provide the necessary assurance to potential creditors. Although noting the views of some Directors, I have repeated that the phrase "all such initiatives as might be necessary" had to be understood to include the possible use of gold.

I should also comment on a few specific financial issues raised in the papers. First, most Directors did not favor the inclusion of a provision on rescheduling because, inter alia, it was considered that this would create undue complications in light of the limited period for which resources were being committed by contributors and also because it was felt that such a provision could threaten the integrity of the Reserve that most contributors find to be an essential component of the facility. Second, most Directors did not find it appropriate to provide for temporary encashment of claims through the use of the Reserve, given the relatively small amounts that will be available in the early years and the importance of the Reserve as security for claims. Third, it appeared generally acceptable to most Directors that the provision for temporary suspension of calls should apply to all lenders. I should note in this connection that we appreciate the position of several contributors who are providing support to the enhanced facility, despite a very difficult balance of payments situation of their own.

3. *Framework for lending under the Enhanced Structural Adjustment Facility*

Resources to be made available under the enhanced facility will be committed upon Board approval of a three-year arrangement and disbursements will be made semiannually in accordance with the provisions specified in annual arrangements. The preparation of policy framework papers will be an essential element of the enhanced facility, and the policy framework process will be strengthened to reflect the summing up of the June 1987 review of the structural adjustment facility (EBM/87/93, 6/19/87), as well as continuing discussions with eligible recipient countries, the World Bank, and the interested donors.

Directors were in broad agreement that the *objectives* of programs under the enhanced facility should be to promote, in a balanced manner, both balance of payments viability and growth through mobilization of domestic and external resources, improvements in resource allocation, and the removal of structural impediments. Such programs should involve a substantial effort to strengthen the external payments position in a sustainable manner, and in particular to assure substantial progress during the three-year program period toward an overall position and structure of the balance of payments that is consistent with orderly relations with creditors and a reduction in restrictions on trade and payments, while permitting the timely servicing of obligations to the Fund.

Directors agreed that monitoring of enhanced programs supported by arrangement under the enhanced facility will be conducted through *benchmarks*. Most Directors favored the establishment of quarterly quantitative benchmarks for the key financial variables, and the use of structural benchmarks to monitor implementation of the most important structural policy measures. Most Directors supported the establishment of some benchmarks, including, where appropriate, some structural benchmarks, as semiannual *performance criteria* in all cases. In addition, midyear reviews will also be required in most cases. I have fully noted the reservations expressed by a number of Directors regarding the treatment of benchmarks as performance criteria, and I assure you that performance criteria will be limited in number and will generally involve only a subset of the benchmarks. Similarly, prior actions will be required sparingly, but when neces-sary to lay the basis for a long or difficult adjustment process, and particularly where arrangements involve a front-loading of disbursements. In the event of a substantial delay in completion of a midyear review or in agreeing on an annual program, the total amount of resources to be made available to a member could be reduced or rephased over the remaining period of the arrangement.

Most Directors agreed that *access* to the resources of the enhanced facility will be differentiated according to the strength of the member's adjustment program and its financing need. The

structure of the member's external debt and its prospective debt service burden, along with the expected evolution of other macroeconomic aggregates, will be important elements in this assessment. Directors generally agreed that access under three-year enhanced structural adjustment arrangements will be subject to a maximum limit of 250 percent of quota. However, Directors stressed again that the access limits do not constitute entitlements, and they agreed that access should normally be below the maximum and that the guidelines should be applied so that the rate of access for all qualifying members would average about 150 percent of quota. It was also indicated that, in highly exceptional circumstances, the maximum could be exceeded, but it was not envisaged that access would exceed 350 percent of quota even in these cases. These access limits, along with the operation of both the enhanced facility and the existing facility, will be subject to review in light of experience and the utilization of the available resources.

Directors agreed that the amount of resources committed to an individual qualifying member under a three-year enhanced structural adjustment arrangement and the amounts for the second- and third-year arrangements will be reviewed at the time of consideration of each annual program. However, most Directors indicated that, subject to the availability of resources, the amounts committed to a member would not normally be reduced because of developments in its balance of payments. However, in the event that balance of payments developments were markedly more favorable than envisaged at the time of approval of the three-year arrangement, and particularly because of improvements in the external environment, it would be suggested that the member reduce voluntarily its use of enhanced resources, either by requesting lower access at the time of approval of an annual arrangement or by forgoing in whole or in part a midyear disbursement.

Directors agreed that *disbursements* of loans under enhanced structural adjustment arrangements will be made semiannually, upon approval of an annual arrangement, and subsequently, on the basis of observance of performance criteria and, in most cases,

completion of a midyear review. A range of views was expressed regarding the possibility of a limited front-loading of disbursements in some cases. Nonetheless, there seems to be a consensus that, subject to the availability of resources, the guideline should be that a uniform distribution of disbursements would be preferable and that any front-loading should not result in first-year disbursements exceeding 40 percent of the total amount to be made available under the three-year enhanced structural adjustment arrangement. However, I take it that there may be scope for a higher first-year disbursement in some very exceptional cases. Existing policies regarding members with overdue obligations to the Fund will be retained; how best to deal with cases of large and protracted arrears is a question to which we will return soon, but in a different context.

4. *Relationship with other Fund facilities*

Directors noted that members qualifying for loans under the enhanced structural adjustment facility would retain eligibility for access to the Fund's general resources. Access to those resources will have to be examined carefully on a case-by-case basis, taking into account a range of factors envisaged in the present guidelines, including past performance and use of Fund resources, terms, the possible availability of financing from the enhanced facility and other sources, and the speed and time profile of the anticipated balance of payments adjustment.

The Chairman's Remarks at the Conclusion of the Discussion on the Enhancement of the Structural Adjustment Facility—Legal Documentation Executive Board Meeting 87/176, December 18, 1987

. . .

Two issues of substance raised during this meeting deserve special mention. First, it was reconfirmed that lending to the ESAF Trust could be considered as part of a member's official reserves

by the Fund. Second, it was explained that access to the Fund's general resources could be provided for members that had extended loans to the Trust and that needed liquidity in an amount not exceeding their claim. Purchases under these circumstances would be allowed if the member represented that it had a need, because of developments in its reserves in the sense of Article V, Section *3(b)*(ii), and that the Fund agreed that the purchase was justified taking into account the amount of the requested purchase and the existence of a claim on the Trust. If the liquidity problem can be addressed on its own, there would be no need for an adjustment program to solve the balance of payments problem. Moreover, those purchases could be given certain characteristics by a decision to be taken when required. For instance, it could be decided, with respect to such purchases, to provide for special repurchase periods and for their exclusion from the definition of reserve tranche purchases. Those decisions would need to be adopted by an 85 percent majority. On the occasion on which this question was discussed, I heard no objections by an Executive Director to this approach, which had been suggested in the staff papers that have been discussed by the Board.

Enhanced Structural Adjustment Facility—Access Limits

The Fund as Trustee under the Instrument to Establish the Enhanced Structural Adjustment Facility Trust decides:

1. In accordance with Section II, paragraph 2(a) of the Instrument to Establish the Enhanced Structural Adjustment Facility Trust, the initial maximum limit on access of each eligible member to the resources of the Trust under a three-year commitment shall be set at 140 percent of the member's quota in the Fund, minus resources committed to the member for loans in association with Trust loans.

2. The maximum limit in paragraph 1 may be increased in exceptional circumstances not to exceed 185 percent of the member's

quota in the Fund, subject to the same deductions as in paragraph 1.

3. The Fund shall review the maximum access limit and the exceptional maximum limit, together with the operation of the Enhanced Structural Adjustment Facility and the Enhanced Structural Adjustment Facility Trust, not later than June 30, 1995.

Decision No. 8845-(88/61) ESAF
April 20, 1988, as amended by
Decision Nos. 9988-(92/48) ESAF
April 7, 1992,
10185-(92/132) ESAF
November 3, 1992,
10533-(93/170) ESAF
December 15, 1993, and
Decision No. 11879-(99/2) ESAF
January 6, 1999

Pursuant to Decision No. 8845-(88/61) ESAF, adopted April 20, 1988, as amended, the Fund as Trustee of the Enhanced Structural Adjustment Facility Trust (ESAF Trust) has reviewed the operations of the Enhanced Structural Adjustment Facility (ESAF) and of the ESAF Trust and the maximum limit and the exceptional maximum limit on access to the resources of the ESAF Trust established by Decision No. 8759-(87/176) ESAF, adopted December 18, 1987, as amended.

Decision No. 11027-(95/65) ESAF
June 30, 1995

ENHANCED STRUCTURAL ADJUSTMENT FACILITY—INTEREST RATE ON TRUST LOANS

The Fund as Trustee under the Instrument to Establish the Enhanced Structural Adjustment Facility Trust decides:

In accordance with Section II, paragraph 4(a) and Section IV, paragraph 5 of the Instrument to Establish the Enhanced Structural Adjustment Facility Trust, the interest rate on loans from the Trust shall be set at 0.5 percent effective April 20, 1988.

Decision No. 8846-(88/61) ESAF
April 20, 1988

Enhanced Structural Adjustment Facility—Borrowing for Loan Account—Consultation with Creditors

The Managing Director is authorized to confirm that he does not intend to propose to the Executive Board borrowing of more than SDR 6 billion for the Loan Account of the Enhanced Structural Adjustment Facility Trust except after consultation with all creditors regarding the justification for such additional borrowing and the adequacy of the Trust's Reserve in relation thereto.

Decision No. 9056-(89/2) ESAF
January 11, 1989

The Managing Director, after having consulted with all creditors in accordance with Decision No. 9056-(89/2) ESAF, adopted January 11, 1989, is authorized to confirm that he does not intend to propose to the Executive Board borrowing of more than SDR 11 billion for the Loan Account of the Enhanced Structural Adjustment Facility Trust except after consultation with all creditors regarding the justification for such additional borrowing and the adequacy of the Trust's Reserve in relation thereto.

Decision No. 10534-(93/170) ESAF
December 15, 1993

ESTABLISHMENT OF A TRUST FOR SPECIAL ESAF OPERATIONS FOR THE HEAVILY INDEBTED POOR COUNTRIES AND INTERIM ESAF SUBSIDY OPERATIONS

1. The Fund adopts the Instrument to Establish a Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations, which is annexed to this decision.

2. The Fund shall conduct semi-annual reviews of the financing of the Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations.

Decision No. 11436-(97/10)
February 4, 1997,
as amended by
Decision No. 11492-(97/45)
April 24, 1997, and
Decision No. 11861-(98/131) ESAF
December 18, 1998

ANNEX

Instrument to Establish a Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations

Introductory Section

To help fulfill its purposes, and in furtherance of the purposes of the Enhanced Structural Adjustment Facility ("ESAF") Trust as described in the Instrument to Establish the Enhanced Structural Adjustment Facility Trust adopted by Decision No. 8759-(87/176) ESAF, December 18, 1987, as amended ("the 1987 ESAF Instrument"), the International Monetary Fund ("the Fund") has adopted this Instrument to Establish a Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and for Interim ESAF Subsidy Operations ("the Trust"), which shall be administered by the Fund as Trustee ("the Trustee"). The Trust

shall be governed by and administered in accordance with the provisions of this Instrument.

Section I. General Provisions

Paragraph 1. *Definitions*

Wherever used in this Instrument, unless the context otherwise requires:

(i) "Initiative" means the program of action endorsed by the Fund, the International Bank for Reconstruction and Development and the International Development Association (hereinafter jointly referred to as "the Bank") in September 1996 for reducing the external debt burden of heavily indebted poor countries to a sustainable level by their respective completion points;

(ii) "DSA" means a debt sustainability analysis jointly prepared by the staffs of the Fund and the Bank and the concerned member to provide the basis for determining the member's qualification for assistance under the Initiative;

(iii) "decision point" means the time when the Trustee decides whether a member qualifies for assistance under the Initiative, that is, normally at the end of the initial three-year performance period;

(iv) "completion point" means the time when a final decision will be taken by the Trustee to approve assistance to a qualifying member, that is, normally at the end of the second three-year performance period;

(v) "debt sustainability" means the achievement of sustainable levels of external debt at the completion point defined on a case-by-case basis within the range of 200–250 percent for the present value of debt-to-exports ratio and 20–25 percent for the debt-service-to-exports ratio, with the specific targets determined in light of country-specific vulnerability factors, such as the concentration and variability of exports and with particular

attention to fiscal indicators of the burden of debt service. A target range will be specified of plus or minus 10 percentage points around the agreed target for the present value of debt-to-exports ratio. In the special case of a country that has, at the decision point, (i) an exports-to-GDP ratio of at least 40 percent, and (ii) a fiscal revenues-to-GDP ratio of at least 20 percent, a "debt sustainability" target of below 200 percent for the present value of debt-to-exports ratio at the completion point may be set with the specific target determined so as to reduce the projected present value of debt-to-revenue ratio to 280 percent at the completion point;

(vi) "borderline case" means the case of a member that faces an external debt burden above or in the upper end of the thresholds for debt sustainability at the decision point, and where there is a reasonable degree of uncertainty about whether traditional debt relief mechanisms would achieve debt sustainability by the completion point;

(vii) "traditional debt relief mechanisms" means the application of Naples terms by Paris Club creditors, including the assumption of a stock-of-debt operation, involving a 67 percent present value reduction of the eligible debt of a member at the decision point, and at least comparable treatment by other official bilateral and commercial creditors;

(viii) "interim ESAF subsidy operations" means operations to subsidize the interest rate on interim ESAF financing to be made following full commitment under ESAF arrangements of resources available under borrowing agreements for the current phase of ESAF operations which is expected by about December 31, 2000; interim ESAF operations are expected to take place during the period 2000/01–2004; and

(ix) "self-sustained ESAF operations" means ESAF-type operations financed on a revolving basis from Special Disbursement Account (SDA) resources through the retransfer of resources from the ESAF Trust Reserve Account, when they are

no longer needed to cover the total liabilities of the 1987 ESAF Trust to lenders.

Paragraph 2. *Purposes*

The Trust shall assist in fulfilling the purposes of the Fund by providing balance of payments assistance to low-income developing members by:

(a) making grants ("Trust grants") and/or loans ("Trust loans") to eligible members that qualify for assistance under the terms of this Instrument for purposes of the Initiative; and

(b) subsidizing the interest rate on interim ESAF operations to ESAF-eligible members.

Paragraph 3. *Trust Account and resources*

The operations and transactions of the Trust shall be conducted through an account ("the Account"). Within the Account, the Trustee may establish such sub-accounts as it deems necessary for the administration of the resources in the Account.

The resources held in the Account shall consist of:

(a) grant contributions made to the Trust for the purposes of paragraph 2;

(b) loans, deposits and other types of investments made by contributors with the Trust to generate income to be used for the purposes of paragraph 2;

(c) transfers from the Special Disbursement Account for the purposes of paragraph 2; and

(d) net earnings from investment of resources held in the Account.

Paragraph 4. *Unit of account*

The SDR shall be the unit of account for commitments and all other operations and transactions of the Trust, provided that commitments for contributions may also be made in currency.

Paragraph 5. *Media of payment of contributions and exchange of resources*

(a) Resources provided to the Trust may be received in any currency.

(b) Payments by the Trust shall be made in U.S. dollars or such other media as may be agreed between the Trustee and the payee.

(c) Contributions to the Trust may also be made in or exchanged for SDRs in accordance with such arrangements as may be made by the Trust for the holding and use of SDRs.

(d) The Trustee may exchange any of the resources of the Trust, provided that any balance of a currency held in the Trust may be exchanged only with the consent of the issuer of such currency.

Section II. Contributions to the Trust

The Trustee may accept contributions of resources for the Account on such terms and conditions as may be agreed between the Trustee and the respective contributors, subject to the provisions of this Instrument.

Section III. Trust Grants and Loans

Paragraph 1. *Eligibility for assistance*

In order to be eligible for assistance from the Trust under

Section I, paragraph 2(a) of this Instrument, a member shall meet the following requirements:

(a) the member is ESAF-eligible, i.e., it is included in the list of members annexed to Decision No. 8240-(86/56) SAF, as amended;

(b) the member was pursuing a program of adjustment and reform by October 1, 1996, or the member shall have adopted such a program in the period beginning October 1, 1996 and ending December 31, 2000, supported by the Fund through ESAF or Extended Arrangements, or, on a case-by-case basis as determined by the Trustee, a Stand-By Arrangement, a decision on rights accumulation, or financial support under the Fund's emergency assistance policy in post-conflict countries; and

(c) in support of the member's adjustment and reform program, the member shall have received or is eligible to receive assistance to the full extent available under traditional debt relief mechanisms.

Paragraph 2. *Qualification for assistance*

The Trustee shall determine whether an eligible member qualifies for assistance under the Initiative in accordance with the criteria set out below:

(a) As projected at the decision point, the DSA shall indicate that the member's external debt situation at the completion point, even after the full application of traditional debt relief mechanisms, would not be sustainable or that the member is a "borderline case."

(b) The member has not agreed on an exit operation with Paris Club creditors on Naples terms after the adoption of this decision.

(c) The member has established a track record of strong policy performance under Fund-supported programs, covering macroeconomic policies and structural and social policy

reforms. This requirement shall normally be satisfied by an initial three-year performance period leading up to the decision point, followed by a second three-year performance period leading up to the completion point. In the case of the first three-year period, such programs shall be programs supported by ESAF or Extended Arrangements, or, on a case-by-case basis as determined by the Trustee, Structural Adjustment Facility (SAF) arrangements, Stand-By Arrangements, decisions on rights accumulations, or programs supported by the Fund under the policy on emergency assistance for post-conflict countries. In the case of the second three-year period, such programs shall be programs supported by ESAF or Extended Arrangements. It is expected that the member shall have a track record of six years or more of strong and sustainable policy performance when the completion point is reached. The required period shall be evaluated flexibly by the Trustee. Members could receive credit toward the decision point for programs that were underway prior to the adoption of the Initiative. A reasonable shortening of the second stage of three years up to the completion point could be considered—on an exceptional basis—for members that have already sustained records of strong performance.

(d) All other creditors (holding debt claims above a de minimis amount) of the member shall have agreed to take action under the Initiative.

Paragraph 3. *Amount of assistance*

(a) At the decision point, and in consultation with the Bank, the eligible member and its other creditors, the Trustee shall make a preliminary determination of the amount of resources that could be made available from the Trust to achieve a reduction in the present value of debt owed to the Fund by the member. The amount to be committed shall be confirmed by the Trustee in the context of satisfactory assurances regarding the exceptional assistance to be provided under the Initiative by the member's other creditors.

(b) At the decision point, based on the external debt sustainability targets established for the member for the completion point, the Trustee shall commit the amount to be provided from the Trust at the completion point to a member to permit a reduction in the present value of debt owed by it to the Fund. The specific amount of assistance to be committed by the Trustee will be based on (i) the Fund's share in the present value of the multilateral debt of the member at the decision point; and (ii) the assistance to be provided by multilateral creditors, in terms of a reduction in the present value of the debt owed to them by the member sufficient to achieve the debt sustainability targets, taking into account the exceptional assistance to be provided by Paris Club creditors and at least comparable action by other official bilateral and commercial creditors under the Initiative. In the "borderline case," the Trustee may defer its commitment until the completion point.

(c) In case of protracted delays by a member in reaching the completion point because of problems in policy implementation, the Trustee may reassess that member's eligibility and qualification for assistance, including the amount of assistance committed at the decision point.

(d) At the completion point, with due regard to the commitment made at the decision point, the Trustee: (i) will consider, on the basis of the updated DSA, an increase in the amount of assistance committed to the member at the decision point, if it is determined that the present value of debt-to-exports ratio is above the upper end of the agreed country-specific sustainability target range established at the decision point, and that this is due primarily to exogenous and not purely temporary factors; or (ii) may consider, in the event of an extraordinary improvement in a member's economic circumstances as reflected in the updated DSA, a reduction in the amount of assistance committed to the member at the decision point, if it is determined that the present value of debt-to-exports ratio is below the lower end of the agreed country-specific sustainability target range established at the decision point, and that this is due primarily to exogenous and not purely temporary factors. Any such increase or

reduction in the amount of assistance would be consistent with achieving the country-specific sustainability target range agreed at the decision point. For the purposes of this paragraph, references to the commitment of assistance at the decision point will be deemed to include any adjustment of the amount of such assistance in accordance with (c) above.

(e) At the completion point, the Trustee shall confirm that it would disburse the amount committed to the member at the decision point, subject to any adjustment under (c) above; or, for a "borderline case," the Trustee shall commit and confirm that it would disburse the amount of assistance in accordance with (b) above.

(f) Final approval of the disbursement shall be given in the context of satisfactory assurances regarding the exceptional assistance to be provided under the Initiative by the member's other creditors.

Paragraph 4. *Terms of assistance*

(a) The assistance to be provided by the Trust to a qualifying member shall be either through a Trust grant or a Trust loan, or both. The choice of a Trust grant, a Trust loan, or a combination thereof, shall be made by the Trustee on a case-by-case basis, taking into account the objective of bringing the debt-service-to-exports ratio (after assistance under the Initiative from the Fund and other creditors) to the debt sustainability target agreed for the member at the decision point. The maturity of a Trust loan shall be determined by the Trustee on a case-by-case basis, subject to paragraph 4(c) below, taking into account the need to smooth the time profile of the member's total external debt service and its debt service to the Fund (after assistance under the Initiative from the Fund and other creditors). The schedule for using the proceeds of the Trust grant or the Trust loan by the member shall be agreed by the Trustee and the member taking into account the same criteria for deciding among a Trust grant, a Trust loan, or a combination thereof and the maturity of such loan.

(b) Trust grants and Trust loans (including any income from investment of their proceeds) shall be used to meet the member's debt service payments on its existing debt to the Fund as they fall due in accordance with the schedule for using the proceeds of such grants and loans as determined under the provisions of (a) above.

(c) Trust loans shall be provided to members interest-free and shall have a maturity of no less than ten (10) years and up to twenty (20) years, including a grace period of no less than five-and-a-half (5½) years and up to ten-and-a-half (10½) years. The Trustee may not reschedule the repayment of Trust loans.

Paragraph 5. *Disbursements*

(a) Any disbursement of Trust grants and Trust loans shall be subject to the availability of resources to the Trust.

(b) Following final approval of a Trust grant or Trust loan (or both) at the completion point, the proceeds of such grant or loan (or both) shall be paid in a single disbursement into a separate account for the benefit of the member and administered by the Trustee. The Trustee shall use these proceeds (including any income from investments of such proceeds) in accordance with paragraph 4(b) above. The terms and conditions for the operation of such account shall be determined by the Trustee.

Paragraph 6. *Modifications*

Any modification of these provisions will affect only Trust grants or Trust loans made after the effective date of the modification, provided that any modification of the interest rate shall apply to interest accruing after the effective date of the modification.

Section IV. *Administration of the Trust*

Paragraph 1. *Trustee*

(a) The Trust shall be administered by the Fund as Trustee. Decisions and other actions taken by the Fund as Trustee shall be identified as taken in that capacity.

(b) Subject to the provisions of this Instrument, the Fund in administering the Trust shall apply the same rules as apply to the operation of the General Resources Account of the Fund.

(c) The Trustee, acting through its Managing Director, is authorized:

(i) to make all arrangements, including establishment of accounts in the name of the International Monetary Fund, which shall be accounts of the Fund as Trustee, with such depositories of the Fund as the Trustee deems necessary; and

(ii) to take all other administrative measures that the Trustee deems necessary to implement the provisions of this Instrument.

Paragraph 2. *Separation of assets and accounts, audits and reports*

(a) The resources of the Trust shall be kept separate from the property and assets of all other accounts of the Fund, including other administered accounts, and shall be used only for the purposes of the Trust in accordance with this Instrument.

(b) The property and assets held in the other accounts of the Fund shall not be used to discharge liabilities or to meet losses arising out of the administration of the Trust. The resources of the Trust shall not be used to discharge liabilities or to meet losses arising out of the administration of the other accounts of the Fund.

(c) The Fund shall maintain separate financial records and prepare separate financial statements for the Trust.

(d) The audit committee selected under Section 20 of the Fund's By-Laws shall audit the financial transactions and records of the Trust. The audit shall relate to the financial year of the Fund.

(e) The Fund shall report on the resources and operations of the Trust in the Annual Report of the Executive Board to the Board of Governors and shall include in the Annual Report the report of the audit committee on the Trust.

Paragraph 3. *Investment of resources*

(a) Any balance held by the Trust and not immediately needed in operations shall be invested.

(b) Investments may be made in any of the following: (i) marketable obligations issued by international financial organizations and denominated in SDRs or in the currency of a member of the Fund; (ii) marketable obligations issued by a member or by a national official financial institution of a member and denominated in SDRs or in the currency of that member; and (iii) deposits with a commercial bank, a national official financial institution of a member, or an international financial institution that are denominated in SDRs or in the currency of a member. Investment which does not involve an exchange of currency shall be made only after consultation with the member whose currency is to be used, or, when an exchange of currency is involved, with the consent of the issuers of such currencies.

Section V. Period of Operation and Liquidation

Paragraph 1. *Period of operation*

The Trust established by this Instrument shall remain in effect for as long as is necessary, in the judgment of the Fund, to conduct and to wind up the business of the Trust.

Paragraph 2. *Liquidation of the Trust*

If the Trustee decides to wind up the operations of the Trust, the resources in the Account shall be used first to discharge all the liabilities of the Trust. Any amount remaining in the Account after the discharge of all the liabilities of the Trust shall be used first to reimburse the SDA for transfers made in accordance with Decision No. 11434-(97/10), adopted February 4, 1997, and any remaining amount shall then be made available for self-sustained ESAF operations, except that at the request of the contributor, its pro rata share in any unused resources contributed to finance the operations referred to in Section I, Paragraph 2(a) of this Instrument, after the completion of such operations, shall be distributed to the contributor.

Section VI. Amendment of the Instrument

The Fund may amend the provisions of the Instrument, except that any amendment of Section I, paragraph 2, Section IV, Section V and this Section shall require the consent of all contributors to the Trust.

The Chairman's Summing Up at the Conclusion of the Discussion on the Modalities for Special ESAF Operations in the Context of the HIPC Initiative and Other ESAF Issues Executive Board Meetings 97/5, 97/8, and 97/10—January 22 and 31, and February 4, 1997

We have now established the structure and modalities for special ESAF operations under the HIPC Initiative, based on the agreement reached in the September Board meetings and the endorsement of the Interim and Development Committee meetings. The decisions to establish the ESAF-HIPC Trust will allow us to place to that account the resources that have already been accumulating for these purposes. The additional decision to allow an early transfer of Reserve Account resources to the Special Disbursement Account (SDA) for the financing of special ESAF operations—to the extent that sufficient resources for this purpose are not immediately available from other sources—responds to the Interim Committee's request to proceed quickly with the implementation of the HIPC Initiative. Together with consents to an early transfer from all ESAF Trust Loan Account creditors, which will be sought during the coming weeks, these decisions will permit the Fund to commit its resources as a participant in the Initiative, as the first countries reach their decision points and are judged to require assistance under the Initiative.

This exercise has been technically complex and has surfaced very genuine and legitimate differences of view regarding how best to provide the assistance needed by our poorest and most heavily indebted members. All of you want to assure that the resources used for this purpose produce the best results—and views can differ on how to accomplish that. I appreciate the spirit all of you brought to this and your willingness to compromise.

In agreeing to the authorization for an early transfer of Reserve Account resources, some Directors stressed the need for maintaining a maximum effort by all to secure bilateral

contributions and, if necessary, to consider the optimization of the management of the Fund's reserves for the financing of interim ESAF subsidies and special ESAF operations. We will certainly maintain this effort and the financing of the Trust will be kept under regular review.

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While some of the operational details will need to be developed on a case-by-case basis as specific country cases are presented to the Boards of the Fund and the Bank, a number of issues have been raised by Directors that will need to be taken into account when implementing the HIPC Initiative and the Fund's participation therein.

First, Directors considered that there should be a presumption that ESAF arrangements with HIPC-eligible countries, and especially arrangements during the second stage, would be among the stronger ESAF arrangements. This is appropriate in light of the seriousness of the problems confronting these countries, the need to progress as rapidly as possible with structural reform, and the need to protect Fund resources. We can thus expect to see more frontloading of policy reform and forceful action on critical structural measures in these arrangements.

Second, Directors emphasized that under the agreed framework endorsed by the Interim and Development Committees any shortening of the second stage would be on an exceptional basis for countries which have already sustained records of strong performance and for which the adjustment and reform effort has become firmly rooted. This matter would be decided on a case-by-case basis by the Boards of the Fund and the Bank.

Third, some Directors expressed the view that approval of more than two three-year ESAF arrangements, including for HIPCs having reached their completion points, should be on an exceptional basis. However, most Directors were of the view that the continued ESAF should in principle be open to all ESAF-eligible members, given the protracted nature of the problems

faced by many of them, their vulnerability to external shocks, and the risk of a recurrence of problems even after a sustained period of successful adjustment. Directors stressed that the continuation of ESAF is intended to maintain the Fund's ability to respond to eligible members' needs as they arise, and not to provide a source of continuous financing for individual countries. Directors also agreed that countries having benefitted from exceptional assistance under the HIPC Initiative at the completion point would in most cases be expected to have made major progress toward a viable balance of payments position or achieved it, although they were likely to remain dependent on development aid flows. I have also noted the interest expressed by some Directors in exploring the scope for precautionary ESAF arrangements and we will return to that matter.

Fourth, Directors agreed that any reduction at the completion point of the assistance committed to a member at the decision point, would be taken only in concert with all other creditors and only where a major windfall transforms the economic circumstances of the member concerned and not when the improvement in its circumstances is the result of more ambitious adjustment and reform efforts undertaken by the member.

Fifth, Directors discussed the vulnerability factors that should be taken into account at the decision point in determining the debt sustainability targets. These might include a range of factors in addition to those mentioned in the decision, including, as suggested by some Directors, the present value of external debt-to-GDP ratio.

Sixth, the reference to extended arrangements as satisfying the requirement of a track record of strong policy performance in the case of the second three-year period is intended only to cover the possibility that interim ESAF operations could take the form of extended arrangements in the General Resources Account.

Finally, regarding the amounts of Fund assistance under the HIPC Initiative, Directors reiterated the importance of one of the guiding principles of the Initiative, i.e., that the assistance

provided by the Fund and other multilateral creditors should preserve the financial integrity of the institutions and their preferred creditor status. Directors emphasized that before deciding on commitments or disbursements, the Fund would need to have satisfactory assurances concerning the actions and decisions to be taken—on their own responsibilities and in accordance with their own procedures—by other involved creditors. It would not be productive to try to formulate these considerations in mechanical terms in the abstract, but we will have them clearly in mind in considering individual cases.

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Several Directors asked for an early report to the Board on progress on financing the ESAF/HIPC initiatives, including through bilateral contributions. The staff will discuss this issue in the context of a paper on the use of SCA-2 resources, to be presented to the Board in the coming weeks.

Trust For Special ESAF Operations For Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations—Terms And Conditions For Administration Of Account Provided Under Section III, Paragraph 5(B) of Trust

Pursuant to Section III, Paragraph 5(b) of the Instrument to Establish a Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations (ESAF—HIPC Trust), the Fund, as Trustee of the ESAF—HIPC Trust, establishes the following terms and conditions for the administration of the Account provided for under that provision:

1. The resources of the Account shall consist of (i) the proceeds of grants and/or loans paid into the Account for the benefit of a member by the ESAF—HIPC Trust, and (ii) net earnings from the investment of resources held in the Account.

2. Within the Account, the Trustee shall establish a separate subaccount for the administration of the resources paid into the

Account for the benefit of each member for which the resources have been paid. The Trustee shall establish a subaccount within the Account whenever the Fund as Trustee of the ESAF—HIPC Trust grants final approval of a Trust grant and/or Trust loan under the ESAF—HIPC Trust.

3. Following the establishment of a subaccount, the Fund, as Trustee, shall be authorized to use the resources of the subaccount (including any net income from the investment of such resources) to meet the member's debt service payments on its existing debt to the Fund as they fall due in accordance with the Schedule for using the proceeds of grants and loans as determined under the provisions of Section III, Paragraph 4(b) of the Instrument to Establish the ESAF—HIPC Trust.

4. (a) Resources held in a subaccount of the Account and not immediately needed for operations shall be invested.

(b) Investments may be made in any of the following: (i) marketable obligations issued by international financial organizations and denominated in SDRs or in the currency of a member of the Fund; (ii) marketable obligations issued by a member or by a national official financial institution of a member and denominated in SDRs or in the currency of that member; and (iii) deposits with a commercial bank, a national official financial institution of a member, or an international financial institution that are denominated in SDRs or in the currency of a member. Investment which does not involve an exchange of currency shall be made only after consultation with the member whose currency is to be used, or, when an exchange of currency is involved, with the consent of the issuers of such currencies. Earnings, net of any transactions costs, shall accrue to the subaccount and shall be available for the purposes of the subaccount.

(c) The Managing Director of the Trustee is authorized (i) to make all arrangements, including establishment of accounts in the name of the Trustee, with such depositories as may be necessary to carry out the operations of the Account, and (ii) to take all measures necessary to implement the provisions of this decision.

5. The SDR shall be the unit of account.

6. (a) Resources received into a subaccount may be in U.S. dollars or such other media as may be determined by the Trustee.

(b) Resources held in a subaccount may be currencies or currencies exchanged for SDRs in accordance with such arrangements as may be made by the Trustee for the holding and use of SDRs.

(c) The Trustee may exchange any of the resources held in a subaccount provided that any balance of a currency held in the subaccount may be exchanged only with the consent of the issuer of such currency.

(d) Payments made from a subaccount shall be made in U.S. dollars or such other media as may be determined by the Trustee.

7. Assets held in the Account shall be kept separate from the assets and property of all other accounts of, or administered by, the Trustee. The assets of the Account shall not be used to discharge or meet any liabilities, obligations, or losses incurred by the Trustee in the administration of such other accounts. The assets and property held in a subaccount of the Account shall not be used to discharge or meet any liabilities, obligations, or losses of the Trustee in the administration of any other subaccount of the Account.

8. Subject to the provisions of this decision, the Trustee, in administering the Account, shall apply, mutatis mutandis, the same rules and procedures as apply to the operations of the General Resources Account of the Fund.

9. No charge shall be levied for the services rendered by the Trustee in the administration, operation, and termination of the Account.

10. (a) The Trustee shall maintain separate financial records and prepare seaprate financial statements for the Account. Such records and statements will be maintained in accordance with generally accepted accounting principles. The financial statements for the Account shall be expressed in SDRs.

(b) The External Audit Committee selected under Section 20 of the Trustee's By-Laws shall audit the operations and transactions conducted through the Account. The audit shall relate to the financial year of the Trustee.

(c) The Trustee shall report on the resources and operations of the Account in the Annual Report of the Executive Board to the Board of Governors and shall include in that Annual Report the report of the External Audit Committee on the Account.

11. (a) The Account shall remain in effect for as long as is necessary, in the judgment of the Trustee, to conduct and to windup the business ofthe Account. A subaccount for a particular member would be wound up when the resources of that subaccount have been exhausted in servicing the member's obligations to the Fund.

(b) Any balance remaining in a subaccount upon termination and after the discharge of all obligations of that subaccount shall be transferred promptly to the member for which the subaccount had been established.

Decision No. 11698-(98/38) ESAF,
April 1, 1998

TECHNICAL ASSISTANCE—ESTABLISHMENT OF FRAMEWORK ADMINISTERED ACCOUNT

1. Pursuant to Article V, Section 2(b), the Fund adopts the Instrument to establish an account for the administration by the Fund of resources to be contributed by: (i) governments or other official agencies of countries and (ii) intergovernmental

organizations, in accordance with the terms and conditions of the Instrument set forth in the Annex to EBS/95/56.

2. The provisions of the Instrument may only be amended by a decision of the Fund and with the concurrence of the contributors that are financing activities through the account at the time of such decision.

Decision No. 10942-(95/33)
April 3, 1995
as amended by
Decision No. 11162-(95/121)
December 19, 1995

ANNEX TO EBS/95/56

Instrument for a Framework Administered Account for Technical Assistance Activities

To help fulfill its purposes, the International Monetary Fund (the "Fund") has adopted this Instrument to establish an account in accordance with Article V, Section 2(b) which shall be governed by, and administered in accordance with, the provisions of this Instrument.

1. The Fund hereby establishes an account (the "Framework Account") for the purpose of the administration of resources to be contributed by: (i) governments or other official agencies of countries and (ii) intergovernmental organizations ("Contributor"), in order to finance technical assistance activities of the Fund.

2. The resources provided by Contributors to the Framework Account shall be: (i) grants, or (ii) proceeds of grants or loans that have been received by the Contributor from entities other than the Fund for the purpose of financing technical assistance to the Contributor. The resources may be used by the Fund only for technical assistance activities consistent with its purposes, in

accordance with the procedures specified in paragraph 3 of this Instrument.

3. The financing of technical assistance activities shall be implemented through the establishment and operation of subaccounts within the Framework Account. The establishment of a subaccount shall be subject to prior approval by the Fund, upon the recommendation of the Managing Director. When recommending approval of the establishment of a subaccount, the Managing Director shall specify the essential terms of the understandings that have been reached between the Contributor and the Managing Director regarding (i) the nature, design and implementation of the technical assistance activities to be financed from the subaccount in question and (ii) the method by which the costs of the technical assistance activities will be financed from resources contributed to the subaccount by the Contributor. Following the establishment of a subaccount, the Fund shall be authorized to use the resources in the subaccount in accordance with the understandings reached between the Contributor and the Managing Director.

4. Costs charged to a subaccount of the Framework Account as a result of costs incurred by the Fund in the performance of technical assistance activities shall be based on standard costs as determined by the Fund, unless otherwise agreed between the Fund and the Contributor. A subaccount shall also be charged an amount equivalent to a percentage of such costs so as to help cover the expenses incurred by the Fund in the administration of the technical assistance activities financed from the subaccount in question.

5. Resources in a subaccount may be used to make disbursements to the Fund's General Resources Account as required to reimburse the Fund for expenditures incurred by the Fund on account of any technical assistance activity financed by resources from such subaccount.

6. All transactions and operations of the Framework Account shall be denominated in U.S. dollars.

7. Resource held in a subaccount of the Framework Account pending disbursement shall be invested at the discretion of the Managing Director. Earnings net of any costs associated with such investments shall accrue to the subaccount and shall be available for the purposes of the subaccount.

8. Subject to the requirement of Fund approval specified in paragraph 3, the Managing Director is authorized (i) to make all arrangements, including establishment of accounts in the name of the Fund, as he deems necessary to carry out the operations of the Framework Account; and (ii) to take all other measures he deems necessary to implement the provisions of this Instrument.

9. Assets held in the Framework Account shall be accounted for separately from the assets and property of other accounts of, or administered by, the Fund. The assets and property held in such other accounts shall not be used to discharge or meet any liabilities, obligations, or losses of the Fund incurred in the administration of the Framework Account nor shall the assets of the Framework Account be used to discharge or meet any liabilities, obligations, or losses incurred by the Fund in the administration of such other accounts. The assets and property held in each subaccount of the Framework Account shall not be used to discharge or meet any liabilities, obligations, or losses of the Fund incurred in the administration of any other subaccount of the Framework Account.

10. (a) The Fund shall maintain separate financial records and prepare separate financial statements for the Framework Account. Such records and statements, which shall include a breakdown with respect to each subaccount, will be maintained in accordance with generally accepted accounting principles. The financial statements for the Framework Account shall be expressed in U.S. dollars. Each Contributor shall receive annually, or more often if agreed, a report on expenditures from that Contributor's contributions to the Framework Account and a review of the activities financed by that Contributor through the Framework Account.

(b) The External Audit Committee selected under Section 20 of the Fund's By-Laws shall audit the operations and transactions conducted through the Framework Account. The audit shall relate to the financial year of the Fund.

(c) The Fund shall report on the position of the Framework Account, including a breakdown with respect to each subaccount, in the Annual Report of the Executive Board to the Board of Governors and shall include in that Annual Report the report of the External Audit Committee on the Framework Account.

11. Subject to the provisions of this Instrument, the Fund, in administering the Framework Account, shall apply, mutatis mutandis, the same rules and procedures as apply to the operation of the General Resources Account of the Fund.

12. The Framework Account or any subaccount thereof may be terminated by the Fund at any time; the termination of the Framework Account shall terminate each subaccount thereof. A subaccount may also be terminated by the Contributor of the resources to the subaccount. Termination shall be effective on the date that the Fund or the Contributor, as the case may be, receives notice of termination, or such later date, if any, as may be specified in the notice of termination. Any balances, net of the amounts of continuing liabilities and commitments under the activities financed, that may remain in a subaccount upon its termination shall be transferred promptly to the Contributor.

Technical Services

Enhanced Surveillance: Procedures for Transmittal of Staff Reports

When the Executive Board has approved a request by a member for consultations under the Fund's policy on enhanced surveillance, the annual and midyear consultation reports prepared by the Fund staff in accordance with that policy in respect of the member may be transmitted by the member to creditor banks and other creditor financial institutions party to the arrangements specified by the member in the request for consultations, on the

understanding that the recipients of the reports have assured the member that the reports will not be used for any purpose other than those of the arrangements specified in the member's request to the Fund and will be kept confidential; and that the reports shall not be transmitted by the member earlier than two weeks after their circulation to members of the Executive Board.

Decision No. 8222-(86/45)
March 12, 1986

The Chairman's Summing Up of the Discussion of the Role of the Fund in Assisting Members with Commercial Banks and Official Creditors
Executive Board Meeting 85/132, September 4, 1985

General Remarks

The procedures relating to enhanced surveillance that have been discussed by Directors were developed in response to the need to help members make progress toward addressing their debt problems and improving their relations with their creditors in an orderly manner and in a broader framework.

It was noted by many Directors that by adapting some of its policies, the Fund had played a central role in helping to limit the disruptions associated with the debt crisis and in promoting a normalization of debtor/creditor relations. Most Directors, however, observed that the practice of enhanced surveillance that had developed involved some risks. Some Directors stressed the risk of a possible weakening of Fund conditionality. Others feared that the Fund might tend to become too deeply and too specifically involved in relations with the commercial banks, and that generalized reliance on the Fund's judgment by the international community could affect the Fund's credibility and interfere with the normal functioning of the markets, which should rely eventually on the banks' own assessments. In other words, enhanced surveillance in the view of most Directors should not become a substitute for stand-by and extended arrangements and should not

"crowd out" or "dilute" the Fund's normal procedures and transform the institution into a kind of universal credit-rating agency. In that vein, a majority of Directors, while recognizing the usefulness of the practices that have evolved, considered that enhanced surveillance should be used on a limited basis under the guidance and control of the Executive Board, essentially to help promote MYRAs (multi-year rescheduling arrangements), although all MYRAs might not be associated with enhanced surveillance.

Criteria and Procedures

a. Criteria for the adoption of enhanced surveillance

While several Directors insisted on the need for flexibility and on the importance of avoiding too rigid criteria, most Directors felt that enhanced surveillance could be undertaken when the four following conditions are met:

First, at the request of a member country, who must initiate the procedures;

Second, in cases where a good record of adjustment has been shown;

Third, in cases in which a MYRA is needed to normalize market relations and to facilitate the return to voluntary or spontaneous financing;

Fourth, in cases where the member is in a position to present an adequate quantified policy program in the framework of consultations with the Fund staff, which are part of the procedure of enhanced surveillance.

b. Length of the Fund's involvement

Directors thought that, on the whole, the early cases of enhanced surveillance had covered rather too long periods. They felt that in the future the Fund should try to limit the procedure to

about the consolidation period of a MYRA. I would suggest that we should retain some flexibility and remain open to the possibility of extending enhanced surveillance a little beyond the consolidation period. If the Fund were to cut off enhanced surveillance at the end of the consolidation period, the communication of reports to the banks would be halted at a delicate time in the normalization of relations between the country and its creditors; i.e., at the time when the country will need more voluntary financing to meet external payments falling due. While we should try to limit enhanced surveillance as much as possible to the consolidation period, there might be occasions when an extension of enhanced surveillance into the period after consolidation may be necessary and warranted.

c. Trigger mechanisms

A number of Directors feared that staff involvement in the design and the negotiation of trigger mechanisms between the commercial banks and the member country risked diluting the banks' responsibility in the monitoring process under MYRAs and risked engaging the Fund in providing on/off signals to the banks. Most Directors felt that the staff should not negotiate or take responsibility for designing and assessing trigger mechanisms. But, if the member wished, the Fund staff would not refuse to give its views on the purely technical merits or drawbacks of such mechanisms. It is important to emphasize that the Fund should take no active part in the negotiation of the design of these trigger mechanisms.

d. Contents and distribution of staff reports

Directors stressed the need to ensure that staff reports to be issued to creditor banks under the policy of enhanced surveillance continue to provide full and frank assessments of the policies and economic prospects of member countries. While a number of Directors were of the view that staff reports should be made available to creditor banks under the enhanced surveillance procedures only after the Executive Board had met to discuss the reports, most Directors agreed that countries would be authorized

to release these staff reports to their creditor banks not earlier than two weeks after their issuance to the Executive Board. The majority of Directors were of the view that authorization to release staff reports should be provided by a general decision pertaining to all cases for which enhanced surveillance is agreed rather than by an individual decision in each case. The reports to be released to creditor banks would reflect only the staff's views and would not contain any references to the discussions and views of the Executive Board. No amendments to the staff report other than the deletion of references to Board discussions would be made.

e. Involvement of the Executive Board

I understand that the procedure would be as follows: First, request by a member for enhanced surveillance; second, management assesses the case in accordance with the policies agreed by the Executive Board today and determines whether to submit the request for the endorsement of the Board. In cases where the criteria raise delicate problems of interpretation, management would continue to consult informally with Executive Directors at the earliest opportunity.

. . .

g. Review of the policy on enhanced surveillance

A number of Directors suggested that in view of the need to assess changing circumstances and the possible effects of the procedures for enhanced surveillance on the Fund and its policies, the Board should engage in a periodic review of the policy of enhanced surveillance, with an initial review to be held in about one year.

ENHANCED SURVEILLANCE: MIDTERM REVIEW

The midterm review of a member's economic policy program under enhanced surveillance shall be conducted in accordance with the following procedure. A staff report will be circulated to

the Executive Directors under cover of a note from the Secretary specifying a tentative date for Executive Board discussion which will be at least 15 days later than the date upon which the report is circulated. The Secretary's note will also set out a draft decision taking note of the staff report and completing the review without discussion or approval of the views contained in the report; the decision will be adopted upon the expiration of the two-week period following the circulation of the staff report to the Executive Directors unless, within such period, there is a request from an Executive Director or a decision of the Managing Director to place the report on the agenda of the Executive Board. If the staff report is placed on the agenda, the Executive Board will discuss the report and will reach conclusions which will be reflected in a summing up.

Decision No. 10365-(93/67)
May 10, 1993

Summing Up by the Chairman
Biennial Review of the Fund's Surveillance Policy
Executive Board Meeting 93/15, January 29, 1993

. . .

The Executive Board agreed that the criteria relating to enhanced surveillance set out on pages 28 and 29 of SM/92/234 [below] would be appropriate. In sum, these provide that the procedures, which would normally be initiated by the authorities in the context of Article IV discussions, would involve submitting a quantified annual economic program, generally formulated with the assistance of the staff, and also half-yearly reports to the Board; both the Article IV reports (as appropriately modified) and the half-yearly reports could be made available to creditors. Application of the procedures would be approved by the Executive Board until the next Article IV consultation or for a 12-month period. These procedures should be reviewed within two years, and in the interim, they will be applied with a view to the concerns noted by you today and during the discussion of January 27.

Most Executive Directors emphasized the importance of a greater commitment of members to current account convertibility as evidenced by the acceptance of Article VIII obligations. They agreed that many members have availed themselves of Article XIV for too long and should take appropriate steps to remove remaining restrictions. Therefore, the staff will intensify its efforts to encourage countries to accept the obligations of Article VIII, especially in those long-standing cases where there are no restrictions subject to Articles VIII or XIV.

. . .

SM/92/234

. . .

The principal features of the proposed revised enhanced surveillance procedures are summarized below.

(1) Enhanced surveillance procedures would be initiated by a member with a request for Fund monitoring of its macroeconomic and structural policies, usually at the time of the Article IV consultation.

(2) The Executive Board would respond to the member's request on a case-by-case basis, taking into account among other things a member's track record of adjustment.

(3) In recognition of a concern of Executive Directors at the time of the 1989 review of enhanced surveillance, each Executive Board approval of the application of the procedures would be only until the time of the next Article IV consultation with the member (or a 12-month period), when a further request for application of the procedures could be presented. Limiting the duration of the procedures to a relatively short period should reduce the need for unilateral termination of such procedures by the Fund.

(4) The member's request for enhanced surveillance would be granted on the strength of a quantified economic policy program,

which had been discussed with the Fund staff, usually as part of the consultation discussions. It is expected that there would be a mid-term review of progress under the economic program before the next scheduled Article IV consultation, irrespective of the actual performance; failing which, Directors would be informed of the absence of the review and the reasons. The review report would be issued by the staff under the same procedures as for interim consultations and the Executive Board would take note of the report on a lapse-of-time basis unless a discussion was requested by a Director or the Managing Director.

(5) As before, enhanced surveillance would not involve Executive Board approval or endorsement of the macroeconomic program presented by the member.

(6) Information on the economic program and its implementation, as well as the staff's assessment of the situation as contained in the staff reports, could be made available by the authorities to donors and creditors on a timely basis. In addition to the staff report, official creditors/donors would also receive the Chairman's summing up of the Executive Board discussion.

Settlement of Disputes Between Members

Summing up by the Acting Chairman
Settlement of Disputes Between Members Relating to External Financial Obligations—Role of the Fund
Executive Board Meeting 84/99, June 22, 1984

I shall begin by outlining four general points that were made in the course of the Board discussion. First, Executive Directors generally endorsed the approach that the Fund has taken in the three major aspects of the subject dealt with in the staff paper.

Second, Directors agreed that the functioning of the international monetary system depended on members' fulfilling their international financial obligations promptly and according to the terms of those obligations. Therefore, the Fund had a direct

interest in the settlement of overdue obligations and a role to play in accordance with the Articles of Agreement.

Third, there was a consensus that the circumstances surrounding overdue financial obligations typically were complex, and that there were often important differences among individual cases. Thus, Directors preferred not to codify the Fund's approach in each of the three main areas discussed. Instead, most of them supported the idea that the Fund should continue to fulfill its responsibilities under the Articles on a case-by-case basis within the context of the present policies and procedures, which could be expected to continue to evolve as individual cases of overdue financial obligations and related general policy matters were discussed. There was a strong feeling among Directors that the Fund should show caution and restraint in making judgments on issues involving claims on such overdue obligations.

Fourth, Directors stressed the importance of the Fund's helping member governments to improve their statistical base and to increase the supply of information on their external debt obligations, particularly in cases involving overdue claims. Where necessary, the Fund could provide the technical resources to help sort out the frequently complex circumstances surrounding the debt situation, including individual cases.

Let me turn now to more specific comments on the three major areas dealt with in the staff paper. With respect to the Fund's jurisdiction under Article VIII and Article XIV, there was strong support for the policies and practices that the Fund had followed to date. Directors generally agreed that, in exercising its functions under Article VIII and Article XIV, the Fund was entitled to examine the context in which nonpayment of a financial obligation had occurred in order to determine whether or not it involved an exchange restriction and, as such, was subject to Fund approval, and that members were obliged to provide the information that the Fund required to make such a determination. The Fund has developed a substantial body of principles and practices for determining which measures were and were not within its jurisdic-

tion and when approval under Article VIII was appropriate. These judgments were inherent in the exercise of the Fund's jurisdiction.

Executive Directors also generally endorsed the Fund's existing policies and practices for dealing with disputed financial obligations in members using Fund resources. This concerned primarily the identification and treatment of payments arrears. Directors accepted the general premise that, to restore its financial position, a member country must reduce and eliminate its external payments arrears. In that context, there was broad support for the approach that the Fund had taken to the problems involving countries with large external payments arrears. It was noted that the degree of involvement by the Fund in helping countries to deal with their arrears had varied depending, in part, upon the severity of the case. Some Directors noted that the pivotal role that it had been necessary for the Fund to play in helping some member countries should be the exceptional practice, not the general practice. Nevertheless, the Fund should stand ready to provide technical and analytical expertise to help a member country to negotiate a financing agreement with its external creditors.

Most Directors attached importance to the principle that a member country should give comparable treatment to all its creditors, although there was not broad support for trying to define that principle in detail. There was a strong feeling that responsibility for the enforcement of the principle of comparable treatment was ultimately in the hands of creditors, and that the Fund should take into account the actions of the creditors when assessing the viability of, and progress under, a Fund-supported program. In that connection, Directors felt that the debt relief to help to close the financing gap of a member could best be dealt with through a Paris Club negotiation, which usually involved a large number of a country's creditors. A Paris Club Agreed Minute could be seen as satisfying a member country's need for debt relief and could be used for judging whether or not a country's financing gap has been closed. A Paris Club Agreement also has implications for official creditors not participating in the Paris Club because of the commitment of the debtor to seek and to accord comparable treatment to those creditors. Some Directors

stressed that it would be helpful to know about a Paris Club meeting well in advance of its occurrence, although it was also accepted that such notification was ultimately the responsibility of the debtor country in consultation with its creditors. At the same time, it was clearly desirable for as many of a country's creditors as possible to participate in a Paris Club meeting.

Directors also generally agreed that, if an anticipated bilateral agreement required by the Paris Club, between a debtor and one of its official creditors, were not ratified within the specified period, the amount of arrears involved should be included in the calculation of arrears for purposes of the debtor country's Fund-supported program. While there was general support for that approach, there was a call for flexibility and the exercise of judgment by the Fund when making such decisions during the course of a Fund-supported program. If a debtor country had made its best efforts to comply with a Paris Club requirement to conclude a bilateral agreement but had been unable to do so, the arrears involved should not be included in the calculation of arrears for purposes of the debtor country's Fund-supported program. However, such judgments should be made on a case-by-case basis.

Decisions on whether or not a country's financing gap had been closed, and on whether or not rescheduling and refinancing agreements were being fulfilled, should be made by the Fund itself. The Fund should take into account the particular circumstances of a member, such as the preconditions on the provision of debt relief by other agencies.

There was a strong consensus on three general matters relating to the use of the Fund's good offices. First, in the light of the Fund's primary responsibilities concerning the international monetary system and of its specific authority under the Articles to provide financial and technical services, management and staff should stand ready to use their good offices in helping members engaged in a particular dispute over an external financing obligation. Second, such good offices should, however, be limited in scope and frequency, although in that connection there were

differences in emphasis among Directors. Some felt that the Fund should be more active, others that the Fund must be quite cautious. In short, the use of good offices should be consistent with available resources and should be substantially technical. Third, all Directors attached great importance to the Fund's remaining neutral in issues of debt dispute. It should be clearly understood that the Fund's good offices were meant to bring the parties to a dispute together. Fourth, there was agreement that the Fund should act in such cases only if both parties wished to have the Fund provide its good offices.

ARTICLE V, SEC. 3*(a)*, *(b)*, AND *(c)*

Use of Fund's Resources

General Decisions

INTERPRETATION OF ARTICLES OF AGREEMENT

The Executive Directors of the International Monetary Fund interpret the Articles of Agreement to mean that authority to use the resources of the Fund is limited to use in accordance with its purposes to give temporary assistance in financing balance of payments deficits on current account for monetary stabilization operations.

Pursuant to Decision No. 71-2
September 26, 1946

USE OF FUND'S RESOURCES FOR CAPITAL TRANSFERS

After full consideration of all relevant aspects concerning the use of the Fund's resources, the Executive Directors decide by way of clarification that Decision No. 71-2 does not preclude the use of the Fund's resources for capital transfers in accordance with the provisions of the Articles, including Article VI.

Decision No. 1238-(61/43)
July 28, 1961

USE OF FUND'S RESOURCES: MEANING OF "CONSISTENT WITH THE PROVISIONS OF THIS AGREEMENT" IN ARTICLE V, SECTION 3

The phrase "consistent with the provisions of this Agreement" in Article V, Section 3, means consistent both with the provisions

of the Fund Agreement other than Article I and with the purposes of the Fund contained in Article I.

Decision No. 287-3
March 17, 1948

USE OF FUND'S RESOURCES: MEANING OF ARTICLE V, SECTION 3(*b*)(ii)

The word "represents" in Article V, Section 3(*a*)(i),* means "declares." The member is presumed to have fulfilled the condition mentioned in Article V, Section 3(*a*)(i), if it declares that the currency is presently needed for making payments in that currency which are consistent with the provisions of the Agreement. But the Fund may, for good reasons, challenge the correctness of this declaration, on the grounds that the currency is not "presently needed" or because the currency is not needed for payment "in that currency," or because the payments will not be "consistent with the provisions of this Agreement." If the Fund concludes that a particular declaration is not correct, the Fund may postpone or reject the request, or accept it subject to conditions. The phrase "presently needed" cannot be defined in terms of a formula uniformly applicable to all cases, but where there is good reason to doubt that the currency is "presently needed," the Fund will have to apply the phrase in each case in the light of all the circumstances.

Decision No. 284-4
March 10, 1948

USE OF FUND'S RESOURCES AND REPURCHASES

1. The Managing Director has made the following statement which should be the framework for his discussions with members on use of the Fund's resources:

*Corresponds to Article V, Section 3(*b*)(ii) of the Articles of Agreement after the Second Amendment.

"The present proposals are designed to provide a practical basis for use of the Fund's resources in accordance with the purposes of the Fund. When the proposals are agreed they will, of course, have to be carried into effect through actual cases. Decisions will have to be made in accordance with the particular circumstances, and in this manner a body of practical criteria will gradually be built up. However, even at the outset I think it must be clear that access to the Fund should not be denied because a member is in difficulty. On the contrary, the task of the Fund is to help members that need temporary help, and requests should be expected from members that are in trouble in greater or lesser degree. The Fund's attitude toward the position of each member should turn on whether the problem to be met is of a temporary nature and whether the policies the member will pursue will be adequate to overcome the problem within such a period. The policies, above all, should determine the Fund's attitude.

"In addition, the Fund should pay attention to a member's general creditworthiness, particularly its record with the Fund. In this respect, the member's record of prudence in drawing, its willingness to offer voluntary repayment when its situation permitted, and its promptness in fulfilling the obligation to transmit monetary reserves data and in discharging repurchase obligations would be important. I would expect that in the years to come, with extended activities of the Fund, we shall be able more and more to rely on the Fund's own experience, thus providing a further and most useful link between Fund drawings and repurchases.

"After a period of relative inactivity of the Fund, it would be too much to expect that we should be able to solve with one stroke the entire problem of access to the Fund's resources so that each member would always know how any request would be received by the Fund. We shall have to feel our way. Sometimes a member may want to submit to the Fund a specific request for drawings, with adequate information as to the particular situation which prompts the request. At other times discussions between the member and the Fund may cover its

general position, not with a view to any immediate drawing, but in order to ensure that it would be able to draw if, within a period of say 6 to 12 months, the need presented itself. The Fund itself might take the initiative in discussing with one or more members transactions which it believes suitable for the Fund and helpful to the members concerned. In cases where it would appear appropriate and useful, the Fund might arrange drawings to deal with special short-run situations accompanied by arrangements for repurchase in a period not exceeding 18 months."

. . . *

Decision No. 102-(52/11)
February 13, 1952

PUBLICATION OF LETTERS OF INTENT, MEMORANDA OF ECONOMIC AND FINANCIAL POLICIES

. . . **

Decision No. 11974-(99/58)
June 3, 1999

Payments Arrears

The Executive Board has reviewed the Fund's policy with respect to payments arrears. The Fund shall be guided by the

*The remainder of the provisions of this decision are no longer in effect, but see footnote to Decision No. 270-(53/95) on page 134.

**See page 51 for text of this decision.

approach in the conclusions set forth [below].

Decision No. 3153-(70/95)
October 26, 1970

Conclusions

*

4. Fund financial assistance to members having payments arrears should be granted on the basis of performance criteria or policies with respect to the treatment of arrears similar to the criteria or policies described in the preceding paragraph for the approval of the payments restrictions. In general, the understandings should provide for the elimination of the payments arrears within the period of the stand-by arrangement. Such understandings should be based on the concept of a given level of payments arrears and should be reflected in the performance criteria included in stand-by arrangements in the higher credit tranches. To support the policies designed to deal with arrears the letter of intent should include a statement that there would be no imposition of new restrictions or increase in the level of delayed payments. Where Fund financial assistance is being provided, but only through the first credit tranche, the adoption of a viable program directed toward the elimination of the payments arrears should be an important factor in considering whether the country was making reasonable efforts to redress its international financial situation.

Review Of Fund Policies And Procedure On Payments Arrears

Returning to the conclusions in EBS/80/190, [the Acting Chairman] observed that paragraph 3 seemed to be acceptable to Directors except for the final sentence, which could be changed to

*See pages 501-03 for paragraphs 1 through 3.

state that, depending on the member's circumstances and the length of the program, it might not be feasible in the early stages of the program to go beyond an understanding that the member would try to avoid any further increase in outstanding arrears. As for the remainder of paragraph 3, Executive Directors appeared to agree that the staff should continue to be guided by the approach set forth in the Executive Board Decision No. 3153-(70/95).

EBM/80/154, p. 9

EBS/80/190

. . .

3. The Fund's policies on payments arrears are also concerned with their treatment in the context of stabilization programs supported by use of the Fund's resources. In these programs, member countries are expected to take steps to reduce and eventually eliminate payments arrears relating to capital transactions as well as to payments and transfers for current international transactions. In formulating policy guidelines in these programs, the staff will continue to be guided by the approach set forth in the Executive Board decision of 1970 (Decision No. 3153-(70/95)), as quoted on p. 12. This approach will also be followed with respect to payments arrears arising from default. The technique chosen by a member to reduce outstanding arrears will reflect its institutional arrangements, as well as the magnitude of the arrears and the severity of the balance of payments problem. When payments arrears are large in relation to a member's available foreign exchange resources, it may not be possible to aim at the elimination of the arrears within the program period. Special arrangements may be needed for the renegotiation of outstanding debt obligations when debt problems are particularly severe. Depending on the member's circumstances and the length of the program, it may not be possible, in the early stages of a program, to reach an understanding with the member that goes beyond requiring the avoidance of any further increase in arrears.

The Acting Chairman's Summing Up on
Fund Policy on Arrears to Private Creditors—
Further Considerations
Executive Board Meeting 99/64, June 14, 1999

Directors welcomed the opportunity to reexamine the criteria set out earlier for Fund lending into arrears to private creditors stemming from sovereign defaults and from the imposition of exchange controls that lead to an interruption in debt-service payments by nonsovereign borrowers.

Directors emphasized that the modification of the financing assurances and arrears policies to permit lending into arrears is an adaptation of existing policies to changing circumstances, and is intended to reinforce the Fund's ability to promote effective balance of payments adjustment while providing adequate safeguards for the use of the Fund's resources.

Directors concurred that the criteria set out earlier for the case of sovereign arrears may be too restrictive and could lead to instances in which creditors—particularly bondholders—could exercise a de facto veto over Fund lending. They also considered that the criteria set out earlier for the case of nonsovereign arrears are too restrictive, as they may not take adequate account of the possibility that, even when both creditors and debtors are willing to participate in collaborative negotiations, the process of debt renegotiation may be protracted. Directors noted that in the case of nonsovereign arrears to private creditors, it would be important to ensure that appropriate steps are taken to protect creditors' interests. One suggestion to staff in this regard was to consider the establishment of an escrow account into which debt-service payments in local currency to nonresident creditors would be made. Against the background of variations in institutional arrangements and members' capacity, however, Directors considered that it would be difficult to specify as a criterion for lending into nonsovereign arrears the implementation of specific mechanisms to protect creditors' interests; instead, this judgment would need to be made on a case-by-case basis.

Directors agreed that Fund lending into sovereign arrears to private creditors (including bondholders and commercial banks) should be on a case-by-case basis and only where:

(i) prompt Fund support is considered essential for the successful implementation of the member's adjustment program; and

(ii) the member is pursuing appropriate policies and is making a good faith effort to reach a collaborative agreement with its creditors.

Directors agreed that Fund lending into nonsovereign arrears stemming from the imposition of exchange controls should be on a case-by-case basis and only where:

(i) prompt Fund support is considered essential for the successful implementation of the member's adjustment program; and

(ii) the member is pursuing appropriate policies, is making a good faith effort to facilitate a collaborative agreement between private debtors and their creditors, and a good prospect exists for the removal of exchange controls.

In both cases, all purchases by the member would be subject, as provided at present, to financing reviews to bring developments at an early stage to the attention of the Executive Board, and to provide an opportunity for the Board to consider whether adequate safeguards remain in place for further use of the Fund's resources in the member's circumstances. Specifically, such reviews would provide a basis to assess whether the member's adjustment efforts are considered to be undermined by developments in creditor-debtor relations.

Directors noted that the policy outlined above supersedes all previous policies regarding lending into arrears to private creditors.

Finally, Directors noted that it would be important to monitor experience with lending into arrears and to keep the policy outlined above under review, so as to ensure that it achieves its objectives.

Overdue Obligations to the Fund

Overdue Payments to the Fund—Purchases from Fund

1. . . .*

2. . . .*

3. Other stand-by or extended arrangements granted by the Fund after the date of this decision shall include also the provision in 1 or 2 above.

4. The provision in 1 and 2 above shall be included also in an existing stand-by or an extended arrangement when the Fund and the member reach understandings regarding the circumstances in which further purchases may be made under the arrangement.

5. Decision No. 7678-(84/62), April 20, 1984, shall cease to apply in respect of a stand-by or an extended arrangement that includes the provision in 1 or 2 above.

Decision No. 7908-(85/26)
February 20, 1985

The Executive Board unanimously reaffirmed the existing practices . . . that management will not submit to the Board any

*For paragraphs 1 and 2, see paragraph 4 of Attachments A and B to Decision No. 10464-(93/130) on pages 162, 167.

requests for the use of Fund resources under a stand-by or extended arrange-ment as long as the member concerned has overdue payments to the Fund.

There was more debate whether the Fund should engage in discussions or resume discussions on the use of Fund resources with a member that is in arrears to the Fund. On the whole, the practice of not entering into discussion in those circumstances was confirmed.

This does not mean that we are not going to continue discussions . . . with members with overdue payments; but . . . discussions [are] confined quite precisely to assisting the members to organize their affairs in order to permit the payment of the overdue obligations. . . . Far from cutting our lines of communication, we should do what we can to keep them open. But we should direct the discussions toward enabling the country to make repayments.

EBM/84/54, pp. 37–38

The Chairman's Summing Up at the Conclusion of the Discussion on Overdue Financial Obligations to the Fund Executive Board Meeting 85/170, November 25, 1985

. . . [M]ember countries in arrears should be induced to give priority to actions that are designed specifically to enable them to repay the Fund. In addition, they should introduce corrective measures at an early stage to improve their economic policies and to avoid the emergence and further accumulation of arrears to the Fund.

. . . [T]he Fund should keep open its channels of communication with countries in arrears in order to help them formulate adjustment policies and to catalyze external assistance so that these concerted efforts can ultimately be supported by Fund assistance and lead—prior to the Fund's formal commitment to providing such assistance—to settlement of the arrears.

. . . [I]ntervals between Board reviews should be put to good use; they should never be seen as grace periods or as periods in which a member is excused from making every effort to settle its arrears to the Fund. . . .

A majority of Directors favor reducing the period between the emergence of arrears and the first substantive consideration of a complaint. These Directors felt that the present five-month period was too long, as it has tended to coincide with a buildup of arrears that has made it more difficult to tackle the matter; earlier involvement by the Board would have been helpful. Although some Directors favor taking a flexible approach to this period, a majority clearly supports limiting the period to three months. Issuing the complaint two months after arrears have arisen instead of three months would certainly be consistent with today's discussion. The review period following the first substantive consideration would remain three months, but the three months would be considered an outer limit: the decision on the actual timing in each case should take into account the particular circumstances and the performance of the member. . . .

A majority of Directors felt that once a member has been declared ineligible to use the Fund's resources the Board should not wait as long as the next Article IV consultation to discuss the member's arrears situation. The majority of Directors would like to review the member's situation every six months.

The Acting Chairman's Concluding Remarks at the Discussion on Additions to the Special Contingent Account Executive Board Meeting 88/12, January 29, 1988

. . .

Some Directors made reference to the Enhanced Structural Adjustment Facility in the context of the arrears problem. The Managing Director has stated several times that members in arrears to the Fund would not have access to the Enhanced Structural Adjustment Facility, just as they do not currently have access to

the Structural Adjustment Facility (Buff/87/260, 12/17/87), or the facilities in its General Resources Account. Thus, the existing arrears policy is not changed or modified in the context of the Enhanced Structural Adjustment Facility. At the heart of dealing with those cases in which arrears exist are the elements of a strong adjustment program which will assist in attracting external resources to help the country clear its arrears. The Fund could then grant access to its facilities as appropriate, including, of course, the Enhanced Structural Adjustment Facility when it becomes operational.

The Acting Chairman's Summing Up at the Conclusions of the Discussion on Overdue Financial Obligations— Six-Monthly Report
Executive Board Meeting 88/19, February 10, 1988

. . .

Second, Directors also agreed that the present practice, whereby the general policies and procedures relating to overdue financial obligations to the Fund are not applied to overdue maintenance of value adjustments, should be continued. Again, it was emphasized that prompt settlement of these adjustments constitutes an essential element of members' financial obligations to the Fund, and the staff was encouraged to follow up actively in cases of overdue valuation adjustments in order to achieve a more speedy settlement and to report periodically to the Board in the context of staff papers on individual members.

Procedures for Dealing with Members with Overdue Financial Obligations to the Fund
Executive Board Meetings 89/100 and 89/101, July 27, 1989

The Fund, as a cooperative institution, relies on the mutually supportive actions of its membership in all areas of its endeavors. Overdue financial obligations are a breach of obligations to the Fund and are demonstrably a noncooperative action, which

imposes financial cost on the Fund's membership, impairs its capacity to assist members, and more generally weakens the Fund's ability to perform its broader responsibilities in the international financial system.

As the experience with arrears demonstrates, countries which accumulate arrears to the Fund also damage themselves, in part through the deterioration which inevitably follows in their financial relations with other creditors. When arrears exist the Fund is not able to provide its own assistance and its effectiveness is diminished as a catalyst for helping the country restore regular financial relations with other creditors.

This statement outlines procedures aimed at preventing the emergence of overdue financial obligations to the Fund and the elimination of existing overdues, including protracted arrears. The need for flexibility in the implementation of the Fund's policies dealing with overdues has been stressed in the past; flexibility must continue to be exercised in order to take account of the specific circumstances of the member. Nonetheless, a balance must be struck between the need for appropriate flexibility and the need for clear and credible procedures that act as a deterrent to members against incurring arrears and to encourage members with overdues to become current.

Arrears prevention

The importance of preventing new cases of arrears has been stressed by the Executive Board. As noted in the past, our best safeguard is the quality of Fund arrangements and we will continue to direct our efforts to ensure that arrangements of the highest quality are placed before the Board. These efforts would include assisting members to design strong and comprehensive economic programs, careful attention to access levels and phasing, explicit assessment of a member's capacity and willingness to repay the Fund, and adequate assurances regarding external financing during the period of the Fund arrangement. Special understandings with creditors and donors may also need to be sought in certain cases to help assure progress toward external viability.

In some cases, specific financial or administrative arrangements—designed to ensure that forthcoming obligations to the Fund are settled on time—will be used to increase the assurance that the Fund's resources will be repaid on time. Moreover, the importance of members remaining current on obligations falling due and observing the Fund's preferred creditor status will continue to be stressed.

The Fund's response to overdue obligations

The Fund has developed a set of procedures for dealing with members with overdue financial obligations which are designed to bring about a reduction and the eventual elimination of these overdue obligations. In addition to the procedures set out below, the Fund makes an effort to assist members willing to cooperate to eliminate their arrears through the design and implementation of appropriate policies as well as to help members adopting these policies to secure the necessary financial support.

The procedures initiated immediately after a member falls into arrears provide for a sequence of actions by management, the staff, and the Executive Board.

—Whenever a member fails to settle an obligation on time, the staff immediately sends a cable urging the member to make the payment promptly; this communication is followed up through the office of the Executive Director concerned.

—When an obligation has been outstanding for two weeks, management sends a communication to the Governor for that member stressing the seriousness of the failure to meet obligations to the Fund and urging full and prompt settlement. The Executive Board understands that the Governor will bring this communication and the circumstances that gave rise to it to the attention of his authorities at the highest level. The communication to the Governor would also note that unless payment is received in due course, the Managing Director would intend to raise with the Executive Board the possibility of communicating with Governors of the Fund concerning the situation. The Managing Director has

on occasion raised the matter of overdue financial obligations to the Fund directly with the head of government of the member concerned, and he would intend to continue to do so in those cases where he believes it would be a useful procedure.

—The Managing Director notifies the Executive Board normally one month after an obligation has become overdue.

—When the longest overdue obligation has been outstanding for six weeks, the Managing Director informs the member concerned that unless the overdue obligations are settled a complaint will be issued to the Executive Board in two weeks' time.

The Managing Director would in each case recommend to the Executive Board whether a communication should be sent to a selected set of Fund Governors, or to all Fund Governors. If it were considered that it should be sent to a selected set of Fund Governors, an informal meeting of Executive Directors would be held, some six weeks after the emergence of overdues, to consider the thrust of the communication. Alternatively, if it were considered that the communication should be sent to all Fund Governors, a formal Board meeting would be held to consider a draft text and the preferred timing. A sample text for a communication to all Fund Governors is set out in Attachment I.

—A complaint by the Managing Director is issued two months after an obligation has become overdue, and is given substantive consideration by the Executive Board one month later. At that stage, the Executive Board has usually decided to limit the member's use of the general resources, and if the member has overdue obligations in the SDR Department, to suspend its right to use SDRs, and has provided for a subsequent review of the decision. This and subsequent review periods would normally not exceed three months. It would be understood that the Managing Director may recommend advancing the Executive Board's consideration of the complaint regarding the member's overdues.

—The Annual Report and the financial statements identify those members with overdue obligations outstanding for more than six months.

Beyond these procedures, the Executive Board has expressed its intention to provide that a member must first discharge its overdue financial obligations to the General Resources Account before it would be permitted to pay for an increase in its quota under the Ninth General Review, and that, in the event the quota payment were not made within a prescribed period, the proposal for an increase in the member's quota would lapse.

Another measure being considered by the staff relates to the possibility of withholding SDR allocations for members with arrears in the General Department. This measure would require an amendment of the Articles and will be examined further in the next Six-Monthly Report on Overdue Financial Obligations.

Declaration of ineligibility

—If a member persists in its failure to settle its overdue obligations to the Fund, the Executive Board declares the member ineligible to use the general resources of the Fund. The timing of the declaration of ineligibility would vary according to the Board's assessment of the specific circumstances and of the efforts being made by the member to fulfill its financial obligations to the Fund. The procedures for dealing with members with protracted arrears that have been declared ineligible include further reviews at intervals of not more than six months.

—For members with protracted arrears willing to cooperate with the Fund in settling those overdues, the Fund has adopted an intensified collaborative approach, which incorporates exceptional efforts by the international financial community.

—For members that are judged not to be cooperating actively with the Fund, remedial measures would be applied.

—Members not showing a clear willingness to cooperate with the Fund have been informed that in these circumstances the provision of technical assistance would be inappropriate, but the Fund would reconsider providing technical assistance once the member has resumed active cooperation. The Managing Director may also limit technical assistance provided to a member, if in his judgment that assistance was not contributing adequately to the resolution of the problems associated with overdues to the Fund.

—A further remedial measure in cases of protracted arrears would be communications with all Governors of the Fund and with heads of certain international financial institutions. Use of such communications would normally be raised for the Executive Board's consideration at the time of the first post-ineligibility review of the member's arrears. At that time the staff would prepare a draft text of a communication along the lines set out in Attachment II to this statement. It should be noted that the Fund's communication to certain other international financial institutions, such as the three main regional development banks (Asian Development Bank, African Development Bank, Inter-American Development Bank), like its communication to the Governors, would not request the addressee to take specific actions and would leave any action to the institution's discretion. This does not preclude informal contacts with other international financial institutions. The staff would intend to propose to send this latter type of communication on the occasion of the next post-ineligibility review for members that at present have arrears that have been outstanding for a protracted period, in the event the Executive Board judges that the member concerned is not cooperating actively with the Fund in efforts to resolve the problem of its overdue financial obligations to the Fund.

Censure or declaration of noncooperation

—A declaration of censure or noncooperation would come as an intermediate step between a declaration of ineligibility and a resolution on compulsory withdrawal. The decision as to whether to issue such a declaration would be based on an assessment of the member's performance in the settlement of its arrears to the Fund

and of its efforts, in consultation with the Fund, to follow appropriate policies for the settlement of its arrears. Three related tests would be germane to this decision regarding (i) the member's performance in meeting its financial obligations to the Fund taking account of exogenous factors that may have affected the member's performance; (ii) whether the member had made payments to other creditors while continuing to be in arrears to the Fund; and (iii) the preparedness of the member to adopt comprehensive adjustment policies. The declaration would follow any communication to Governors after ineligibility and would be considered at a subsequent post-ineligibility review. The period between such communications and the declaration could be about six months, but this time period would be determined on a case-by-case basis.

A draft of the declaration is set out in Attachment III. The actual declaration would be based on this draft text taking account of the circumstances of the individual case. The declaration would be adopted by the Executive Board and published.

Other remedial measures

—On suspension of membership, Directors noted the necessity of amending the Fund's Articles of Agreement to provide for suspension of membership. Some Directors showed an interest in introducing a provision into the Articles of Agreement under which the voting rights of a member that has been declared ineligible to use the Fund's general resources could be suspended. However, most Directors felt that it would not be advisable to propose an amendment of the Fund's Articles of Agreement at this time, but that this matter could be reconsidered in the future.

—Finally, Directors noted the availability to the Fund of procedures under Section 22 of the By-Laws on compulsory withdrawal. These procedures would only be pursued once the Fund has exhausted all other possible avenues to redress the problem of overdue financial obligations and, despite a declaration of noncooperation, the member has not exhibited a willingness to cooperate with the Fund. The Articles of Agreement and the By-Laws provide for procedures for settling claims by the Fund on

a member in the event that it withdraws from the Fund. If the procedures were initiated, the staff would prepare an analysis of the effect of the member's withdrawal on the Fund's financial position.

Attachment I

Draft First Letter to All Governors

Dear:

The Executive Board has considered the complaint which was recently issued regarding [member]'s overdue financial obligations to the Fund. In considering this complaint the Executive Board has agreed that I write to all Governors of the Fund to draw their attention to this development. Prompt and effective actions now by [member] and the international community would avoid a further deterioration of this situation including the possibility of declaring [member] ineligible to use the general resources of the Fund, would permit these overdues to be cleared before their magnitude makes the problem more intractable, and before they place a financial burden on other members.

[Paragraph on background circumstances of member leading to the emergence of arrears, the views of the member regarding its overdue obligations, and the member's intended approach for addressing the problem of its overdue obligations. This paragraph would be tailored to the specific circumstances of the member concerned.]

The Executive Board is very concerned about these developments which have serious potential implications both for the [member] and for the Fund as a whole, if the problem is not resolved early. The existence of these overdue financial obligations to the Fund precludes the Fund from extending financial assistance to the member. In addition, experience to date indicates that when a country incurs arrears to the Fund its financial relations with other creditors are also likely to deteriorate.

These arrears also have an adverse impact on the Fund as an international financial cooperative, which is the central monetary institution in the international monetary system. As you are aware, overdue obligations, if they are not settled, place a financial burden on other members: on the Fund's debtor members in the form of higher charges and the Fund's creditors in the form of reduced remuneration.

The Fund would greatly appreciate any assistance in urging the member to effect the full and prompt settlement of its overdue obligations to the Fund.

Sincerely yours,

Michel Camdessus
Managing Director and
Chairman of the Executive Board

Attachment II

Draft Second Letter to All Governors and Certain International Financial Institutions

Dear:

The Executive Board has reviewed the overdue financial obligations of [member] and its circumstances. In this context it agreed that I write to all Governors of the Fund to seek their assistance in resolving the problem of [member]'s overdue financial obligations to the Fund [and that I inform at the same time the heads of [names of certain international financial institutions]].

As you know, [member] was declared ineligible to use the general resources of the Fund on [date], as it had failed to meet its financial obligations to the Fund. As of [date], [member]'s overdue financial obligations to the Fund amounted to SDR[ ] million and the longest overdue obligation had been outstanding for [ ] months. As you are aware, these overdue obligations reduce Fund resources available to help other members and place a financial burden on debtor members in the form of higher charges and on creditor members in the form of reduced remuneration.

[Paragraph on background circumstances of member leading to the emergence of arrears, the views of the member regarding its overdue obligations, and the member's intended approach for addressing the problem of its overdue obligations. This paragraph would be tailored to the specific circumstances of the member concerned.]

The Fund has developed a set of procedures, including the intensified collaborative approach, for dealing, as appropriate, with members that have overdue financial obligations outstanding for a protracted period. The application of the procedures for members in arrears up to now has not resulted in [member] taking steps that could be expected to resolve promptly the problem of its arrears to the Fund. If, in the period prior to the next review of [member]'s arrears, [member] does not take action to demonstrate its willingness to resume active cooperation with the Fund toward the resolution of the problem of its arrears, [member] may be subject to a declaration of noncooperation. This would be a most serious step that would involve the publication of this declaration, which would refer, inter alia, to the availability to the Fund of procedures under Section 22 of the By-Laws on compulsory withdrawal of [member] from the Fund. The Fund's Executive Board has emphasized the critical stage that has been reached with respect to [member]'s arrears and has stressed its sincere hope that the consideration of further steps will be unnecessary. The Fund would appreciate your [Government/institution] taking whatever actions it considers appropriate to help bring about an early resolution of this situation.

The Executive Board will review again the position of [member] with regard to its arrears to the Fund not later than [date].

Sincerely yours,

Michel Camdessus
Managing Director and
Chairman of the Executive Board

Attachment III

Draft Declaration on Censure or Noncooperation

The Fund notes that, since the declaration of ineligibility of [date], the member has remained in arrears in its financial obligations to the Fund, thus persisting in its failure to fulfill its obligations under the Articles, and that the level of its arrears has not decreased (or has increased);

[notes that the member has made payments to other creditors while not discharging its financial obligations to the Fund (or not to the same extent), thus ignoring the preferred creditor status that members are expected to give to the Fund;]

finds that the member is not cooperating with the Fund toward the discharge of its financial obligations to the Fund;

urges the member to discharge its financial obligations to the Fund promptly and to cooperate with the Fund;

reminds the member that arrears to the Fund, which is a cooperative institution, are detrimental to the whole membership of the Fund in that they hamper the proper performance by the Fund of its function of assisting members facing balance of payments difficulties;

reminds the member that members in breach of their obligations to the Fund may be subject to the procedures under Section 22 of the By-Laws leading to compulsory withdrawal.

Statement by the Managing Director on
the Strengthened Cooperative Strategy on
Overdue Financial Obligations to the Fund
Executive Board Meeting 90/38
March 16, 1990

. . .

2. *Measures of deterrence*

Measures of deterrence are a second key element of the cooperative strategy that need to be strengthened further. The Fund recently adopted important new procedures in this area and communications to all Fund Governors and selected heads of multilateral financial institutions have been sent in three cases and have borne some fruit.

Executive Directors have agreed that it would be appropriate to widen the scope and strengthen the application of deterrent measures to underscore the Fund's firm resolve to deal with the arrears problem. There is general support for the proposition that a clear timetable and sequence for the implementation of such measures, from the emergence of arrears to the final step of initiation of procedures for compulsory withdrawal, would help remove any misperceptions about the actions to be taken by the Fund when a member falls into arrears or about the consequences of noncooperation. The presumption would be that this timetable would be followed in all cases unless in the Board's judgment a different approach were justified in an individual case.

As compared with the procedures contained in my statement at (EBM/89/101, 7/27/89), the main changes suggested relate to the (i) periodic reviews by the Executive Board of decisions limiting the use of the general resources by the member in arrears which, if the overdue obligations are not settled, leads to a declaration of ineligibility; and (ii) timing and content of measures taken after a declaration of ineligibility. Previously, the Executive Board has held as many as five reviews of its decision to limit a member's use of the general resources before a declaration of ineligibility was adopted; the total length of time between these two actions has been as long as thirteen months, and the period between the emergence of arrears and a declaration of ineligibility has been as long as two years. Many Directors have expressed the view that the number of reviews before a declaration of ineligibility should in general be limited. As regards the post-ineligibility period, in the event a member continues in its failure to fulfill its financial obligations, present procedures call for communications to be sent to all Governors within six months. It is proposed to shorten that period, and also to make explicit the timing of a declaration of noncooperation and of the initiation of the procedure for compulsory withdrawal.

I believe that there is wide support for new procedures under which a member in arrears to the Fund would be declared ineligible to use the general resources no later than twelve months after the emergence of arrears, with the exact timing depending on the Executive Board's assessment of the specific circumstances and of the efforts being made by the member to fulfill its obligations to the Fund. The sending of communications to all Fund Governors and the heads of selected international financial institutions regarding the member's continued failure to fulfill its financial obligations to the Fund would be considered within three months after the declaration of ineligibility. At present, these communications may be followed by a public declaration of noncooperation if the member continues to fail to cooperate. The Executive Board would be asked to consider such a declaration not later than four months after the dispatch of these communications (i.e., within nineteen months of the emergence of arrears), unless

the Executive Board were to conclude that there had been a decisive improvement in the member's cooperation with the Fund.

A declaration of noncooperation is an intermediate step before compulsory withdrawal. At present, such a declaration of noncooperation would note the availability to the Fund of procedures on compulsory withdrawal. This procedure should be strengthened by the initiation by the Executive Board of procedures for compulsory withdrawal within five months of the declaration of noncooperation (i.e., within two years of the emergence of arrears), if the member continues to fail to comply with its obligations and to cooperate actively with the Fund toward clearance of its arrears. A recommendation of compulsory withdrawal can be made by the Executive Board by a simple majority, although withdrawal can be required only by a majority of Governors having 85 percent of the total voting power.

In our discussion of financing in relation to the arrears strategy we have had a preliminary review of financial and legal aspects of compulsory withdrawal, and I believe that the general provisions on the basis of which we would need to proceed are understood. In such circumstances, the Executive Board might need to consider the appropriate means to rebuild the Fund's precautionary balances, which would normally imply increasing the Fund's operating income or supplementing it by other exceptional means. In this connection, it has been noted that as a last resort, the sale of part of the Fund's gold could help restore the Fund's financial position.

The timetable proposed would help to make clear to members the need to prevent arrears and to act expeditiously to deal with them if they arose, as well as the consequences of not doing so. It would also provide sufficient time for such members to adopt the adjustment measures needed to move toward restoring domestic and external economic balance. Such a timetable is not to be understood as a period of grace, and the Executive Board would need to be prepared to accelerate action when appropriate, particularly in the early stages prior to a declaration of ineligibility. For the eleven members with protracted arrears, some Executive

Directors have stressed that it would be appropriate to apply the new schedule with a degree of flexibility. This is reasonable, but we will need also to keep in mind that these members have already been given a great deal of time to demonstrate their cooperation with the Fund.

In all cases, there is a need for tangible and continuous support for the Fund from the international financial community. In cases of members that were not cooperating, the Fund would expect bilateral creditors and other multilateral agencies to initiate an intensive dialogue with the member in arrears to persuade it to respect the preferred creditor status of the Fund, and to consider reducing and, if necessary, suspending assistance to members that are not cooperating with the Fund. There is a need to convince creditors and donors that persistent financing of a member's inadequate policies is detrimental to the interests of creditors, donors, and debtors alike. The Fund will also ask other official creditors to follow the practice of Paris Club creditors and not engage in rescheduling in the absence of a Fund arrangement or a Fund-monitored program. Furthermore, I believe Executive Directors have supported the proposition that creditors receiving payments from members in arrears to the Fund should be requested, at the least, to urge such members to direct payments to the Fund.

The Board has agreed that a member must first discharge its overdue obligations to the General Resources Account before it can be permitted to consent or to pay for an increase in its quota in connection with the Ninth General Review; and if a member had not increased its quota within the prescribed period, the proposal for an increase in quota should lapse. The Board's consideration of an extension of the period for consent or payment would take into account the situation of members with overdue obligations that are cooperating with the Fund to resolve their arrears problem in the context of a Fund-monitored program.

The measures of prevention and deterrence described above, if applied firmly in the day-to-day operations of the Fund, can provide a powerful mechanism to prevent the emergency of new

arrears cases, lead to their rapid elimination if problems do develop, and, jointly with the measures of support suggested in the next section, offer to noncooperating members a last opportunity to move with no further delay onto a more collaborative path. I believe that we should adopt these measures immediately.

At the same time we should pursue expeditiously the necessary work on an amendment of the Articles to introduce into the Fund's Articles a provision similar in some respects to those already existing in other multilateral financial institutions, notably the World Bank—i.e., a provision to suspend voting and related rights for cases of continuing breach of obligations to the Fund. Such an amendment would provide an additional instrument of deterrence. The staff will prepare a paper for Executive Board consideration in April which will focus on the substantive issues related to an amendment of the Articles of Agreement. In particular, the following matters would need to be discussed: the scope of suspension; the conditions for suspension; the relationship of suspension to other deterrent measures; the decision-making procedures; and the majority required. I continue to believe that the qualified majority for suspension should be set at 70 percent of the total voting power. The staff paper would elaborate on these matters, examining the consequences of different approaches and exploring the modalities of an amendment.

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Attachment

Measures for Prevention/Deterrence of Overdue Financial Obligations to the Fund—Strengthened Timetable of Procedures

Time after Emergence of Arrears	Action
Immediately	Staff sends a cable urging the member to make the payment promptly; this communication is followed up through the office of the concerned Executive Director. The member is not permitted any use of the Fund's resources nor is any request for the use of Fund resources placed before the Executive Board until the arrears are cleared.
2 weeks	Management sends a communication to the Governor for the member stressing the seriousness of the failure to meet obligations and urging full and prompt settlement.
1 month	The Managing Director notifies the Executive Board that an obligation is overdue.
6 weeks	The Managing Director notifies the member that unless the overdue obligations are settled promptly a complaint will be issued to the Executive Board. The Managing Director would also consult with and recommend to the Executive Board that a communication concerning the member's situation should be sent to selected Fund Governors or to all Fund Governors in the event that the member has not improved its cooperation with the Fund.
2 months	A complaint regarding the member's overdue obligations is issued by the Managing Director to the Executive Board.
3 months	The complaint is given substantive consideration by the Executive Board. The Board has usually decided to limit the member's use of the general resources and, if overdue SDR obligations are involved, suspend its right to use SDRs.

Time after Emergence of Arrears	Action
6-12 months	The Executive Board will review its decision on limitation within three months, with the possibility of a second review if warranted. It is proposed that, depending on the Executive Board's assessment of the specific circumstances and of the efforts being made by the member to fulfill its obligations to the Fund, a declaration of ineligibility be considered to take effect not more than twelve months after the emergence of arrears. It is proposed that the sending of communications to all Fund Governors and the heads of selected international financial institutions regarding the member's continued failure to fulfill its financial obligations to the Fund be considered at the same time as the declaration of ineligibility.
Up to 15 months	It is proposed that a declaration of noncooperation be considered within three months after the dispatch of the communications.
Up to 18 months	In case an amendment of the Articles would be adopted, it is proposed that a decision on suspension of voting and representation rights be considered within three months after the declaration of noncooperation.
Up to 24 months	It is proposed that the procedures on compulsory withdrawal be initiated within six months after the decision on suspension (in case an amendment of the Articles would be adopted) or nine months after the declaration of noncooperation.

Summing Up by the Chairman
Operational Modalities of the Rights Approach
Executive Board Meeting 90/97
June 20, 1990

This has been an important discussion, following the guidance of the Interim Committee at its meeting in May 1990, to establish broad guidelines for the application of the "rights" approach and "rights accumulation programs," as we shall now call them. Drawing on our earlier discussions, Executive Directors have endorsed the main features of rights accumulation programs and of the financing of rights as set out in the staff paper for this meeting, while emphasizing the need for flexibility in the different and difficult circumstances that we may face. It is intended that this summing up provide a description of the key characteristics of the rights approach for reference in the decisions that are to be taken on the gold pledge and extended burden sharing.

Under the rights approach, a member in arrears to the Fund will be able to earn rights, conditioned on satisfactory performance under an adjustment program monitored by the Fund, toward a disbursement from the Fund once the member's overdue obligations have been cleared and upon approval of a successor arrangement by the Fund. Utilization of the rights approach will be limited to the eleven members that had financial obligations to the Fund overdue for six months or more at the end of 1989. I would note here that it is not expected that all of these members would make use of the rights approach; indeed, two of them are likely to settle their arrears shortly without recourse to the rights approach. It is intended that utilization of the rights approach would be further limited to those of the eleven members that adopt a comprehensive economic program that can be endorsed by the Executive Board as a rights accumulation program by the time of the Spring 1991 meeting of the Interim Committee. I have noted the view of some Directors that a longer time might need to be envisaged, but that this is not the view of the majority. If there were to be a compelling reason, we would be able to return to the question as we approach the Spring 1991 meeting.

Executive Directors considered a three-year period to be appropriate as a norm for a rights accumulation program, but with scope for variation in either direction. The member would be expected, with support as appropriate from other sources, to make maximum efforts to reduce overdue obligations to the Fund during the period of the rights accumulation program, so as to minimize the necessary recourse to rights. We will seek to incorporate a reduction of arrears to the Fund into programs and to introduce appropriate contingency provisions for additional payments to the Fund where developments are more favorable than expected. The magnitude of rights to be accumulated will clearly require case-by-case judgments by the Executive Board. But it is understood that, in cases where it appears unavoidable, rights may accumulate up to the amount of arrears outstanding at the beginning of the rights accumulation program. Some Directors noted that special action might have to be considered in highly exceptional circumstances, but it is not necessary to revisit the understanding placed in the record on this subject during the course of our deliberations prior to the recent meeting of the Interim Committee.

The member would be expected to generate the financing needed to meet the requirements of its economic program under the rights approach and, and at minimum, to remain current with respect to obligations to the Fund and the World Bank falling due during the period of the rights accumulation program. In this effort, it would be envisaged that the member would be assisted by creditors and donors through support groups, consultative groups, and/or other arrangements as appropriate. Resources that become available pursuant to the proposal for voluntary contributions originally made . . . which has been warmly welcomed by the Interim Committee and is expected to be discussed by the Executive Board in July, would complement these efforts.

Executive Directors agreed that rights accumulation programs should adhere to macroeconomic and structural policy standards associated with programs supported by arrangements under the extended Fund and enhanced structural adjustment facilities and that the Fund would draw, as appropriate, on Fund policies and guidelines associated with the use of such facilities. In particular, rights

accumulation programs would need to help create the conditions for sustained growth and substantial progress toward external viability.

There was a preference among Directors for even phasing of the accumulation of rights within annual programs, based on quarterly monitoring. Executive Directors did not, however, rule out the possibility of some front-loading of rights within the first annual program if warranted by special circumstances. With respect to performance tests, the Fund's policies on waivers and modifications would be applied so as to allow for continuation of the program and rights accumulation if performance criteria were not observed but performance had been brought back on track. If waivers or modifications were not granted, Executive Directors considered it reasonable to permit the member to retain its previously accumulated rights for six months before they would lapse. Several Directors indicated that they would prefer that rights lapse in their entirety after six months, but most others considered that such a rule would be too rigid. On balance, we will plan that normally rights would lapse at a rate of 25 percent of accumulated rights per quarter; but that this rate could be more or less rapid depending on the circumstances, including, inter alia, the period of satisfactory performance under the rights program before it went off track and the reasons for the nonobservance of performance criteria. Again, the Executive Board will need to consider these questions on a case-by-case basis. If, after rights had begun to lapse, a new rights accumulation program were endorsed by the Executive Board, the member would resume accumulation of rights and the program period would normally be extended to permit the member to accumulate the rights needed to help clear its arrears.

Accumulated rights would be financed by a Fund disbursement upon approval of a successor arrangement with the Fund, following satisfactory performance under the rights accumulation program and once the member's overdue financial obligations to the Fund had been cleared. For SAF-eligible members, the mix of financing between the resources of the structural adjustment and enhanced structural adjustment facilities (SAF/ESAF) and the

resources of the Fund's General Resources Account (GRA) would be approved as part of the successor arrangements, although some tentative indication of an anticipated mix could be given earlier. I would not intend to propose approval of a commitment to use ESAF Trust resources for the financing of rights before the decision on the gold pledge for the use of ESAF Trust resources for the financing of rights has been adopted.

Where a blend of General Resources Account and SAF/ESAF resources was considered appropriate, use of General Resources Account resources would normally be under an extended arrangement, and in such cases, the extended and SAF/ESAF arrangements would operate concurrently. Total access to the resources of the enhanced structural adjustment facility by a member would in all cases be in accordance with the access limits of that facility. I have taken note of the proposal made concerning the attribution of payments to the SAF/ESAF which would also make possible the application of all of the Fund's deterrent measures should arrears emerge; I suggest that we consider this proposal in connection with the forthcoming review of those facilities.

Our discussion has provided guidance that will enable us to proceed with concrete planning for rights accumulation programs in individual cases and with what we all hope will be a definitive phase in resolution of the arrears problem. Other issues will no doubt emerge as specific programs are developed, and these will need to be addressed case by case as they arise.

Summing Up by the Chairman—Overdue Financial Obligations to the Fund—Six-Monthly Review: Progress Under the Strengthened Cooperative Strategy: and Special Charges—Annual Review
Executive Board Meeting 91/42, March 25, 1991

Executive Directors acknowledged the progress made over the past year in dealing with overdue financial obligations to the Fund and urged the active pursuit of all elements of the strengthened cooperative strategy—by the members in arrears, the Fund, and the

membership at large—in order to consolidate and extend recent positive developments.

. . .

Because the process of formulating necessary adjustment policies securing the requisite financing has been more time consuming than anticipated, it has not been possible to bring rights accumulation programs . . . to the Executive Board by the end of April 1991. Given the progress under way in some cases, Directors agreed on a one-year extension of the deadline established last year for members in protracted arrears to enter into a rights accumulation program. Several Directors wondered whether a shorter extension might not have sufficed and sent a stronger signal regarding the urgency of rapid progress in outstanding cases. Some Directors also emphasized that they would not be willing to consider a further extension beyond the Spring of 1992. A few other Directors questioned whether a one-year extension would suffice in the most difficult cases.

Summing Up by the Acting Chairman—Overdue Financial Obligations to the Fund—Six-Monthly Review; Further Progress Under the Strengthened Cooperative Strategy Executive Board Meeting 92/58, April 17, 1992

. . .

Directors considered that the strengthened timetable of procedures for applying remedial measures remained appropriate and had been implemented in accordance with the Executive Board's judgment regarding the degree of a member's cooperation with the Fund in terms of implementation of policies and record of payments as well as the timing and actions appropriate to the particular circumstances of each member.

Directors considered the questions of the criteria and timing for reversing the actions specified in the strengthened timetable of procedures. They noted that for some actions the issue of reversibility did not arise, while other actions were automatically

terminated or withdrawn upon full settlement of overdue obligations to the Fund. Directors broadly endorsed the established practices of terminating a declaration of ineligibility immediately following full settlement of arrears to the Fund and publicizing the restoration of eligibility by issuing a press release and sending communications to all Fund Governors.

With respect to the lifting of a declaration of noncooperation, it was generally agreed that the same criteria were relevant in coming to a judgment on the degree of a member's cooperation as were applied in deciding whether to issue such a declaration. A member's cooperation would be reviewed on the occasion of the periodic reviews of the member's arrears. Directors felt that the timing of consideration of the withdrawal of a declaration depended on the implementation of the necessary adjustment policies and the member's payments record to the Fund; it would not be feasible to specify in advance a timetable for consideration of the lifting of a declaration of noncooperation. Directors agreed that, as in the case of the issuance of a declaration of noncooperation, the withdrawal of a declaration of noncooperation should be publicized by issuing a press release.

* * *

As regards the rights approach, the Executive Board decided on a one-year extension of the deadline established last year for eligible members so as to provide time for them to adopt a comprehensive economic program that could be endorsed by the Executive Board as a rights accumulation program.

Concluding Remarks by the Acting Chairman
Overdue Financial Obligations to the Fund—Review of Progress Under the Strengthened Cooperative Strategy, and Review of the System of Special Charges
Executive Board Meeting 95/29, March 27, 1995

. . .

With respect to the rights approach, Directors concluded that retention for the three remaining eligible members of the rights approach, as an established and effective mechanism, would be warranted for the time being, and they agreed on a one-year extension until the spring 1996 meeting of the Interim Committee.*

Credit Tranche Policies, Stand-by and Extended Arrangements, Emergency Assistance

STAND-BY ARRANGEMENTS**

The Fund is prepared to consider requests by members for stand-by arrangements designed to give assurance that, during a fixed period of time, transactions up to a specified amount will be made whenever a member requests and without further consideration of its position, unless the ineligibility provisions of the Fund Agreement have been invoked. The following paragraphs set forth the general framework for stand-by arrangements:

1. Stand-by arrangements will be limited to periods of not more than six months.*** They can be renewed by a new decision of the Executive Board. If a member believes that the payments problems

*The rights approach has been extended subsequently several times and most recently in March 1999 until the spring 2000 meeting of the Interim Committee (Summing Up by the Acting Chairman at EBM/99/29, March 19, 1999).

**For the form of stand-by arrangements, see pages 159-64.

***See also Decision No. 6783-(81/40), paragraph 6 at page 208.

it anticipates (for example, in connection with positive programs for maintaining or achieving convertibility) can be adequately provided for only by a stand-by arrangement of more than six months, the Fund will give sympathetic consideration to a request for a longer stand-by arrangement in the light of the problems facing the member and the measures being taken to deal with them. With respect to stand-by arrangements for periods of more than six months, the Fund and the member might find it appropriate to reach understandings additional to those set forth in this decision.

2. In considering the request for a stand-by arrangement or renewal of a stand-by arrangement, the Fund will apply the same policies that are applied to requests for immediate drawings, including a review of the member's position, policies and prospects in the context of the Fund's objectives and purposes. The Fund will agree to a stand-by arrangement only for a member that is in a position to make purchases of the same amount of exchange from the Fund.

3. There will be specified in each stand-by arrangement the transactions which may be made under that arrangement.

4. A member having a stand-by arrangement will have the right to engage in the transactions covered by the stand-by arrangement without further review by the Fund. This right of the member can be suspended only with respect to requests received by the Fund after: (a) a formal ineligibility, or (b) a decision of the Executive Board to suspend transactions either generally (under Article XVI, Section 1(*a*)(ii))* or in order to consider a proposal, made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of the member. When notice of a decision of formal ineligibility or of a decision to consider a proposal is given pursuant to this paragraph, purchases under this stand-by arrangement will be resumed only after consultation has taken

* Corresponds to Article XXVII, Section 1(*a*)(i) of the Articles of Agreement after the Second Amendment.

place between the Fund and the member and agreement has been reached on the terms for the resumption of such purchases.

5. . . .*

6. . . .*

7. This decision shall continue in effect subject to review by the Executive Board from time to time as circumstances warrant.

*Decision No. 270-(53/95)***
December 23, 1953, as amended by
Decision Nos. 876-(59/15), April 27, 1959, and
1151-(61/6), February 20, 1961

GENERAL POLICIES ON USE OF THE FUND'S RESOURCES: TRANCHE POLICIES

. . . The Fund's attitude to requests for transactions within the "first credit tranche". . . is a liberal one, provided that the member itself is making reasonable efforts to solve its problems. Requests for transactions beyond these limits require substantial justification.

Annual Report of the Executive Directors,
1963, page 16. See also *Annual Reports,*
1953, 1955, 1959, 1961, and 1962.

*For the subject matter of paragraphs 5 and 6, charges for stand-by arrangements, see Rule I-8 of the Rules and Regulations in By-Laws, Rules and Regulations, Fifty-Second Issue, January 8, 1997.

**A section of this decision, not reproduced, provides that Decision No. 102-(52/11) would continue in effect after 1953 subject to review from time to time.

GUIDELINES ON CONDITIONALITY

The Executive Board agrees to the text of the guidelines on conditionality for the use of the Fund's resources and for stand-by arrangements as set forth [below].

Decision No. 6056-(79/38)
March 2, 1979

Use of Fund's General Resources and Stand-By Arrangements

1. Members should be encouraged to adopt corrective measures, which could be supported by use of the Fund's general resources in accordance with the Fund's policies, at an early stage of their balance of payments difficulties or as a precaution against the emergence of such difficulties. The Article IV consultations are among the occasions on which the Fund would be able to discuss with members adjustment programs, including corrective measures, that would enable the Fund to approve a stand-by arrangement.

2. The normal period for a stand-by arrangement will be one year. If, however, a longer period is requested by a member and considered necessary by the Fund to enable the member to implement its adjustment program successfully, the stand-by arrangement may extend beyond the period of one year. This period in appropriate cases may extend up to but not beyond three years.

3. Stand-by arrangements are not international agreements and therefore language having a contractual connotation will be avoided in stand-by arrangements and letters of intent.

4. In helping members to devise adjustment programs, the Fund will pay due regard to the domestic social and political objectives, the economic priorities, and the circumstances of

members, including the causes of their balance of payments problems.

5. Appropriate consultation clauses will be incorporated in all stand-by arrangements. Such clauses will include provision for consultation from time to time during the whole period in which the member has outstanding purchases in the upper credit tranches. This provision will apply whether the outstanding purchases were made under a stand-by arrangement or in other transactions in the upper credit tranches.

6. Phasing and performance clauses will be omitted in stand-by arrangements that do not go beyond the first credit tranche. They will be included in all other stand-by arrangements but these clauses will be applicable only to purchases beyond the first credit tranche.

7. The Managing Director will recommend that the Executive Board approve a member's request for the use of the Fund's general resources in the credit tranches when it is his judgment that the program is consistent with the Fund's provisions and policies and that it will be carried out. A member may be expected to adopt some corrective measures before a stand-by arrangement is approved by the Fund, but only if necessary to enable the member to adopt and carry out a program consistent with the Fund's provisions and policies. In these cases the Managing Director will keep Executive Directors informed in an appropriate manner of the progress of discussions with the member.

8. The Managing Director will ensure adequate coordination in the application of policies relating to the use of the Fund's general resources with a view to maintaining the nondiscriminatory treatment of members.

9. The number and content of performance criteria may vary because of the diversity of problems and institutional arrangements of members. Performance criteria will be limited to those that are necessary to evaluate implementation of the program with a view to ensuring the achievement of its objectives. Performance criteria

will normally be confined to (i) macroeconomic variables, and (ii) those necessary to implement specific provisions of the Articles or policies adopted under them. Performance criteria may relate to other variables only in exceptional cases when they are essential for the effectiveness of the member's program because of their macroeconomic impact.

10. In programs extending beyond one year, or in circumstances where a member is unable to establish in advance one or more performance criteria for all or part of the program period, provision will be made for a review in order to reach the necessary understandings with the member for the remaining period. In addition, in those exceptional cases in which an essential feature of a program cannot be formulated as a performance criterion at the beginning of a program year because of substantial uncertainties concerning major economic trends, provision will be made for a review by the Fund to evaluate the current macroeconomic policies of the member, and to reach new understand-ings if necessary. In these exceptional cases the Managing Director will inform Executive Directors in an appropriate manner of the subject matter of a review.

11. The staff will prepare an analysis and assessment of the performance under programs supported by use of the Fund's general resources in the credit tranches in connection with Article IV consultations and as appropriate in connection with further requests for use of the Fund's resources.

12. The staff will from time to time prepare, for review by the Executive Board, studies of programs supported by stand-by arrangements in order to evaluate and compare the appropriateness of the programs, the effectiveness of the policy instruments, the observance of the programs, and the results achieved. Such reviews will enable the Executive Board to determine when it may be appropriate to have the next comprehensive review of conditionality.

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

(1) As a general rule, every effort should be made to limit the lag between the beginning of the annual program period and the date of discussion by the Executive Board of supporting annual arrangement (or the annual segment of a multiyear arrangement) to a minimum. This would facilitate the inclusion of quarterly performance criteria throughout the program period and of purchases throughout the period of the arrangement, thereby strengthening the link between Fund financing and adjustment.

(2) Particular attention should be given to minimizing lags in reporting of data relating to performance criteria without loss of reliability of data. It would be reasonable for the Fund to expect that all members seeking the Fund's support should be able to limit reporting lags to two months. In very exceptional cases where reporting lags exceed two months, the staff will explain the reasons for such lags as well as the steps being taken to reduce them.

(3) Every effort should be made to limit the period between the approval of an adjustment program by management and the date when the supporting arrangement is discussed by the Executive Board to no more than three months. Should the period be exceeded, the staff would confirm before the Board discussion of the arrangement that the program as originally proposed remains generally appropriate. In those exceptional cases where the delay indicates a significant slippage in the implementation of the agreed program, the staff would renegotiate the program, including the performance criteria and phasing of purchases.

(4) There would be no fewer than four purchases during a 12-month period of the arrangement, five being the preferred course of action. The purchase dates would also be distributed as evenly as possible throughout the arrangement. However, problems have often been experienced in this regard because of a bunching of the first two purchases under an arrangement and/or

the last purchase occurring unduly early before the end of the arrangement. In order to avoid such problems, as a general rule, the date of the second purchase would not be earlier than two months from the initial purchase on approval of the arrangement and the date of the last purchase would not be earlier than two months before the end of the arrangement. One possible exception would be the case where initial Executive Board approval has been only in principle and final approval follows later by up to 30 days.

(5) The test dates for performance criteria would also be distributed as evenly as possible through the period of the arrangement. Normally the date of the first performance test would not be earlier than the date on which the arrangement becomes effective, and the date of the last performance test would not be earlier than three months from the end of the arrangement.

(6) Every effort should be made to include performance criteria initially for as much of the 12-month period of the Fund arrangement as possible. However, it may not be possible always to establish in advance one or more performance criteria for part of the period of the arrangement because of substantial uncertainties about major economic trends and normal time lags between the completion of negotiations on the arrangement and Board discussion of the arrangement. Taking into account both sets of factors, as well as the actual experience in recent years, it would be reasonable to expect that, as a normal rule, performance criteria would be included initially which would govern purchases over a period of at least six months of the arrangement. This would normally involve at least two sets of performance criteria. Where this minimum period is not met, the staff report would include a full explanation of the underlying reasons.

(7) As a general rule, indicative targets would be included at the outset for that part of the 12-month arrangement for which performance criteria are yet to be established. Provision will also be made for a review in order to replace these indicative targets later with performance criteria. Indicative targets will also be included for the last month of the arrangement period.

(8) In the case of segments within the framework of a multiyear arrangement, normally performance criteria would be set up to the end of each underlying annual program period. The purchase after the end of the underlying annual program (which may be the last purchase under the preceding segment of the arrangement or the first purchase under the subsequent segment) would be contingent both on understandings being reached with the Fund on the next year's underlying program and on observance of performance criteria for the end of the preceding program period or established in the context of the member's new program, or on a waiver being approved by the Board in the case of nonobservance of these performance criteria.

(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 macro-economic developments would be ensured, normally in the form of quarterly benchmarks.

Decision No. 7925-(85/38)
March 8, 1985, as amended by
Decision No. 8887-(88/89), June 6, 1988

GUIDELINES ON PERFORMANCE CRITERIA WITH RESPECT TO FOREIGN BORROWING

The Executive Board approves the Chairman's summing up on external debt management policies as set forth [below].

Decision No. 6230-(79/140)
August 3, 1979, as amended by
Decision No. 11096-(95/100),
October 25, 1995

The Chairman's Summing Up on External Debt Management Policies

In the context of a general discussion of the issues relating to external debt management policies, the Executive Board considered the following guideline on the performance criteria with respect to foreign borrowing:

> When the size and the rate of growth of external indebtedness is a relevant factor in the design of an adjustment program, a performance criterion relating to official and officially guaranteed foreign borrowing will be included in upper credit tranche arrangements. The criterion will include foreign loans with maturities of over one year, and in appropriate cases, other financial instruments that have the potential to create substantial external liabilities for governments. The criterion will usually be formulated in terms of debts contracted or authorized. However, in appropriate cases, it may be formulated in terms of net disbursements or net changes in the stock of external official and officially guaranteed debt. Flexibility will be exercised to ensure that the use of the performance criterion will not discourage capital flows of a concessional nature by excluding from the coverage of performance criteria loans defined as concessional on the basis of currency-specific discount rates based on the OECD commercial interest reference rates, and including a grant element of at least 35 percent, provided that a higher grant element may be required in exceptional cases. Normally, the performance criterion will include a subceiling on foreign debt with maturities of over one year and up to five years. Additional subceilings may also be included on debt with specified maturities beyond five years or with a specified grant element lower than 35 percent.

Adoption of this guideline will be subject to the understanding that the staff will be guided also by the following points:

1. The above guideline will be applied with a reasonable degree of flexibility while safeguarding the principle of uniformity of treatment among members. The external debt guideline should be interpreted in the light of the general guidelines on conditionality (Decision No. 6056-(79/38)), especially guideline No. 4, which states:

> In helping members to devise adjustment programs, the Fund will pay due regard to the domestic social and political objectives, the economic priorities, and the circumstances of members, including the causes of their balance of payments problems.

Also, guideline No. 9 includes the following:

> The number and content of performance criteria may vary because of the diversity of problems and institutional arrangements of members. Performance criteria will be limited to those that are necessary to evaluate implementation of the program with a view to ensuring the achievement of its objectives.

Furthermore, guideline No. 8 states:

> The Managing Director will ensure adequate coordination in the application of policies relating to the use of the Fund's general resources with a view to maintaining the nondiscriminatory treatment of members.

2. In analyzing the amount and terms of new borrowing that would be appropriate—in the member's circumstances—over the medium term, the staff will take into account prospective developments in the member's external payments situation and the profile of its external indebtedness.

3. In formulating external debt criteria, the staff will be mindful of the need to ensure consistency between external debt management policies and domestic financial policies. Where external debt per se is not a matter for concern, but adjustment programs have as a main objective to reduce excess demand pressures and restore overall balance to the public sector finances, the credit ceiling for the public sector would cover both domestic and foreign financing of the overall public sector deficit.

4. Normally the performance criterion will relate to official and officially guaranteed foreign borrowing. The coverage will include official entities for which the government is financially responsible as well as private borrowing for which official guarantees have been extended and which, therefore, constitute a contingent liability of the government.

5. In cases where the member's external debt management policy covers private sector borrowing without official guarantee and there is an established regulatory machinery to control such

borrowing, it will be proposed that the performance criterion on foreign borrowing should be adapted accordingly.

6. The staff is encouraged to include short-term debt of a maturity of less than one year in the performance criteria relating to foreign borrowing, while allowing some flexibility in light of the different institutional reporting procedures employed by members and the statistical difficulties of recording that category.

7. The guideline provides for excluding from the coverage of performance criteria those loans defined as concessional on the basis of currency-specific discount rates based on the OECD commercial interest reference rates and including a specified grant element. In some cases, member countries utilize credits associated with concessional loans. The staff will take this into account in discussing the appropriate amount of borrowing.

GUIDELINES ON PERFORMANCE CRITERIA WITH RESPECT TO FOREIGN BORROWING—CHANGE IN IMPLEMENTATION OF REVISED GUIDELINES

For purposes of implementation of the Guidelines on Performance Criteria with Respect to Foreign Borrowing, as amended (Decision No. 6230-(79/140), the Executive Board endorses the revised method of calculation of the discount rate described in SM/96/86 (4/8/96).

Decision No. 11248-(96/38),
April 15, 1996

SM/96/86

. . .

Hence, the staff proposes that under arrangements approved from May 1, 1996 onwards, the average of CIRRs over the last ten years should be used as the discount rate for assessing the

concessionality of loans of a maturity of at least 15 years. One effect of this change will be that some loans from multilateral development banks and from some bilateral creditors, including OECF of Japan, will be treated as concessional and excluded from borrowing limits in Fund arrangements. This should alleviate some operational problems that have arisen in the treatment of these loans.

Similar problems of frequent classification changes arise in assessing the concessionality of loans with shorter maturities. For these loans, it is proposed that instead of current CIRRs, the average CIRRs of the preceding six-month period (February 15 to August 14 or August 15 to February 14) be used in assessing the concessionality. This approach would follow more closely that used by the OECD and would reduce the frequency of changes in assessments of concessionality.

To both the ten-year and six-month averages, the same margins for differing repayment periods as those used by the OECD would continue to be added (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 to 19 years, 1.15 percent for 20 to 29 years, and 1.25 percent for 30 years or more). Table 1 shows current CIRRs, six-month average CIRRs, and the ten-year averages of CIRRs at end-1995.*

The staff proposes to follow this approach as an interim methodology to ensure that frequent changes in the assessment of concessionality are minimized and that longer term multilateral and bilateral loans are not subject to the borrowing limits in Fund arrangements in a way that was not intended by the Board. This issue would be reviewed in the context of the review of borrowing limits envisaged before the end of the year referred to above.** Accordingly, the attached decision is proposed for adoption by the Executive Board on a lapse-of-time basis. . .

*Where a CIRR is not available for a given currency or time period, a rate based on five-year government bond yields in the currency concerned is used as a proxy in Table 1.
**It is intended to use the 10-year averages at end-1995 throughout 1996.

MISREPORTING AND NONCOMPLYING PURCHASES UNDER FUND ARRANGEMENTS—GUIDELINES ON CORRECTIVE ACTION

In a few cases, it has been found that a member has made a purchase under a stand-by or extended arrangement which it was not entitled to make by the terms of the arrangement (a "noncomplying purchase"). The purchase was permitted because, on the basis of the information available to it at the time, the Fund was satisfied that all performance criteria that were applicable to the purchase under the arrangement, or other conditions applicable to purchases under the terms of the decisions on the arrangement, had been observed, but this information later proved to be incorrect. When such a case arises in the future, the member will be called upon to take corrective action regarding a noncomplying purchase, to the extent that it is still outstanding, either by repurchase or by the use of its currency in transactions and operations of the Fund, unless the Fund decides that the circumstances justify the member's continued use of the purchased resources. Steps should also be taken to improve the accuracy and completeness of the information to be reported to the Fund by the member under the arrangement and to define performance criteria and other applicable conditions in a manner that would facilitate accurate reporting.

The Fund adopts the following guidelines, which shall apply to purchases made after the date of this decision:

1. Whenever evidence comes to the attention of the Fund indicating that a performance criterion or other condition applicable to an outstanding purchase made within the previous two years under a stand-by or extended arrangement may not have been observed, the Managing Director shall promptly inform the member concerned.

2. If, after consultation with the member, the Managing Director finds that, in fact, the criterion or condition was not observed, he shall promptly notify the member of his finding. At the same time, he shall submit a report to the Executive Board together with his recommendations, which may include a recommendation that the member be called upon to take corrective action

pursuant to paragraph 3 or that the nonobservance be waived pursuant to paragraph 4. The recommendations of the Managing Director shall be submitted to the Executive Board on a lapse-of-time basis giving Executive Directors a period of at least 10 days during which they could ask that the matter be placed on the agenda of the Executive Board for consideration.

3. Unless the decision of the Executive Board is to grant a waiver pursuant to paragraph 4 or to take other action, the member shall be expected to repurchase from the Fund the outstanding amount of its currency resulting from the noncomplying purchase normally within a period of 30 days from the date of the Executive Board decision referred to in paragraph 2. Instead of repurchasing, the member may request the Fund to use an equivalent amount of its holdings of the member's currency in the Fund's transactions and operations, but if such use cannot be made within 20 days from the date of the Executive Board decision the member shall be expected to make a repurchase in accordance with this paragraph.

4. A waiver will normally be granted only if the deviation from the relevant performance criterion or other condition was minor or temporary, or if subsequent to the purchase the member had adopted additional policy measures appropriate to achieve the objectives of the program supported by the arrangement under which the purchase was made.

5. If a repurchase pursuant to the expectation under paragraph 3 has not been effected, the Managing Director shall submit promptly a report to the Executive Board accompanied by a proposal on how to deal with this matter, in which he may recommend that the Fund initiate action under Article V, Section 5 of the Articles.

6. Provision shall be made in Fund arrangements for the suspension of further purchases under an arrangement whenever a member fails to meet a repurchase expectation pursuant to these guidelines.

7. Nothing in these guidelines shall limit the power of the Fund to take, in cases of noncomplying purchases, other action that could be taken pursuant to the Fund's Articles and Rules.

Decision No. 7842-(84/165)
November 16, 1984

The Executive Board agreed . . . that, if a member were failing to meet a repurchase expectation pursuant to the Guidelines on Corrective Action with respect to a noncomplying purchase, the Fund would not negotiate or approve either a stand-by or extended arrangement for the member or the use of the Fund's general resources outside an arrangement, as in the case of an overdue financial obligation to the Fund.

EBM/85/26, page 19

EXCLUSION OF CREDIT TRANCHES AND EXTENDED FACILITY

1. . . .*

2. . . .**

3. In paragraph 1 of the standard form of stand-by and extended arrangements the words, "after making full use of any reserve tranche that it may have at the time of making a request for a purchase under this arrangement," shall be deleted.

4. The amendment of stand-by and extended arrangements pursuant to paragraph 3 above shall apply also to purchases made and

*Paragraph 1 of this decision appears on page 609.
** Paragraph 2 of this decision which was incorporated in paragraph 4(a) of Decision No. 4377-(74/114) was deleted. (*Decision No. 10182-(92/132), November 3, 1992*).

holdings acquired after the date of this decision under arrangements approved prior to the date of this decision.

5. The Fund will review this decision before April 30, 1984.

Decision No. 6830-(81/65)
April 22, 1981, effective May 1, 1981

Elimination of Augmentation of Rights to Purchase Under Stand-By and Extended Arrangements

The texts of stand-by and extended arrangements approved after the date of the Second Amendment, including the texts of such arrangements in connection with the supplementary financing facility, shall not provide for the augmentation of rights to make purchases under the arrangements.

Decision No. 5706-(78/39)
March 22, 1978

Extended Fund Facility

I.

(i) The Executive Directors have been considering the establishment of an extended facility for members that would enable the Fund to give medium-term assistance in the special circumstances of balance of payments difficulty that are indicated in this decision. The facility, in its formulation and administration, is likely to be beneficial for developing countries in particular.

(ii) The Executive Directors have noted the studies prepared by the staff, including SM/74/58 ("Extended Fund Facility," March 8, 1974), and especially paragraphs 12 to 16 of that memorandum, in which certain situations to which an extended facility could apply, are described as follows:

"(a) an economy suffering serious payments imbalance relating to structural maladjustments in production and trade and where prices and cost distortions have been widespread;

(b) an economy characterized by slow growth and an inherently weak balance of payments position which prevents pursuit of an active development policy."

(iii) The Executive Directors have noted the support for an extended facility by the Committee of the Board of Governors on the Reform of the International Monetary System and Related Issues.

(iv) Taking into account the considerations set forth above, and in particular the exceptional problems faced by some members, the Executive Directors have decided to establish a facility in accordance with the terms set forth in Section II of this decision for the purpose of giving such members medium-term assistance, consistently with Article I(v) and the other purposes of the Fund, under extended arrangements.

II.

1. The Fund will be prepared to give special assistance to members to meet balance of payments deficits for longer periods and in amounts larger in relation to quotas than has been the practice under existing tranche policies. Such assistance will be given in the form of extended arrangements in support of comprehensive programs that include policies of the scope and character required to correct structural imbalances in production, trade, and prices when it is expected that the needed improvement in the member's balance of payments can be achieved without policies inconsistent with the purposes of the Fund only over an extended period. The Fund will pay particular attention to the policy measures that the member intends to implement in order to mobilize resources and improve the utilization of them and to reduce reliance on external restrictions, the time required for these measures to have the intended effect on the balance of payments, and such other factors as the Fund considers relevant to the member's circumstances.

2. A member that contemplates making a request for an extended arrangement should consult the Managing Director before making a request under this decision. A request by a member for an extended arrangement in order to deal with a problem of the kind referred to in this decision will be met, subject to paragraphs 3 and 4 below, if the Fund is satisfied that:

(a) the solution of the member's balance of payments problem will require a longer period than the period for which the resources of the Fund are available under existing tranche policies, and

(b) the member has presented:

(i) a program, setting forth the objectives and policies for the whole period of the extended arrangement, and adequate for the solution of the member's problem; and

(ii) a detailed statement of the policies and measures for the first 12 months constituting an initiation of the program referred to in (i) considered substantial in the member's circumstances,

with the understanding that, for each subsequent 12-month period, the member will present to the Fund a detailed statement of the progress made, and the policies and measures as in (ii) that will be followed, to further the realization of the objectives of the program referred to in (i) with such modifications in the member's policies as might reasonably be considered necessary to assist it to achieve its objectives in changing circumstances.

3. 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. Each arrangement will prescribe the total amount, and the annual installments within the total, available in accordance with the original or any modified terms of the arrangement. Purchases in

respect of each installment will be phased over the period in which it is available and will be subject to suitable performance clauses related to the implementation of those policies that are necessary for achieving the objectives of the program that the member has adopted as the basis for an extended arrangement.

4. (a) . . . *

(b) In order to carry out the purposes of this decision, the Fund will be prepared to grant any waiver of the conditions of Article V, Section 3(*a*)(iii)** when necessary to permit purchases under this decision or to permit purchases under other policies that would raise the Fund's holdings of a member's currency above the limits referred to in that provision because of purchases outstanding under this decision.

5. A member that has obtained an extended arrangement under this decision will make repurchases corresponding to purchases under the extended arrangement to the extent that such purchases are still outstanding, as soon as its balance of payments problems have been overcome and, in any event, within an outside range of four to ten years after each purchase. Not later than four years after the first purchase under the extended arrangement the member will propose to the Fund a schedule of repurchases for all purchases outstanding under the extended arrangement. Normally, schedules under this paragraph will provide for repurchases in respect of each purchase of 12 equal six-monthly installments.

6. When purchases are made under extended arrangements granted pursuant to this decision, the Fund will so indicate in an appropriate manner.

7. The Fund will levy charges on holdings of a member's currency resulting from purchases outstanding under this decision in

*Deleted (*Decision No. 10182-(92/132), November 3, 1992*).

**Corresponds to Article V, Section 3(b)(iii) of the Articles of Agreement after the Second Amendment.

accordance with Executive Board Decision No. 4378-(74/114), adopted September 13, 1974.

8. Except as otherwise provided in this or in any subsequent related decisions, extended arrangements shall be subject to the Fund's decisions and policies on stand-by arrangements.

9. The Fund will review this decision in the light of experience and developing circumstances when the total amount of purchases that could be made under extended arrangements is equivalent to two billion special drawing rights, and in any event not later than July 31, 1976.

Decision No. 4377-(74/114)
September 13, 1974, as amended by
Decision Nos. 6339-(79/179), December 3, 1979,
6830-(81/65), April 22, 1981, effective May 1, 1981,
8885-(88/89), June 6, 1988,
10182-(92/132), November 3, 1992, and
10186-(92/132), November 3, 1992

Extended Fund Facility: Review of Decision

1. The Executive Directors have reviewed Decision No. 4377-(74/114), adopted September 13, 1974, relating to the Extended Fund Facility, in accordance with paragraph 9 of that decision.

2. The Executive Directors have decided not to modify the decision at this time but they will review the adequacy of its provisions further at an appropriate time and in any event when the total amount of the purchases that could be made under extended arrangements is equivalent to SDR 2 billion.

Decision No. 5220-(76/144)
September 20, 1976

1. Pursuant to Decision No. 7157-(82/93), adopted July 7, 1982, the Fund has reviewed the provisions of the Extended Fund Facility further, together with a review of the Fund's stand-by arrangements, and decides that the provisions of the Extended Fund Facility remain appropriate in present circumstances.

2. The Fund will again review programs supported by stand-by and extended arrangements, not later than December 31, 1984. This review will examine the appropriateness of the provisions of the Extended Fund Facility and the guidelines on conditionality, with particular reference to the importance of ensuring the revolving character of the Fund's resources.

Decision No. 7558-(83/156)
November 16, 1983

1. Pursuant to Decision No. 7558-(83/156), adopted November 16, 1983, the Fund has reviewed the programs supported by stand-by and extended arrangements, as well as the appropriateness of the provisions of the Extended Fund Facility, and of the guidelines on conditionality and decides that the provisions of the Extended Fund Facility and the guidelines on conditionality remain appropriate in the present circumstances.

2. The Fund will again review the programs supported by stand-by and extended arrangements, and the appropriateness of the provisions of the Extended Fund Facility, and of the guidelines on conditionality, not later than December 31, 1985.

Decision No. 7857-(84/175)
December 5, 1984

1. Pursuant to Decision No. 7857-(84/175), adopted December 5, 1984, the Fund has reviewed the conditionality that the Fund applies for transactions in the upper credit tranches with particular reference to the Fund's experience from recent programs

supported by stand-by and extended arrangements from the Fund. In the con-text, the Fund has also reviewed the provisions of the Extended Fund Facility and the guidelines on conditionality.

2. The Fund finds that the conditionality of the Fund, including provisions of the Extended Fund Facility and the guidelines on conditionality, remains appropriate in the present circumstances.

3. The Fund will again review the experience relating to programs supported by stand-by and extended arrangements, and the provisions of the Extended Fund Facility and the guidelines on conditionality, at an appropriate time pursuant to paragraph 12 of the guidelines on conditionality.

Decision No. 8192-(86/13)
January 27, 1986

1. Pursuant to Decision No. 8192-(86/13), adopted January 27, 1986, the Fund has reviewed the experience with recent programs supported by stand-by and extended arrangements, and decides that the provisions of the Extended Fund Facility and the guidelines on conditionality will remain in force in the present circumstances.

2. The Fund will again review the experience relating to programs supported by stand-by and extended arrangements at an appropriate time pursuant to paragraph 12 of the guidelines on conditionality. At that time, the Fund will also review the provisions of the extended Fund facility.

3. In the light of forthcoming discussions by the Executive Board on issues relating to conditionality, the Executive Board will decide when it may be appropriate to have the next comprehensive review of conditionality.

Decision No. 8583-(87/72)
May 8, 1987

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1. Pursuant to Decision No. 8583-(87/72) adopted May 8, 1987, the Fund has reviewed the experience with recent programs supported by stand-by and extended arrangements, and decides that the guidelines on conditionality will remain in force in the present circumstances.

2. In view of the comprehensive reconsideration of the extended Fund facility undertaken in 1988, the Fund decides to postpone the review of the provisions of the extended Fund facility envisaged in Section 2 of Decision No. 8583-(87/72).

3. The Fund will again review the experience relating to programs supported by stand-by and extended arrangements at an appropriate time pursuant to paragraph 12 of the guidelines on conditionality. At that time, the Fund will also review the provisions of the extended Fund facility.

Decision No. 9189-(89/77)
June 19, 1989

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1. Pursuant to Decision No. 9189-(89/77), adopted June 19, 1989, the Fund has reviewed the experience with recent programs supported by stand-by and extended arrangements and the provisions of the extended Fund facility.

2. The guidelines on conditionality and the provisions of the extended Fund facility will remain in force in the present circumstances.

3. The Fund will again review the experience with programs supported by stand-by and extended arrangements at an appropriate time pursuant to paragraph 12 of the guidelines on

conditionality. At that time, the Fund will also review the provisions of the extended Fund facility.

Decision No. 9790-(91/106)
July 31, 1991

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1. Pursuant to Decision No 9790-(91/106), adopted July 31, 1991, the Fund has reviewed the experience with recent programs supported by the stand-by and extended arrangements and decides that the guidelines on conditionality will remain in force in the present circumstances.

2. The Fund decides to postpone until an appropriate time the review of the provisions of the extended Fund facility envisaged in Section 3 of Decision No. 9790-(91/106).

3. The Fund will again review the experience with programs supported by stand-by and extended arrangements at an appropriate time pursuant to paragraph 12 of the guidelines on conditionality.

Decision No. 10723-(94/58),
June 30, 1994

STAND-BY AND EXTENDED ARRANGEMENTS—STANDARD FORMS

The Executive Board approves the standard forms of stand-by and extended arrangements contained in Attachments A and B to SM/93/207 (9/3/93), and the standard clauses contained in Attachment C to SM/93/207, to be added to those arrangements in cases of requests for (i) a decision on external contingency financing under the compensatory and contingency financing facility in

association with an arrangement, or (ii) set-asides in support of operations involving debt reduction.

Decision No. 10464-(93/130)
September 13, 1993

Attachment A

Form of Stand-By Arrangement

Attached hereto is a letter [, with annexed memorandum,] dated ____________ from (Minister of Finance and/or Governor of Central Bank) requesting a stand-by arrangement and setting forth:

(a) the objectives and policies that the authorities of (member) intend to pursue for the period of this stand-by arrangement;

(b) the policies and measures that the authorities of (member) intend to pursue the [first year] of this stand-by arrangement; and

(c) understandings of (member) with the Fund regarding [a] review[s] that will be made of progress in realizing the objectives of the program and of the policies and measures that the authorities of (member) will pursue for the remaining period of this stand-by arrangement.

To support these objectives and policies the International Monetary Fund grants this stand-by arrangement in accordance with the following provisions:

1. [For a period of _______ years from ______________] [For the period from ____________ to ________________] (member) will have the right to make purchases from the Fund in an amount equivalent to SDR _________ million, subject to paragraphs 2, 3, 4, and 5 below, without further review by the Fund.

2. (a) Purchases under this stand-by arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR _______ million, provided that purchases shall not exceed the equivalent of SDR _______ million until ___________, and the equivalent of SDR _______ million until ___________.

(b) The right of (member) to make purchases during the remaining period of this stand-by arrangement shall be subject to such phasing as shall be determined.

(c) None of the limits in (a) or (b) above shall apply to a purchase under this stand-by arrangement that would not increase the Fund's holdings of (member's) currency subject to repurchase beyond 25 percent of quota.

3. (Member) will not make purchases under this stand-by arrangement that would increase the Fund's holdings of (member's) currency subject to repurchase beyond 25 percent of quota:

(a) during any period in which the data at the end of the preceding period indicate that*

(i) [the limit on net international reserves of [Central Bank] described in paragraph ___ of the attached [letter] [memorandum]], or

(ii) [the limit on the net domestic borrowing of the public sector described in paragraph ___ of the attached [letter] [memorandum]], or

(iii) [the limit on the net domestic assets of the Central Bank described in paragraph ___ of the attached [letter] [memorandum]], or

* The performance criteria enumerated here are indicative only.

(iv) [these provisions would incorporate other [quantitative or structural] performance criteria monitored at the end of the preceding period]

[specified in [Tables 1, 2, 3, and 4] [paragraphs ......], respectively, of the [letter] [memorandum] is not observed; or

(b) [if at any time during the period of the arrangement] [while]

(i) [the limit on the contracting and guaranteeing of external public debt with original maturity of ___ described in paragraph ___ of the attached [letter] [memorandum]], or

(ii) [the limit on external payments arrears described in paragraph ___ of the attached [letter] [memorandum]], or

(iii) [these provisions would incorporate other [quantitative or structural] performance criteria continuously monitored]

[specified in [Tables 5, 6, and 7] [paragraphs ___], respectively, of the [letter] [memorandum] is not observed, or

(c) after _______ and _______, until the respective review[s] contemplated in paragraph ___ of the attached [letter] [memorandum] is [are] completed, or

(d) if at any time during the period of the stand-by arrangement, (member)

(i) imposes or intensifies restrictions on the making of payments and transfers for current international transactions, or

(ii) introduces or modifies multiple currency practices; or

(iii) concludes bilateral payments agreements which are inconsistent with Article VIII, or

(iv) imposes or intensifies import restrictions for balance of payments reasons.

When (member) is prevented from purchasing under this stand-by arrangement because of this paragraph 3, purchases will be resumed only after consultation has taken place between the Fund and (member) and understandings have been reached regarding the circumstances in which such purchases can be resumed.

4. (Member) will not make purchases under this stand-by arrangement during any period in which (member) has an overdue financial obligation to the Fund or is failing to meet a repurchase expectation (a) in respect of a noncomplying purchase pursuant to Decision No. 7842-(84/165) on the Guidelines on Corrective Action, or (b) in respect of a purchase in support of debt and debt service reduction operations pursuant to Decision No. 9331-(89/167), as amended, or (c) pursuant to subparagraph 16(a) or 33(a) of Decision No. 8955-(88/126), as amended, on the Compensatory and Contingency Financing Facility.

5. (Member's) right to engage in the transactions covered by this stand-by arrangement can be suspended only with respect to requests received by the Fund after (a) a formal ineligibility, or (b) a decision of the Executive Board to suspend transactions, either generally or in order to consider a proposal, made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of (member). When notice of a decision of formal ineligibility or of a decision to consider a proposal is given pursuant to this paragraph 5, purchases under this arrangement will be resumed only after consultation has taken place between the Fund and (member) and understandings have been reached regarding the circumstances in which such purchases can be resumed.

6. Purchases under this stand-by arrangement shall be made in the currencies of other members selected in accordance with the policies and procedures of the Fund, unless, at the request of (member), the Fund agrees to provide SDRs at the time of the purchase.

7. (Member) shall pay a charge for this stand-by arrangement in accordance with the decisions of the Fund.

8. (a) (Member) shall repurchase the amount of its currency that results from a purchase under this stand-by arrangement in accordance with the provisions of the Articles of Agreement and decisions of the Fund, including those relating to repurchase as (member's) balance of payments and reserve position improves.

(b) Any reductions in (member's) currency held by the Fund shall reduce the amounts subject to repurchase under (a) above in accordance with the principles applied by the Fund for this purpose at the time of the reduction.

9. During the period of the stand-by arrangement (member) shall remain in close consultation with the Fund. These consultations may include correspondence and visits of officials of the Fund to (member) or of representatives of (member) to the Fund. (Member) shall provide the Fund, through reports at intervals or dates requested by the Fund, with such information as the Fund requests in connection with the progress of (member) in achieving the objectives and policies set forth in the attached letter [and annexed memorandum].

10. In accordance with paragraph ____ of the attached letter, (member) will consult the Fund on the adoption of any measures that may be appropriate at the initiative of the government or whenever the Managing Director requests consultation because any of the criteria in paragraph 3 above have not been observed or because the Managing Director considers that consultation on the program is desirable. In addition, after the period of the arrangement and while (member) has outstanding purchases in the upper credit tranches, the government will consult with the Fund

from time to time, at the initiative of the government or at the request of the Managing Director, concerning (member's) balance of payments policies.

Attachment B

Form of Extended Arrangement

Attached hereto is a letter [, with annexed memorandum,] dated ________ from (Minister of Finance and/or Governor of Central Bank) requesting an extended arrangement and setting forth:

(a) the objectives and policies that the authorities of (member) intend to pursue for the period of this extended arrangement;

(b) the policies and measures that the authorities of (member) intend to pursue during the first year of this extended arrangement; and

(c) understandings of (member) with the Fund regarding reviews that will be made of progress in realizing the objectives of the program and of the policies and measures that the authorities of (member) will pursue for the second and third years of this extended arrangement.

To support these objectives and policies the International Monetary Fund grants this extended arrangement in accordance with the following provisions:

1. For a period of [three years] from ________ (member) will have the right to make purchases from the Fund in an amount equivalent to SDR ________ million, subject to paragraphs 2, 3, 4, and 5 below, without further review by the Fund.

2. (a) Purchases under this extended arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR

___________ million until ___________, the equivalent of SDR ___________ million until ___________, the equivalent of SDR ___________ million until ___________, and the equivalent of SDR________ million until ___________.

(b) Until (end of second year) purchases under this extended arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR ___________ million.

(c) The right of (member) to make purchases during the second and third years shall be subject to such phasing as shall be determined.

3. (Member) will not make purchases under this extended arrangement:

(a) during any period in which the data at the end of the preceding period indicate that*

(i) [the limit on net international reserves of [Central Bank] described in paragraph ___ of the attached [letter] [memorandum]], or

(ii) [the limit on net domestic borrowing of the public sector described in paragraph ___ of the attached [letter] [memorandum]], or

(iii) [the limit on the net domestic assets of the Central Bank described in paragraph ___ of the attached [letter] [memorandum]], or

(iv) [these provisions would incorporate other [quantitative or structural] performance criteria monitored at the end of the preceding period]

[specified in [Tables 1, 2, 3 and 4] [paragraphs ____], respectively, of the [letter] [memorandum] is not observed; or

* The performance criteria enumerated here are indicative only.

(b) [if at any time during the period of the arrangement] [while]

(i) [the limit on the contracting or guaranteeing of external public debt with original maturity of ____ described in paragraph ___ of the attached [letter] [memorandum]], or

(ii) [the limit on external payments arrears described in paragraph ___ of the attached [letter] [memorandum]], or

(iii) [these provisions would incorporate other [quantitative or structural] performance criteria continuously monitored]

[specified in [Tables 5, 6 and 7] [paragraphs ___], respectively, of the [letter] [memorandum]], is not observed, or

(c) after ____ and ____, until the review[s] contemplated in paragraph ___ of the attached [letter] [memorandum] is [are] completed, or

(d) if at any time during the period of the extended arrangement, (member)

(i) imposes or intensifies restrictions on the making of payments and transfers for current international transactions, or

(ii) introduces or modifies multiple currency practices; or

(iii) concludes bilateral payments agreements which are inconsistent with Article VIII, or

(iv) imposes or intensifies import restrictions for balance of payments reasons.

When (member) is prevented from purchasing under this extended arrangement because of this paragraph 3, purchases will be resumed only after consultation has taken place between the Fund and (member) and understandings have been reached regarding the circumstances in which such purchases can be resumed.

4. (Member) will not make purchases under this extended arrangement during any period in which (member) has an overdue financial obligation to the Fund or is failing to meet a repurchase expectation (a) in respect of a noncomplying purchase pursuant to Decision No. 7842-(84/165) on the Guidelines on Corrective Action, or (b) in respect of a purchase in support of debt and debt service reduction operations pursuant to Decision No. 9331-(89/167), as amended, or (c) pursuant to subparagraph 16(a) or 33(a) of Decision No. 8955-(88/126), as amended, on the Compensatory and Contingency Financing Facility.

5. (Member's) right to engage in the transactions covered by this extended arrangement can be suspended only with respect to requests received by the Fund after (a) a formal ineligibility, or (b) a decision of the Executive Board to suspend transactions, either generally or in order to consider a proposal, made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of (member). When notice of a decision of formal ineligibility or of a decision to consider a proposal is given pursuant to this paragraph 5, purchases under this arrangement will be resumed only after consultation has taken place between the Fund and (member) and understandings have been reached regarding the circumstances in which such purchases can be resumed.

6. Purchases under this extended arrangement shall be made in the currencies of other members selected in accordance with the policies and procedures of the Fund, unless, at the request of (member), the Fund agrees to provide SDRs at the time of the purchase.

7. (Member) shall pay a charge for this extended arrangement in accordance with the decisions of the Fund.

8. (a) (Member) shall repurchase the amount of its currency that results from a purchase under this extended arrangement in accordance with the provisions of the Articles of Agreement and decisions of the Fund, including those relating to repurchase as (member's) balance of payments and reserve position improves.

(b) Any reductions in (member's) currency held by the Fund shall reduce the amounts subject to repurchase under (a) above in accordance with the principles applied by the Fund for this purpose at the time of the reduction.

9. During the period of the extended arrangement (member) shall remain in close consultation with the Fund. These consultations may include correspondence and visits of officials of the Fund to (member) or of representatives of (member) to the Fund. (Member) shall provide the Fund, through reports at intervals or dates requested by the Fund, with such information as the Fund requests in connection with the progress of (member) in achieving the objectives and policies set forth in the attached letter [and annexed memorandum].

10. In accordance with paragraph ___ of the attached letter, (member) will consult with the Fund on the adoption of any measures that may be appropriate at the initiative of the government or whenever the Managing Director requests consultation because any of the criteria in paragraph 3 above have not been observed or because the Managing Director considers that consultation on the program is desirable. In addition, after the period of the arrangement and while (member) has outstanding purchases under this arrangement, the government will consult with the Fund from time to time, at the initiative of the government or at the request of the Managing Director, concerning (member's) balance of payments policies.

Attachment C

(i) *Standard Clause on External Contingency Mechanism*

(To be inserted in the introductory section of the requested [stand-by] [extended] arrangement, in which case that section will be broken into two subparagraphs)

"b. a decision that, should adverse external contingencies occur during the period of the program supported by the [stand-by] [extended] arrangement, the Fund will provide in association with this [stand-by] [extended] arrangement, external contingency financing up to a maximum amount equivalent to SDR ____ million under the Compensatory and Contingency Financing Facility (Decision No. 8955-(88/126), adopted August 23, 1988, as amended) and in accordance with the factors set out in [memorandum/other relevant document], with the understanding that, should favorable external contingencies occur during such period, the Fund may make adjustments of up to SDR ____ million under paragraph 22 of that decision, in accordance with the factors set out in [memorandum/other relevant document]."

(ii) *Standard Clauses on Set Asides in Support of Operations Involving Debt Reduction*

(To be inserted in paragraph 2 of the requested [stand-by] [extended] arrangement)

"(d) Each amount that would be available in accordance with paragraphs 1[,] [and] 2(a), [2(b), and 2(c)] above shall be reduced by an amount equivalent to [25 percent],* and these set aside amounts shall be made available in accordance with the terms of this [stand-by][extended] arrangement and subject to the following conditions:

*See Decision No. 11877-(98/2), January 6, 1999 on page 206.

(i) (member) represents that it has a need to make the requested purchase because of use of its reserves or impending payments for the discharge of liabilities under operations involving debt reduction; and

(ii) the Fund determines that the requested purchase is needed in accordance with (member's) representation and that the debt reduction involved is consistent with the objectives of the program and the guidelines on Fund involvement in the debt strategy.

(e) If requested by (member), the Fund may decide to make available to (member), notwithstanding the phasing specified under (a), (b) and (c) above, an amount not exceeding the equivalent of [25 percent] of the total of purchases that may be made by (member) during the remainder of this [stand-by] [extended] arrangement. In that event, the right of (member) to make purchases under this [stand-by] [extended] arrangement shall be subject to such phasing and deduction of amounts for debt reduction as shall be determined.

(f) If requested by (member), the Fund may decide to discontinue the deduction of amounts for debt reduction under (d) and (e) above if the Fund determines that the objectives of (member's) program supported by this [stand-by] [extended] arrangement can be achieved without such deductions."

Reviews under Fund Arrangements—Lapse of Time Procedure

The Executive Board approves the proposed procedures with regard to lapse of time completion of reviews under Fund arrangements, as set forth in EBD/96/160, Supplement 1.

Decision No. 11515-(97/59)
June 9, 1997

EBD/96/160
Supplement 1

. . .

1. Use of the lapse of time procedure to complete program reviews under Fund arrangements may be proposed by the Chairman, the Executive Director for the country concerned, or, with that Director's agreement, one or more other Executive Directors.* The proposal would state the reasons why lapse of time consideration seemed warranted, and it should be understood that such consideration should not be proposed unless: (i) the staff has determined that all the performance criteria have been met, or where the staff has found that the requested waivers or modifications were minor so that the thrust of the policies and objectives supported by an arrangement could be maintained; and (ii) there did not appear to be any general policy issues requiring Board discussion.

2. Proposals by the Chairman for lapse of time approval would be made when a staff paper is circulated to the Executive Board. Proposals by an Executive Director(s) should be made as soon as possible after the paper's circulation. Such a proposal should in general be made at least five business days prior to the scheduled Board date, and would not be entertained if made within the four business days prior to that date.

3. An objection to a proposal for lapse of time approval would have to be made at least two business days preceding the scheduled Board date. The objection of any one Director would be sufficient to hold the Board discussion as scheduled, and no reason for the objection would need to be stated.

*It is noted that, in contrast to the lapse of time procedures for Article IV consultations, the Chairman could propose lapse of time consideration for program reviews *without* agreement of the Executive Director of the country concerned. This is in line with current practice where the Chairman identifies and make proposals for lapse of time consideration of program reviews on the basis of his judgment and that of the staff.

4. If an objection is received, the discussion will take place on the originally scheduled Board date.

5. In the event that no objection is received, the proposed decision(s) on the program review would be approved with effect on the date of the originally scheduled Board discussion.* A copy of the approved decision(s) will be sent by the Secretary to the authorities of the country concerned.

6. The reasons given by Director(s) for proposing the use of the lapse of time procedure, and any responses of Directors to that proposal and any comments or qualifications expressed by Directors when agreeing to the lapse of time proposal, will be circulated to all Directors but would not be made part of the formal record of Board proceedings.

7. In cases where program reviews are combined with Article IV consultations, it is expected that the lapse of time procedure would be resorted to only rarely, even where the program review itself could be completed on a lapse of time basis.

8. These procedures will be reviewed together with the review of lapse of time procedures for Article IV consultations.

Emergency Assistance

EMERGENCY ASSISTANCE—NATURAL DISASTERS

The Chairman . . . made his final concluding remarks:

*It should be noted that under current practice, when a matter is approved under the lapse of time procedure unless otherwise specified, the effective date of the decision is the same day as the close of the lapse of time period. Consistent with the procedures contained in SM/96/214, Supplement 1, the lapse of time period would close two business days prior to the scheduled Board date and the effective date of decision would be the originally scheduled Board date.

I think the best thing we can do at this stage is to note the support for the flexible practices that have been used in the past and have been incorporated in the language of Section III of the paper. . . .

One of the advantages of the method already in use is that the management is allowed to exercise discretion and judgment on what constitutes a disaster serious enough to make a country eligible for emergency assistance from the Fund. The staff and management might miss some of the important points, but close contact with the Executive Directors concerned would enable them to receive good guidance on whether a given series of events crosses the threshold of disaster. Judgments will have to be made on the gravity of the situation, on the impact on the balance of payments, and on the type of help the Fund can offer the country in question. Such judgments would not fit easily into a set of rigid guidelines. The present language of Section III [below] seems appropriate, because it gives the staff and management general guidance while leaving them the necessary flexibility. In any event, it is the Board that will decide on each particular case. I am sure that the Board will be happy to have, not a legal document, but some guidelines to use as yardsticks in reaching those decisions.

EBM/82/16, pp. 17-18

SM/82/7

. . .

III. *Issues for Consideration by the Executive Board*

The review of experience suggests that effective emergency assistance can continue to be provided to members afflicted by natural disasters through a flexible application of the existing policies on use of Fund's resources. There is, therefore, no need in the staff's judg-ment for establishing a new facility specifically addressed to cases of emergency. Executive Directors may wish to consider the following broad guidelines for the provision of emergency assistance to members afflicted by natural disasters.

(a) In most cases in which a member is afflicted by a natural disaster, effective assistance would continue to be provided by purchases under the compensatory financing facility or by stand-by and extended arrangements. However, in those cases where a member cannot meet its immediate financing needs arising from a major disaster, such as flood, earthquake, or hurricane, without serious depletion of its external reserves, emergency assistance in the form of quick outright purchases would continue, as in the past, to be provided under a flexible application of tranche policies.

(b) Emergency assistance is designed to provide only limited foreign exchange required for immediate relief. In the past, outright purchases for emergency situations were provided for relatively moderate amounts. In half of the cases, such purchases amounted to 25 percent of quota; in the remaining half, purchases ranged from 42–50 percent of quotas. On the basis of experience, the amount of resources would continue to be limited to the equivalent of one credit tranche, though larger amounts could be made exceptionally available. When need for additional financing is present, it would be best provided under the compensatory financing facility and within the framework of stand-by and extended arrangements.

(c) The amount of an emergency purchase would be taken into account in determining the size of any additional support under a subsequent stand-by or extended arrangement. Moreover, in order to avoid double compensation in cases where a member requests a CFF purchase subsequent to an emergency purchase, a determination would be made at the time of the CFF request of the part of export shortfall on which the CFF request is based that has already been compensated by the emergency purchase. In accordance with the procedures suggested in the Appendix, that part would be deducted from the calculated shortfall and an equivalent amount of the emergency purchase would be reclassified as a CFF purchase.

(d) In emergency situations, timing is crucial; quick assistance from the Fund can both provide relief and encourage financing

from other sources. While in most instances, balance of payments difficulties will be transitory, understandings are needed to ensure that inappropriate policies do not compound the problems caused by the disaster. As in the past, a flexible and pragmatic approach will be followed to take into account the particular circumstances of the country, the nature and the extent of the disaster and the need to safeguard the revolving character of Fund resources.

(e) For purposes of emergency assistance requests, a member would be required to describe the general policies it plans to pursue, including its intention to avoid introducing or intensifying exchange and trade restrictions. The request will be granted when the Fund is satisfied that the member will cooperate with the Fund in an effort to find, where appropriate, solutions for its balance of payments difficulties. Frequently, at the time of the request of emergency assistance, members expressed an intention to devise adjustment programs in consultation with the Fund, but this intention was seldom carried out. To strengthen this aspect of the Fund's emergency assistance, the member's cooperation with the Fund in designing and adopting, when appropriate and as soon as circumstances permit, necessary adjustment measures would be one of the elements to be considered in the assessment of the requirement of cooperation associated with CFF purchases in the upper tranche. Such an approach would be applied so as to allow the assessment of cooperation to continue to be made on a pragmatic basis in the light of the nature of the difficulties and the circumstances of the member.

EMERGENCY ASSISTANCE—POST-CONFLICT COUNTRIES

Summing Up by the Chairman
Fund Involvement in Post-Conflict Countries
Executive Board Meeting 95/82 - September 6, 1995

Directors in their majority endorsed the staff's views on coordination among the various agencies and bilateral donors and creditors involved in assisting countries in post-conflict situations, and endorsed the suggestion to expand the scope of the present

guidelines on emergency assistance to include such situations. However, a number of Directors expressed the need for great caution given the limited role the Fund can play in such circumstances.

Directors welcomed the early provision by the Fund of technical assistance and policy advice in its areas of expertise. In assessing the post-conflict cases reviewed in the paper, they noted that, in general, the Fund had been able to provide financial support at a relatively early stage, bearing in mind the need for adequate safeguards for use of the Fund's resources.

Looking to the future, Directors emphasized the need for the Bretton Woods institutions, the regional development banks, the UN, and bilateral donors and creditors to coordinate closely in supporting countries emerging from conflict situations. They observed that, in the post-conflict cases reviewed, the process of coordination had benefitted from the leadership of a single agency or bilateral partner, and that different agencies or countries had performed this role effectively in the various cases. Directors concurred that the institutional flexibility that has prevailed to date remained appropriate. While it was important that a lead be taken by one institution or donor, most Directors would not expect the Fund to be the lead institution. Directors were in broad agreement that coordination would be facilitated through an early preparation, where possible, by the affected member and the lead agency, in consultation with other relevant agencies and bilateral donors and creditors, of a framework paper for organizing technical assistance and financial support. Such a report could be similar to a policy framework paper, but less comprehensive, and with a shorter time horizon.

Most Directors thought that the Fund's existing financial instruments were adequate to deal with some post-conflict situations, but that they may not be fully suitable, or available, in all cases that could merit Fund financial support. A majority of Directors endorsed the idea of expanding the scope of the present policy on emergency assistance to include carefully defined post-conflict situations. However, a number of other Directors saw no

need for new policies in this area. In their view, experience had shown that the Fund was able to provide financial assistance when conditions were appropriate.

Regarding the operational aspects related to the proposed expansion of the scope of emergency assistance, most Directors were disposed to endorse those proposed by the staff in post-conflict situations: where the country's institutional and administrative capacity was disrupted as a result of the conflict, so that the member was not yet able to develop and implement a comprehensive economic program that could be supported by a Fund arrangement, but where there was nonetheless sufficient capacity for planning and policy implementation and a demonstrated commitment on the part of the authorities; where there was an urgent balance of payments need to help rebuild reserves and meet essential external payments and a role for the Fund in catalyzing support from other official sources; and where Fund support would be part of a concerted international effort to address the aftermath of the conflict situation in a comprehensive way.

Directors agreed that access to Fund resources in such cases should generally be limited to one credit tranche, and that the access policy under the existing emergency assistance guidelines provided sufficient flexibility to handle exceptional needs. Directors supported having a tranching of total resources in some instances to help ensure the effective use of Fund resources and provide an incentive to develop a comprehensive economic program. Most Directors agreed that the proposed Fund financial assistance for post-conflict countries be made available only if the member intended to move within a relatively short time frame to an upper credit tranche stand-by or extended arrangement, or to an arrangement under the enhanced structural adjustment facility (ESAF). Indeed, the use of emergency assistance should be framed in such a manner as to pave the way toward the adoption of a program that could be supported by such an arrangement.

For ESAF-eligible members, Directors recognized that concessional resources would be appropriate. For these members,

most speakers indicated that they would favor the approach of seeking interest subsidies from bilateral donors on a case-by-case basis when Fund resources were provided under the emergency policy. Others, however, expressed caution about this approach.

Directors agreed that Fund assistance, and its conditionality, should be tailored to individual country circumstances, and should address the need to rebuild the administrative and institutional capacity required to put a comprehensive economic program in place. Accordingly, conditions would include a statement of economic policies; a quantified macroeconomic framework, to the extent possible; and a statement by the authorities of their intention to move as soon as possible to an upper credit tranche stand-by or extended arrangement, or to an ESAF arrangement. Part of the response must be a comprehensive technical assistance program, including institution-building aspects, and provision for its financing.

Overall, this has been a productive discussion of Fund involvement in post-conflict cases in which Directors have agreed on the fundamental--but generally not the leading--role of the Fund, regarding both cooperation with other international agencies and the parameters for Fund financial involvement through an expansion of the scope of the present policy on emergency assistance. While noting the caution expressed by a number of Directors, I would propose that we proceed to expand the scope of the emergency assistance policy on the basis outlined above. This summing up will provide the guidelines for this approach, it being understood that Fund support under an arrangement is the approach to be followed wherever this is possible, while, in the other cases, emergency assistance would be tailored to pave the way in this direction. Except as noted above, the provisions of the existing guidelines on emergency assistance will apply in post-conflict situations.

EMERGENCY FINANCING MECHANISM

Summing Up by the Chairman
Emergency Financing Mechanism
Executive Board Meeting 95/85 -
September 12, 1995

Directors welcomed the opportunity to consider the elements of a proposed "emergency financing mechanism" (EFM) which would strengthen the ability of the Fund to respond rapidly in support of members facing a crisis in their external accounts and seeking Fund assistance. Although the wording "emergency financing mechanism" suggests a more ambitious purpose, Directors in fact considered that the topic under discussion was an emergency procedure rather than a new financing mechanism.

Directors agreed that the essence of an emergency financing mechanism was to provide for exceptional procedures that, in the event a member faced a crisis, would facilitate rapid approval of Fund support while assuring the conditionality necessary to warrant such support. In this connection, Directors generally agreed that there was not necessarily a link between exceptional procedures to facilitate a rapid response on the part of the Fund, on the one hand, and exceptional access, or the need for supplementary financing, on the other. However, Directors noted that, in addition to a rapid response to an emergency, the Fund may need to provide potentially large and front-loaded access, which possibly would imply the need to call upon the supplementary resources. Issues related to possible expansion of the GAB and/or the supplementary borrowing arrangements, and their modalities and criteria for activation, remain open for further consideration, and we may need to return to the question of linkages to the EFM as those discussions evolve. For the moment, however, I believe there is broad agreement among Directors on the main aspects of what would constitute emergency procedures.

While noting the staff's assurances regarding "moral hazard" and other issues raised during the Board discussion of the role of the Fund in August, most Directors stressed the importance of

ensuring that the use of the emergency procedures would be limited to truly exceptional circumstances and that the Fund's role, in the context of such use, would remain catalytic. Further, use of emergency procedures would not be a guarantee against sovereign default. With regard to the key features of these emergency procedures, many Directors underscored the critical importance of strengthened Fund surveillance, and close cooperation between the Fund and the members, in order to help avoid a financial crisis and to facilitate a rapid response should a crisis occur. In that context, it was stressed by several Directors that it was a member's responsibility to come to the Fund early with a strong and comprehensive economic program in order to prevent a potential crisis from emerging and to limit the cost of repair.

There was very broad support for the circumstances and conditions under which emergency financing procedures could be initiated, and for the procedures themselves, as suggested and clarified by the staff. Some Directors expressed concern about the lack of objective criteria to identify in advance what kind of financial crisis would require and warrant a rapid Fund response, but others noted that it would be difficult to define beforehand the characteristics that would constitute such a crisis. A number of Directors would prefer to limit the use of emergency procedures to situations involving significant spillover or contagion effects, but most noted that such an approach would unduly restrict the availability of emergency procedures. Some Directors pointed to the lack of consensus on the meaning, in particular, of the concept of systemic effects.

In their comments, a number of Directors have emphasized the importance of continuous and substantive involvement of the Executive Board in the utilization of emergency procedures. I fully agree and have assured you that management would inform the Board immediately of its intention to activate the emergency procedures. Close communication and consultation would be maintained throughout the process, about which I will have more to say later in this summing up, and I agree on the importance of ensuring early and broad-based support in any activation of emergency procedures.

With reference to the specific elements of emergency procedures, I would list them as follows so that there is clarity for members, the staff, management, and the Board.

- The emergency procedures would be expected to be used only in rare circumstances that represented or threatened to give rise to a crisis in a member's external accounts requiring immediate response from the Fund. Identification of such an emergency would be based on an initial judgment by management, in consultation with the Executive Board, that the member was faced with a truly exceptional situation threatening its financial stability, and that a rapid Fund response in support of strong policies was needed to forestall or to contain significant damage to the country itself or to the international monetary system, it being understood that the potential for spillover effects would be an important element of the Board's final judgment.

- The conditions for activation of emergency procedures would include the readiness of the member to engage immediately in accelerated negotiations with the Fund, with the prospect of early agreement on--and implementation of--measures sufficiently strong to address the problem. Prior actions normally would be expected. The member's past cooperation with the Fund, in particular its record of reporting and responding to the Fund's policy advice in the context of regular consultations and continuing surveillance, would have a strong bearing on the speed with which the Fund itself could assess the situation and agree on necessary corrective measures. Our important operating principle--the stronger the program, the stronger the Fund's support--would also apply here.

- The Executive Board would be informed immediately by management of the intention to activate emergency procedures, the nature of the emergency and the initial outlines of the planned responses by the member and the Fund, and the likely timetable for Executive Board discussion of a proposed arrangement. Strict confidentiality would need to be maintained, and public statements should be careful not to prejudge the Board's exercise of its responsibility to take the final decision.

- A short written report would be circulated to the Executive Board as soon as feasible, describing the member's current economic situation.

- During the negotiations with the member, the Executive Board would be briefed regularly on economic and financial developments, the progress of negotiations, the likely key parameters of the program (including the level and phasing of access), the likely impact on the Fund's liquidity and the possible need to activate borrowing arrangements, and any changes in the initially envisaged timetable for Executive Board discussion of the arrangement. These briefings would provide the Board with opportunity to give guidance to management and the staff on the country's policies and the contemplated Fund assistance.

- In instances where support from other creditors is likely to be important, consultations with key creditors would be initiated at the outset of the emergency. The Executive Board would be informed of relevant developments in this area, in the context of the regular informal briefings.

- Once agreement had been reached on a program, documents would be circulated as soon as possible. The staff would aim to do this within, say, five days. The Executive Board would be prepared to consider the request for an arrangement as early as 48 to 72 hours after circulation of the documentation. Decisions regarding key parameters, including access and phasing, would be taken in the context of the Executive Board's consideration of the arrangement, in accordance with the existing rules and practices of the Fund.

- The early involvement and high frequency briefing of the Executive Board would be a centerpiece of the procedures facilitating a rapid Fund response. Similarly, after approval of the arrangement, and during a period of very close monitoring by the staff to allow early and continuing assessment of the effectiveness of the member's policy response, the Executive Board would continue to be involved closely in monitoring progress until the emergency was definitively resolved. In most cases, it could be

expected that the full review of the initial policy response and the reaction of markets to these policies would be conducted within one to two months of the approval of the arrangement, with the aim of allowing modifications to policies as necessary in light of the evolving situation.

- Directors agreed that there would be an understanding, rather than a legal obligation, that the member would make early repurchase of the resources made available under emergency procedures, provided the member overcame its crisis quickly.

I conclude from today's meeting that Directors agree that we should strengthen the Fund's ability to act quickly in crisis situations. Directors have endorsed the broad outlines of the proposed features of what could constitute emergency procedures. I will plan to report to the Interim Committee on this basis. Of course, there are issues related to supplementary financing arrangements still under discussion, and we will consider any implications of such arrangements for the emergency financing mechanism in due course.

Currency Stabilization Funds

The Acting Chairman's Summing Up
at the Conclusion of the Discussion on Fund
Support for Currency Stabilization Funds
Executive Board Meeting 95/86 -
September 13, 1995

The discussion today has built on our two earlier discussions on the general principles of Fund policies that might be followed with regard to currency stabilization funds (CSFs) as well as the operational features of the proposed policies. Directors in their majority have supported the conditions and operational characteristics outlined in the statement by the staff. However, some Directors continued to express doubt about the need for a special policy in this area, and some have mentioned areas of concern. Some of you indicated a preference for a special facility,

but some of those were prepared to support a consensus on the window approach. Among the main concerns raised today were the fear that establishment of a CSF would appear to signal a Fund preference for a fixed exchange rate, the possibility of too frequent use of the exceptional circumstances clause and the importance of ensuring that use of the exceptional circumstances clause would be very rare, the inherent difficulty of assessing the appropriate level of the exchange rate to be supported by a CSF, the timing and circumstances of possible adjustments to the exchange rate arrangement, and the need to provide for adequate safeguards and suitable procedures, including close involvement of the Board at all stages.

With respect to the framework for CSF operations, all Directors stressed the importance of the country's having a sound track record, of keeping the exchange arrangements under the continuous review both during and after the disinflation effort, and of ensuring that CSF resources were used as intended--that is, to provide a temporary supplement to reserves for confidence building and short-term intervention if needed, and not for general balance of payments support. In this connection, Directors attached importance to the frequent reporting of relevant data, and close monitoring by the staff and the Board, as well as the tranching and repurchase/reconstitution provisions.

Although the sense of the Board is clearly that we should move cautiously in this area, it has been broadly agreed that under certain conditions the Fund should be prepared to support CSFs within the context of upper credit tranche stand-by or extended arrangements. The conditions and modalities outlined in the statement by the staff provide an appropriate framework for this purpose. Accordingly, the amended text of that statement, which is attached to this summing up will provide guidelines for the use of Fund resources under a CSF. Executive Directors do not expect that there will be frequent recourse to CSFs, nor would the Board wish, by establishing CSFs, to signal any preference on the part of the Fund for fixed exchange rates or exchange rate based stabilization. The staff will discuss alternative approaches and forms of Fund support with members and, where a CSF is

recommended, will clearly explain the rationale for the approach that is being followed in the documentation for the Board. Where a CSF is being considered and at an appropriate point, recognizing the particular sensitivities of this kind of situation, management will consult with the Board. It is understood that any such operations will be approached in an experimental fashion, kept under close review in light of Director's concerns and, if necessary, adapted on the basis of experience.

The Managing Director will make a progress report to the Interim Committee on the basis of the outcome of today's discussion.

Attachment

Guidelines for Fund Support
for Currency Stabilization Funds

1. *General considerations*

a. *Framework and purpose*

Experience has shown that under certain circumstances a nominal exchange rate anchor can be a powerful instrument, when employed in the context of strong macroeconomic stabilization policies, in bringing about a rapid decline in inflation. In the framework of a Fund upper credit tranche stand-by or extended arrangement, Fund financial support for the specific purpose of providing a precautionary pool of resources to supplement reserves for a transitional period--that is, a currency stabilization fund (CSF)--could provide an important element of additional confidence in support of an exchange-rate-based stabilization strategy and, under appropriate conditions, would be consistent with the purposes of the Fund.

In particular, for CSFs to play their intended role, economic policies would need to be sufficiently tight to deliver an inflation path compatible with the targeted exchange rate anchor--that is,

the anchor would need to be realistic and sustainable on the basis of the member's policies, so that little, if any, use of the CSF for exchange market intervention would be expected; it would need to be understood with the authorities that economic policies would be adapted promptly as necessary in response to changing conditions, so as to ensure the maintenance of the nominal exchange rate objective; and the underlying program would need to be fully financed (i.e., without taking account of the resources of the CSF).

b. *Adjustment strategy*

Fund support for CSFs would be considered in cases of high inflation where a nominal exchange rate anchor is adopted as part of a credible, comprehensive adjustment strategy to achieve a rapid and substantial decline in inflation and where close monitoring is possible to ensure that the exchange rate anchor and supporting policies continue to be appropriate. It would be expected that a CSF would be activated at a relatively early stage in the process of reducing inflation, but only when the Fund can be confident that the member's policies are sufficiently strong and will be implemented and adapted as necessary; activation could take place at the outset of an arrangement or during the course of a review.

c. *Exchange rate arrangement*

The most appropriate exchange rate arrangements to be supported by a CSF would be an exchange rate peg with relatively narrow margins, or a preannounced crawl, that would limit the discretionary use of the exchange rate. Careful consideration would need to be given to establishing the appropriate level at which to establish the exchange rate peg (or crawl), avoiding a real exchange rate that is excessively low or high relative to historical levels or other relevant indicators. It would not be the purpose to maintain the anchor indefinitely, and the appropriateness of the exchange rate and the exchange arrangement would be kept under continuous review by the authorities and the Fund, both during and subsequent to the disinflation effort.

d. *Policy conditions*

The policy conditions necessary to ensure the success of an exchange-rate-based stabilization, and thus essential to Fund support for a CSF, include: 1) fiscal adjustment and credit creation consistent with targeted inflation; 2) appropriate measures to deal with backward-looking automatic wage and other indexation schemes; 3) establishment of a high degree of current account convertibility and an open trade regime, and other measures to encourage a return of flight capital; 4) contingency plans for dealing with large capital outflows or inflows, which would depend on full interest rate flexibility and should also involve contingency fiscal measures; 5) establishment of integrated operational management of foreign exchange reserves and intervention policy; and 6) other structural and institutional elements supportive of the effort to reduce inflation sharply. More specific conditions would depend on the particular circumstances of each country.

e. *Co-financing*

It would be possible to consider co-financing of CSFs; however, certain basic principles would need to govern Fund policies with regard to co-financing for Fund-supported CSFs. First, the Executive Board would retain control over all use of Fund resources in support of CSFs. Second, co-financing should not unduly complicate the operations of CSFs. Third, terms associated with resources provided through co-financing should be at least as favorable to the borrower as those associated with Fund financing. Fourth, resources made available through co-financing procedures should not in any way affect the safeguards of Fund resources and the Fund's preferred creditor status. If co-financing were judged to be feasible and beneficial in a particular case, specific features would need to be determined at that stage.

2. *Operational characteristics*

a. *Structure*

A CSF would be established as an element (or "window") within a Fund upper credit tranche stand-by or extended arrangement and would have revolving features permitting repeated use under specified conditions. ESAF-eligible member countries would be able to use CSFs through arrangements in the General Resources Account that would operate in parallel to an ESAF arrangement.

b. *Access*

Access under arrangements including a CSF element would be subject to the limits (annual and cumulative) applicable to stand-by and extended arrangements. Maximum access under the CSF element would be 100 percent of quota; this would be a sublimit within the access policy. Access under the CSF element would be determined on a "net" basis--that is, outstanding use of CSF resources could not exceed a specified percentage of a member's quota (not exceeding 100 percent in any case), taking account of the repurchase and reconstitution procedures set out below. The determination of access levels for individual cases would be guided by the usual criteria of need, strength of policies, and capacity to repay the Fund, taking into account the adequacy of precautionary reserves to instill confidence in the member's exchange rate regime. In practice, access under CSFs would be expected to vary considerably on a case-by-case basis, depending on the degree to which the assessed need for reserves was already met from other sources.

c. *Tranching*

Normally, a CSF would have four equal tranches, with flexibility to raise access under the first tranche to a maximum of 35 percent of the size of the CSF with offsetting reductions in the third and fourth tranches (i.e., 25/25/25/25 percent or 35/25/20/20 percent of the size of the CSF or other variations in between)

depending on the particular circumstances of each case. There would also be flexibility, where warranted by the circumstances, to vary the number (and consequently the size) of tranches within a range of three to five tranches.

d. *Reporting requirements*

The documentation establishing a CSF would specify the precise details of the reporting requirements. These would need to be sufficient to enable the Board to assess the appropriateness of requests for activation, availability of resources and extensions of repurchase expectations under a CSF. Daily reporting of key financial variables (such as exchange rates, interest rates, exchange market turnover, intervention, and reserves) would be expected. Reporting requirements could be modified or supplemented by the Executive Board during the operation of the CSF as a condition for approving the availability of CSF resources or completing reviews under the arrangement. It would normally be expected that a Resident Representative would be in place to facilitate close monitoring and compliance with the reporting requirements.

e. *Activation and use of CSF*

Activation of the CSF element of an arrangement would be based on a determination by the Executive Board that the conditions are appropriate. In assessing whether to activate the CSF element, the Executive Board would consider whether the exchange rate policy was realistic and sustainable; whether the exchange rate policy would be firmly supported by fiscal and monetary policies, including rapid policy adjustments, as necessary; whether the program is fully financed; and, whether adequate monitoring and reporting procedures are in place and functioning properly.

Upon activation, access to the first tranche would become available. The first tranche would represent a form of working balance, which could be purchased and held for the duration of the CSF or drawn, repaid, and redrawn again without the need for

further review by the Executive Board so long as the member remained in compliance with the arrangement, including supplementary measures (objectively defined) as might be required by the Board in connection with the CSF element, such as reporting requirements. Decisions to make available CSF resources beyond the first tranche would also be made by the Executive Board and would take into account, inter alia, assessments of monetary, fiscal, and exchange market developments and the sources of exchange market pressure; evaluation of past intervention operations and use of CSF resources; evaluation of the stance of monetary and fiscal policies, including adherence to performance criteria under the arrangement; continued compliance with the conditions of integrated foreign exchange management; continuous adherence to reporting and monitoring requirements; and any other conditions set out at the establishment of the CSF. Policy adaptations could be required. Upon approval, resources in the upper tranches would remain available for purchase for a period of two weeks. At any given point in time, if the member's outstanding credit under the CSF fell into a particular tranche, the maximum size of a request for availability of resources would be equal to any amount remaining unused in that tranche or the size of the subsequent tranche, whichever is larger. Drawings beyond the first tranche would normally be for the purpose of replenishing some pre-established proportion of the member's own reserves used in intervention.

f. *Repurchase/Reconstitution*

CSF purchases would be subject to a one-year repurchase obligation in those cases where Article V, Section 4 is applicable.* ** A one-year repurchase expectation would apply to those first

*Article V, Section 4 would be applicable if the combined amount committed under both the traditional and CSF elements of the arrangement would, if purchased, result in the Fund's holding of the member's currency exceeding 200 percent of the member's quota.

**For stand-by arrangements with more than one year but less than 18 months until expiration, the repurchase obligation/expectation for purchases in the first tranche would be one year, or set to coincide with the expiration date of the arrangement, whichever is longer.

CSF tranche purchases that are not subject to Article V, Section 4. In addition, CSF purchases beyond the first tranche would be subject to a repurchase expectation that would provide for repurchase within three months; requests for extension of such three-month repurchase expectations would be permitted, with approval of the Board, up to three extensions, so long as the CSF remained in operation. Consideration of requests for extension of repurchase expectations would take into account the same factors relevant to requests for availability of CSF resources. Failure to comply with a repurchase expectation would preclude further use of the Fund's general resources until the repurchase expectation had been satisfied. Failure to comply with a repurchase obligation would result in an overdue obligation to the Fund with all the usual consequences.

Repurchase of a purchase under the CSF element of the arrangement would reconstitute the member's right to request the availability of resources under that element, subject to the conditions for such requests noted above.

g. *Charges*

Charges associated with CSFs would be the same as those that pertain to stand-by and extended arrangements.

h. *Operating procedures*

Procedures for handling Fund operations under CSFs would include:

- On establishment of a CSF element within a Fund arrangement, a monthly report would be circulated to the Board providing a one page summary of recent developments and prospects, a table of selected CSF-related economic indicators, and a brief assessment of whether the member remains in compliance with all terms and

conditions of the CSF and the related arrangement; updates would be provided between monthly reports if CSF resources were used for sustained intervention. If called for, these reports would be supplemented on occasion by somewhat longer reports for discussion. All data and information circulated in these reports would be treated with the utmost confidentiality. CSF-related material would also be covered in staff reports for reviews under the arrangement.

- The Board would be notified immediately of a member's intention to request availability of CSF resources. The minimum circulation period for the Board to act on a member's formal request for the availability of CSF resources would normally be five working days. Under emergency circumstances this could be compressed to 48 hours or, possibly, in informal consultation with the Board, a shorter period.

- After a request for the availability of CSF resources is received, staff would circulate as soon as possible an updated summary of the economic situation and a staff assessment of compliance, to be supplemented as necessary by a briefing at a Board meeting. Under normal circumstances, the period between circulation of the updated summary and the Board discussion of the request would be at least 48 hours. However, under exceptional circumstances, the circulation period could be abbreviated. Disbursement procedures would be in keeping with the Fund's Rules and Regulations, i.e., normally requiring three business days from initiation of a purchase.

Debt Strategy

FUND INVOLVEMENT IN DEBT STRATEGY

The Chairman's Summing Up
on Fund Involvement in the Debt Strategy
Executive Board Meeting 89/61, May 23, 1989

This has been an important discussion, following the guidance of the last meeting of the Interim Committee, with a view to laying the basis for broad guidelines for the Fund's role in the evolving debt strategy and, in particular, for Fund support for debt and debt service reduction. It is clearly the wish of this Board that the Fund discharge in full its central responsibilities in the debt strategy, but without interference in negotiations between debtors and creditors. We recognize that we are at an experimental phase in the debt strategy and will keep all aspects of developments under review as I will describe more specifically below.

In considering Fund support for debt and debt service reduction operations in conjunction with appropriate flows of new money, Directors emphasized the central importance of sustained implementation of policy reforms in debtor countries. They stressed that all parties in the debt strategy should continue to play their respective roles and, in particular, that official creditors should not substitute for private creditors. Fund support for debt reduction operations would be linked to medium-term adjustment programs with a strong element of structural reform, adopted in the context of stand-by or extended arrangements. Particular emphasis would be given to measures that would improve the climate for saving and investment in borrowing countries, and help reverse capital flight and attract private capital inflows and direct investment. Adherence to MIGA was seen by a number of Executive Directors as a useful step in the investment area. Utilization of debt equity swaps, where compatible with a member's fiscal and monetary policy framework, has also been seen by a number of Directors as a particularly effective means of attracting a return of flight capital.

Executive Directors agreed that requests for Fund support of debt and debt service reduction operations would be considered on a case-by-case basis. Particular reference would be made to three elements—the strength of economic policies; the scope for voluntary, market-based debt reduction operations that would help the country regain access to credit markets and attain external viability with growth; and an assessment as appropriate that such operations represent an efficient use of scarce resources.

Executive Directors strongly emphasized the importance of ensuring continued support for countries that have succeeded in maintaining market access and would not engage in officially supported debt reduction. The creditor community, including the Fund, will need to watch the situation of these countries carefully to ensure that they are not harmed by changing circumstances and that appropriate assistance continues to be forthcoming. This is an important area to which Directors have agreed to return before the Annual Meetings.

Directors stressed that it will be important to keep the Fund's liquidity position under close review. It is considered that the provisions for Fund support of debt and debt service reduction operations that have been discussed could be accommodated without an undue deterioration in the Fund's liquidity position in the near term. However, the implications of the Fund's support of debt and debt service reduction operations will need to be taken into account by Executive Directors in considering the factors bearing on the need for an increase in quotas under the Ninth General Review of Quotas. In particular, Fund support for debt reduction operations must not be allowed to reduce the Fund's ability to support members that are not engaging in such operations.

As regards the particular modalities of Fund support for debt and debt service reduction, Executive Directors agreed that in appropriate cases part of a member's access under an extended or stand-by arrangement could be set aside to finance such operations. The exact size of the set-aside would be determined on a case-by-case basis, but would involve a figure of around 25

percent of access determined on the basis of existing access policy. A number of Directors noted the importance of principal reduction in helping to ease the member's debt burden, and it was agreed that set-aside amounts should be used to support operations involving principal reduction, such as debt buy-backs or exchanges.

The availability of the set-aside amounts would generally be phased in line with program performance. Where warranted, some front-loading could be considered or purchases could be phased in accordance with the specific financing needs of the member's debt reduction program.

Directors agreed that there could be an initial release of Fund resources in support of debt reduction if the program was on track, if the Board was satisfied with the authorities' description of the debt reduction program, and on the understanding that debt reduction operations would be market based or, at market-related prices, involving substantial discounts. Initial purchases under the set-aside could be made available from the outset of an arrangement if these conditions were met. Otherwise, purchase rights would accumulate and be made available upon completion of a review by the Board of the debt reduction plan.

Executive Directors also agreed that in appropriate cases the Fund would be prepared to approve requests for additional resources of up to 40 percent of a member's quota,* where such support would be decisive in facilitating further cost-effective operations and catalyzing other resources, consistent with significant further progress toward external viability. The additional resources from the Fund are to be used for interest support in connection with debt reduction or debt service reduction operations. It was understood that the amount of additional resources to be provided would be determined on a case-by-case basis, in light in particular of the magnitude of the member's balance of payments need and the strength of its adjustment

*This limit was reduced to 30 percent of a member's quota (See Buff/92/133).

program as well as its own efforts to contribute resources, as feasible, in support of the operations. The limit for additional access is not to be regarded as a target. In considering a request for additional resources, the Executive Board would be presented with detailed information, as available, on the operations to be supported; the timing of actual disbursements to the member would need to be determined in light of the specific operations. Access pursuant to such requests would be additional to that determined under the existing guidelines for enlarged access, it being understood that the present policies on enlarged access will continue to apply, including the exceptional circumstances clause.

In the event a commitment by the Fund to provide additional access for the purposes specified were not used, the commitment would expire at the end of the arrangement period. The member would be expected to make early repurchases of amounts drawn under a commitment of additional access, to the extent that the amounts were not used within an appropriate period for the purposes described in the member's request.

Directors stressed the importance of ensuring that resources made available for debt and debt service reduction operations were used effectively. Directors agreed that there would be a need for periodic reviews to consider how debt reduction operations compare to the Board's initial expectations; if appropriate, the Board could in such reviews reconsider the modalities of the Fund's support for the member's debt reduction plan.

Executive Directors noted that the World Bank would likely be involved, along with the Fund, in supporting debt reduction operations when these are important elements in a country's financial and development strategy. In these cases, Directors stressed that it was important that the two institutions work together closely in securing effective debt reduction. This does not mean each institution must provide equal amounts in each case, as the amounts will need to be taken on a case-by-case basis. The managements of the two institutions are working closely on these matters and Executive Directors will be kept informed of the progress made in support of these operations on a continuing basis.

In discussing financing assurances, Executive Directors reaffirmed the basic objectives of the Fund's policy—ensuring that the program is fully financed; that the financing is consistent with a return to viability and with the ability of the member to repay the Fund; that there is fair burden sharing; and that the program, if appropriately implemented and supported, would contribute to the maintenance or re-establishment of orderly relations between the member and its creditors.

Nevertheless, Directors agreed that there is a need for cautious adaptation of the Fund's policy in light of the changed financial environment and the possibility that in some cases significant time may be needed for banks and the member to agree on an appropriate financing package. In such circumstances, the Fund would on a case-by-case basis approve an arrangement outright before the conclusion of such negotiations, provided that prompt Fund support is judged essential for program implementation, that negotiations between the member and its bank creditors have begun, and that it can be expected that a financing package consistent with external viability will be agreed within a reasonable period of time. Management would continue to consult with Executive Directors at an early stage in such cases. Progress in the negotiations with bank creditors would be closely monitored, and any unforeseen development brought to the Board's attention. When circumstances warrant, the practice of seeking a critical mass, as well as the possibility of approving an arrangement in principle, would remain valid.

Directors stressed that in promoting orderly financial relations, every effort must be made to avoid arrears, which could not be condoned or anticipated by the Fund in the design of programs. Nevertheless, an accumulation of arrears to banks may have to be tolerated where negotiations continue and the country's financing situation does not allow them to be avoided. Directors emphasized that appropriate safeguards would need to be incorporated into the monitoring procedures of the Fund arrangement. The Fund's policy of nontoleration of arrears to official creditors remains unchanged. The debtor member would be expected to continue to treat creditors on a nondiscriminatory basis. Directors agreed that

while negotiations with bank creditors were continuing, the situation would need to be monitored closely. Performance criteria would be quarterly. A review of progress in the negotiations would be scheduled at an appropriate time and, normally, before the second disbursement.

These essential points provide a clear, and clearly limited, basis for the Fund to proceed with initial country operations. We are at an early stage, but we must move forthrightly to begin implementation. It is understood that the Fund's policy, and the precise modalities for application of the policy, will evolve under the Board's guidance as individual cases come forward, or are reviewed, and in light of continuing staff studies. We will take stock of progress in connection with our discussion of the management of the debt situation before the Annual Meetings, and we will plan to review the overall experience in a year or earlier if the situation requires.

Debt and Debt Service Reduction Operations—Early Repurchase Expectations

In the context of the guidelines on the role of the Fund in the debt strategy, the Fund adopts the following decision on expectations of early repurchase by members with respect to purchases of additional resources under stand-by or extended arrangements or amounts set aside under such arrangements for use in debt and debt-service reduction operations involving (i) debt reduction, (ii) interest support, or (iii) collateralization of principal in reduced interest par bond exchanges.

A. *Failure to Use Resources for Specified Purposes*

1. Whenever the Fund approves a member's request for purchases of additional resources or amounts set aside under a stand-by or extended arrangement pursuant to the Fund's guidelines on the role of the Fund in the debt strategy, the Fund shall specify in the decision approving the request the purposes for

which, and the period of time within which, such set-aside amounts or additional resources can be used.

2. If the member, having purchased such set-aside amounts or additional resources, has not used them by the end of the specified period of time for the specified purposes, the Managing Director shall, after consultation with the member, promptly report the matter to the Executive Board. In this report, the Managing Director shall recommend that the Executive Board decide that the member is expected to make an early repurchase of the set-aside amounts or additional resources that were not used for the specified purposes, or shall recommend such other action as may be appropriate.

3. The Fund may decide that the member shall be expected to repurchase the set-aside amounts or additional resources that were not used for the specified purposes within 30 days of the decision or within such longer period as the Executive Board may specify.

B. *Subsequent Derailment of Program*

4. (a) If the program of a member that has previously made accelerated purchases of amounts set aside under a stand-by or extended arrangement is off track on the date a purchase becomes available under the phasing provision in the arrangement, and is not back on track within 90 days after that date, the Managing Director shall report the matter to the Executive Board promptly after the expiration of the 90-day period.

(b) For purposes of this decision, a member's program is off track if the member is unable to make a purchase under the arrangement because of (i) the nonobservance of a performance criterion, the noncompletion of a review or the failure to meet any other condition under the arrangement, or (ii) the cancellation of the arrangement by the member before the purchase; the program is back on track if the member is again able to make purchases under the arrangement.

(c) Subparagraph (a) shall not apply if, on the date the purchase becomes available, all set-aside amounts that were purchased by the member by virtue of the acceleration would already have become available to the member under the phasing provision in the stand-by or extended arrangement in the absence of the acceleration.

5. In the report submitted under paragraph 4 above, the Managing Director shall recommend such action as may be appropriate, including the possibility of an expectation of early repurchase of the accelerated set-aside amounts.

6. (a) In the event that the Executive Board, taking into account the member's economic and financial position, decides that the member shall be expected to repurchase accelerated set-aside amounts, the member would be expected to make the repurchase, to the extent that such amounts would not yet have become available to the member under the phasing provision in the stand-by or extended arrangement in the absence of acceleration, within a period specified by the Executive Board, provided that such period would not be less than 30 days. The Executive Board shall give special consideration to those cases where the program has gone off track because of circumstances beyond the control of the member.

(b) A member shall not be expected to repurchase pursuant to subparagraph (a) above if its program is back on track within the period specified in that subparagraph, or if the Executive Board determines that the member has already begun to implement measures designed to bring the program back on track.

(c) If the Fund finds that the program is back on track after the repurchase has been made under this paragraph, the amount of the stand-by or extended arrangement shall be increased by an amount equivalent to the repurchase, subject to such phasing as shall be specified.

C. *Release of Collateral Financed with Additional Resources*

7. The provisions of this section shall apply when a member has purchased additional resources to finance the establishment of a collateral, and any portion of such collateral is released, subject to the following conditions:

(i) the member has not fully repurchased these additional resources from the Fund; and

(ii) the amount of the aggregate collateral that remains after this release is less than a threshold amount equal to:

— the sum of outstanding disbursements to the member of additional resources from the Fund and of additional funds for debt and debt service reduction from the World Bank and from regional development banks ("outstanding additional disbursements from IFIs"), minus

— any amounts that may have been used previously by the member for further debt or debt service reduction operations in accordance with paragraph 8 below.

8. If the member has not used an amount equivalent to the difference between the threshold amount and the remaining aggregate collateral ("excess release") for further debt or debt service reduction operations within 12 months of the release, the Managing Director shall, after consultation with the member, promptly report the matter to the Executive Board. In this report, the Managing Director shall recommend that the Executive Board decide that the member is expected to make an early repurchase, or shall recommend such other action as may be appropriate.

9. The member will inform the Fund of the release of any portion of the aggregate collateral within 5 working days of such release, and of any use of the excess release for further debt or debt service reduction operations within 30 days of such use.

10. The Fund may decide that the member shall be expected to repurchase, within 30 days of the decision or within such longer period as the Executive Board may decide, an amount equivalent to the portion of the excess release that was financed with additional resources from the Fund. For purposes of this section, the portion of the excess release financed with additional resources from the Fund shall be calculated by applying the same proportion to the excess release as the amount of the member's outstanding purchases from the Fund of additional resources bears to the total amount of outstanding additional disbursements from IFIs to the member.

11. For purposes of this Section, and with respect to Fund resources made available in accordance with the amended guidelines on the role of the Fund in the debt strategy (Summing Up at EBM/94/1 on January 7, 1994), in cases where debt or debt-service reduction operations include the establishment of a collateral, any portion of the collateral that has not been financed from additional resources from international financial institutions other than the Fund shall be deemed to be financed first from additional resources from the Fund and, subsequently, from other resources.

D. *General Provisions*

12. The Fund shall not approve, and the Managing Director shall not recommend for approval, a request for the use of the general resources of the Fund by a member that is failing to meet a repurchase expectation pursuant to paragraph 3, 6, or 10 above.

13. (a) Provision shall be made in stand-by and extended arrangements for the suspension of further purchases under the arrangement whenever a member fails to meet a repurchase expectation pursuant to paragraph 3, 6, or 10 above.

(b) Paragraph 5 of the standard form of the stand-by arrangement in Attachment A to Decision No. 6838-(81/70) adopted April 29, 1981, as amended, shall be modified as follows:

"(Member) will not make purchases under this stand-by arrangement during any period of the arrangement in which (member) has an overdue financial obligation to the Fund or is failing to meet a repurchase expectation pursuant to the Guidelines on Corrective Action in respcct of a noncomplying purchase or pursuant to Decision No. 9331-(89/167), as amended."

(c) Paragraph 5 of the standard form of the extended arrangement in Attachment B to Decision No. 6838-(81/70) adopted April 29, 1981, as amended, shall be modified as follows:

"(Member) will not make purchases under this extended arrangement during any period of the arrangement in which (member) has an overdue financial obligation to the Fund or is failing to meet a repurchase expectation pursuant to the Guidelines on Corrective Action in respect of a noncomplying purchase or pursuant to Decision No. 9331-(89/167), as amended."

14. If a repurchase pursuant to the expectation under paragraph 3, 6, or 10 above has not been effected within the specified period of time, the Managing Director shall submit promptly a report to the Executive Board accompanied with a proposal on how to deal with this matter.

15. Nothing in this decision shall be deemed to limit the power of the Fund to take any other action that may be taken pursuant to the Fund's Articles.

Decision No. 9331-(89/167)
December 19, 1989, as amended by
Decision Nos. 9693-(91/48), April 3, 1991
10056-(92/78), June 23, 1992, and
10547-(94/1), January 7, 1994

Summing Up by the Chairman—Management of the Debt Situation
Executive Board Meeting 91/48, April 3, 1991

. . .

Turning to the modalities of Fund support for debt operations, Directors saw no need for substantial modifications to the guidelines which, implemented in close collaboration with the World Bank, continue to provide the required versatility. They noted, however, the need to strengthen existing safeguards to ensure that linkages to Fund arrangements in commercial bank agreements do not adversely affect the interests of member countries or the Fund. In this regard, they observed that "condition precedent" clauses, linking bank disbursements to purchases from the Fund, should be discouraged where feasible and accepted only when necessary to obtain satisfactory bank financing agreements in concerted financing cases. In addition, they stressed that "mandatory prepayment" clauses in future bank agreements should be structured so as clearly to avoid linking bank prepayments to early repurchases made pursuant to expectations or obligations established by the Fund. Directors emphasized that these safeguards should be taken into account by member countries as early as possible in their negotiations with bank creditors. In that connection, a number of Directors observed that debtors and creditors should be aware of what the Fund can accept and, in the same vein, that members should inform the staff at an early stage, and well ahead of agreement with bank creditors, about envisaged linkages to Fund arrangements in bank packages.

Summing Up by the Acting Chairman—Modalities of Fund Support for Debt and Debt-Service Reduction
Executive Board Meeting 94/1, January 7, 1994

The Executive Board agreed to modify the guidelines on the Fund's involvement in the debt strategy that had been established in the Chairman's summing up on May 23, 1989. The Board decided to eliminate the segmentation requirements in order to

facilitate commercial bank debt restructuring for some countries with difficult debt situations. After this modification, it would be possible to use both set-asides and additional resources from augmentation to support operations involving debt reduction, interest support for debt and debt-service reduction, and principal collateral for reduced-interest par bonds, provided that such operations satisfied the Fund's criteria. The Board also decided to make the consequential amendments to the decision on early repurchase expectations with respect to debt and debt-service operations.

Directors noted that decisions by the Fund to support particular debt and debt-service reduction packages would continue to be made on a case-by-case basis. As set out in the May 1989 guidelines, the Board would evaluate any proposed package in light of the strength of the member's economic policies, the likelihood that the package would help the country regain access to credit markets and attain external viability with growth, and an assessment that the package represented an efficient use of scarce resources. Directors agreed that appropriate balance between debt and debt-service reduction was an element to be taken into account in evaluating a proposed package. In assessing balance, the Fund would consider a number of factors, including (i) whether the resulting debt-service profile on restructured debt was consistent with a country's likely medium term debt-service capacity; (ii) whether the package, taken as a whole, was cost effective; (iii) whether the package would imply continued commercial bank involvement with the debtor country, where such involvement would be appropriate and could be expected to provide the basis for a subsequent return to spontaneous financing; and (iv)—although some Directors questioned the need for such an assessment—whether the menu of options included in the package provided a sufficiently broad range of alternatives to ensure a high rate of participation in the package. As before, the member and its banks would be able to allocate the options in a package between debt and debt-service reduction so as to tailor them to the needs of each case.

Under the modified approach, it would generally be expected that set-asides would be included in an arrangement if Fund sup-

port for debt operations was likely to be requested. Priority would be given to accumulated set-asides in support of bank debt packages. Augmentation of access would be considered only if accumulated set-aside resources were insufficient to ensure adequate Fund financing of the package, taking into account the criteria specified in the 1989 guidelines, including the need to catalyze resources from other sources and for the member to contribute as feasible, and the strength of the member's adjustment program. The consensus of the discussion was that acceleration of set-asides would continue to be possible, but only if judged absolutely necessary, and normally after appropriate use of additional resources. An exception to that set of priorities could be permitted where access under an arrangement was particularly low, in which case it would be possible to avoid use of set-asides and rely solely on augmentation of the arrangement.

Resources in Connection with Debt and Debt Service Reduction Operations

Upon the fulfillment of the requirement for effectiveness of the increases in quotas under the Eleventh General Review of Quotas specified by paragraph 3 of the Resolution of the Board of Governors No. 53-2, the limit for additional resources under stand-by or extended arrangements in support of debt and debt service reduction operations shall be changed from 30 percent of quota to 20 percent of quota. Moreover, the amount that could be set aside under a stand-by or extended arrangement for the same purpose may be about 15 percent instead of about 25 percent of actual access under the arrangement.

Decision No. 11877-(99/2),
January 6, 1999

*Enlarged Access Policy**

POLICY ON ENLARGED ACCESS

1. From the date on which the Fund determines that all available supplementary financing has been committed and additional borrowing arrangements have been concluded, the Fund will be prepared to provide balance of payments assistance to members facing serious payments imbalances that are large in relation to their quotas in accordance with this decision (hereinafter referred to as "Enlarged Access"). Access to the Fund's resources under this decision will be provided under a stand-by or an extended arrangement, and purchases under the arrangement will be financed by resources that the Fund obtains for this purpose by replenishment under Article VII, Section 1(i) (hereinafter referred to as "borrowed resources"), in conjunction with the use of the other resources of the Fund (hereinafter referred to as "ordinary resources").

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

3. A member contemplating use of the Fund's resources under this decision shall consult the Managing Director before making a request for such use. A request will be met only if the Fund is satisfied: (i) that the member needs financing from the Fund that exceeds the amount available to it in the four credit tranches or under the Extended Fund Facility and its problem requires a relatively long period of adjustment and a maximum period for repurchase longer than the three to five years under the credit tranche policies; and (ii) on the basis of a detailed statement of the economic and financial policies the member will follow and the measures it will apply during the period of the stand-by or extended arrangement, that the member's program will be

*The policy on enlarged access lapsed on *November 11, 1992*.

adequate for the solution of its problem and is compatible with the Fund's policies on the use of its resources beyond the first credit tranche or under the Extended Fund Facility.

4. The Fund may approve a stand-by or extended arrangement that provides for Enlarged Access at any time until the Eighth General Review of Quotas becomes effective, provided that the Fund may extend this period.

5. A stand-by or extended arrangement approved under this decision will be in accordance with the Fund's policies, including the policies on conditionality, phasing and performance criteria.

6. The period of a stand-by arrangement approved under this decision will normally exceed one year, and may extend up to three years in exceptional cases. 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.

7. The amounts that will be made available under stand-by or extended arrangements approved under this decision will be determined according to guidelines adopted by the Fund from time to time.

8. The amounts available under a stand-by or extended arrangement approved under this decision will be apportioned between ordinary and borrowed resources as follows:

(a) . . .

(b) . . .

(c) The apportionment in accordance with (a) and (b) above will be made on the basis of the outstanding use by the member of the Fund's resources at the time the arrangement for the member is approved.

(d) From time to time the Fund will review the proportions of ordinary and borrowed resources specified in (a) and (b) above and may modify them, and the modified proportions shall apply uniformly to both arrangements approved after the modification and amounts that may be purchased under existing arrangements after the modification.

9. (a) A stand-by or extended arrangement approved under this decision may provide, in part, for supplementary financing in accordance with Decision No. 5508-(77/127), adopted August 29, 1977, if

(i) the arrangement replaces an arrangement approved under that decision, or

(ii) an amount of supplementary financing becomes available because of the cancellation of an arrangement or because it is reasonably certain that an arrangement will not be fully utilized, in which case the arrangement approved under this decision may provide for the utilization of a part or all of the available amount.

(b) When an arrangement under this decision provides for supplementary financing, the supplementary financing will be used before borrowed resources.

10. (a) Repurchases in respect of outstanding purchases under this decision will be made in accordance with the provisions of the Articles of Agreement and decisions of the Fund, including those relating to repurchase as the member's balance of payments and reserve position improves, provided that repurchases in respect of outstanding purchases financed by borrowed resources shall be completed seven years after the purchase, and that the repurchases shall be made in equal semiannual installments during the period beginning three and one half years and ending seven years after the purchase.

(b) If a purchase is financed by ordinary and borrowed resources, a repurchase attributed to the purchase made with borrowed resources in advance of this schedule of installments must be accompanied by a repurchase in respect of the purchase made with ordinary resources at the same time if any part of the latter purchase is still outstanding. The amounts of the two repurchases will be in the same proportions in which ordinary and borrowed resources were used in the purchases, provided, however, that the repurchase in respect of the purchase financed with ordinary resources will not exceed the amount of the purchase still outstanding.

11. In order to carry out the purposes of this decision, the Fund will be prepared to grant a waiver of the limitation in Article V, Section 3*(b)*(iii) that is necessary to permit purchases under this decision or to permit purchases under other policies that would raise the Fund's holdings of a member's currency above the limits referred to in that provision because of purchases outstanding under this decision.

12. The Fund will apply its credit tranche policies as if the Fund's holdings of a member's currency did not include holdings resulting from purchases under this decision that have been made with borrowed resources. Purchases under this decision with borrowed resources and holdings resulting from these purchases will be excluded under Article XXX*(c)*.

13. The Fund will state which purchases by a member are made under this decision and the amounts of ordinary and borrowed resources used in each purchase.

14. The Fund will determine the charges that it will levy on holdings of a member's currency resulting from purchases outstanding under this decision to the extent that they are made with borrowed resources.

15. The Fund will review this decision not later than June 30, 1983, and annually thereafter as long as the decision remains in effect.

*Decision No. 6783-(81/40)**
March 11, 1981, as amended by
Decision No. 8885-(88/89), June 6, 1988

ACCESS POLICY—GUIDELINES ON ACCESS LIMITS

1. The Fund, having reviewed Decisions No. 6783-(81/40), adopted March 11, 1981, as amended, No. 7600-(84/3), adopted January 6, 1984, as amended, and No. 9546-(90/145), adopted September 17, 1990, as amended, and having noted that, upon the fulfillment of the requirement for effectiveness of increases in quotas under the Ninth General Review of Quotas specified by paragraph 3 of the Resolution of the Board of Governors No. 45-2, it may no longer approve stand-by or extended arrangements under the Enlarged Access Policy, decides that, after that date, access by members to the Fund's general resources under the credit tranches and the extended Fund facility shall be subject to an annual limit of 68 percent of quota and a cumulative limit of 300 percent of quota, net of scheduled repurchases. These limits shall not be regarded as targets. Within these limits, the amount of access in individual cases will vary according to the circumstances of the member in accordance with criteria established by the Executive Board. The Fund may approve stand-by or extended arrangements that provide for amounts in excess of these access limits in exceptional circumstances.

2. The guidelines and the access limits are intended to be temporary. Therefore, they will be reviewed not later than October 29, 1993 and annually thereafter in light of all relevant factors,

*For decisions on annual reviews and guidelines on access limits and other related decisions, *see* Eighteenth Issue of this publication.

including the magnitude of members' payments problems and developments in the Fund's liquidity.

Decision No. 10181-(92/132)
November 3, 1992

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1. Pursuant to Decision No. 10181-(92/132), adopted November 3, 1992, the Fund has reviewed the guidelines and the limits for access to the Fund's general resources under the credit tranches and the extended Fund facility, and decides that during a period of three years from October 24, 1994, the annual access limit shall be increased from 68 percent of quota to 100 percent of quota. Accordingly, during that period, the Fund may approve outright purchases in the credit tranches and stand-by or extended arrangements for up to a total annual amount of purchases of 100 percent of quota. During that period, the other provisions of Decisions No. 10181-(92/132) will continue to apply.

2. This Decision shall be reviewed annually, at the time of the reviews prescribed by Decision No. 10181-(92/132).

Decision No. 10819-(94/95)
October 24, 1994

1. Pursuant to Decision No. 10181-(92/132), adopted November 3, 1992, and Decision No. 10819-(94/95), adopted October 24, 1994, the Fund has reviewed the guidelines and the limits for access by members to the Fund's general resources under the credit tranches and the extended Fund facility, and the decision to increase the annual access limit to 100 percent of quota during a period of three years from October 24, 1994, and decides that they remain appropriate in the present circumstances.

2. The next of the annual reviews prescribed by Decision No. 10181-(92/132), adopted November 3, 1992, and by Decision No. 10819-(94/95), adopted October 24, 1994, shall be completed by October 31, 1996.

Decision No. 11098-(95/101)
October 27, 1995

1. Pursuant to Decision No. 10181-(92/132), adopted November 3, 1992, and Decision No. 10819-(94/95), adopted October 24, 1994, the Fund has reviewed the guidelines and the limits for access by members to the Fund's General Resources Account under the credit tranches and the Extended Fund Facility, and the decision to increase the annual limit to 100 percent of quota during a period of three years from October 24, 1994, and decides that they remain appropriate in the present circumstances.

2. The next of the annual reviews prescribed by Decision No. 10181-(92/132), adopted November 3, 1992, and by Decision No. 10819-(94/95), adopted October 24, 1994, shall be completed by October 31, 1997.

Decision No. 11374-(96/102),
November 13, 1996

1. Pursuant to Decision No. 10181-(92/132), adopted November 3, 1992, and Decision No. 10819-(94/95), adopted October 24, 1994, as amended by Decision No. 11593-(97/106), adopted October 23, 1997, the Fund has reviewed the guidelines and the limits for access by members to the Fund's general resources under the credit tranches and the Extended Fund Facility, including the decision to raise the annual access limit of 100 percent of quota, and decides that (i) the annual access limit of 100 percent of quota established by Decision No. 10819-(94/95), as amended, shall remain in effect through October 31, 1998, and (ii) the other provisions of Decision No. 10181-(92/132)

and Decision No. 10819-(94/95) remain appropriate in the present circumstances.

2. The next of the annual reviews prescribed by Decision No. 10181-(92/132), adopted November 3, 1992, and by Decision No. 10819-(94/95), adopted October 24, 1994, as amended, shall be completed by October 31, 1998.

Decision No. 11608-(97/112),
November 13, 1997

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1. The Fund, having reviewed Decision No. 10181-(92/132), adopted November 3, 1992, and Decision No. 10819-(94/95), adopted October 24, 1994, and in light of the increases in quotas under the Eleventh Review of Quotas that will take effect upon the fulfillment of the requirement for the effectiveness of such increases specified by paragraph 3 of the Resolution of the Board of Governors No. 53-2, decides that the limits for access by members to the Fund's general resources in the credit tranches and under the Extended Fund Facility remain appropriate. Accordingly, such access shall be subject to an annual limit of 100 percent of quota and a cumulative limit of 300 percent of quota, net of scheduled repurchases. These limits shall not be regarded as targets. Within these limits, the amount of access in individual cases will vary according to the circumstances of the member in accordance with criteria established by the Executive Board. The Fund may approve stand-by or extended arrangements that provide for amounts in excess of these access limits in exceptional circumstances.

2. The guidelines and the access limits set forth in this decision shall be reviewed not later than December 31, 1999 and at intervals to be determined thereafter in light of all relevant factors, including the magnitude of members' payments problems and developments in the Fund's liquidity.

Decision No. 11876-(99/2),
January 6, 1999

*The Chairman's Summing Up at the Conclusion of the Discussion on Criteria for the Amount of Access in Individual Cases—December 2, 1983**

The thoughtful and frank comments of Executive Directors during the discussion were of great benefit to the staff and management. As has been suggested by a number of Directors, I will sum up the discussion rather than attempt to reformulate the proposed criteria in Section V of the staff paper EBS/83/233.

A number of Executive Directors noted that the broad thrust of the staff paper, particularly Section II, "Considerations Governing Amount of Access," was acceptable to them. I will now try to summarize the discussion; in doing so, I will note the reservations and nuances that have been expressed by several Directors, without referring back to the staff paper in detail. I have noted, in particular, the following nine points that were emphasized by Executive Directors :

1. The criteria for the use of the Fund's resources contained in the decision on the Policy on Enlarged Access remained valid and would continue to be applied on a case-by-case basis.

2. The access limits of 102 percent or 125 percent of quota set out in paragraph 5(c) of the communiqué of the Interim Committee were not to be regarded as targets or entitlements.

3. The considerations pertaining to the use of Fund resources under the existing decision on enlarged access would continue to

*The criteria governing access in individual cases set out in the Chairman's Summing Up of December 2, 1983 continue to apply, mutatis mutandis, under the current access limits. (See Summing Up by the Chairman of the discussions on Access Policy and Limits in Connection with Quota Increases under Ninth General Review, EBM/92/129, October 28, 1992, Buff/92/133, October 30, 1992.)

be applied in determining the amounts of individual access in what several Executive Directors had called the continuum going from 0 to 102 or 125 percent of quota. Clearly, the criteria of the member's need and the strength of the adjustment program would be major guiding factors in setting those individual amounts. In response to comments made by some Directors, I can state that the staff did not intend to make use of the Fund's resources in the range between 102 percent and 125 percent of quota subject to a finding of "exceptional circumstances," in the sense of what governs access beyond the upper limit. In bringing forward requests by members for the use of the Fund's resources under the enlarged access policy, the staff will try to explain more fully how it had come to the access limits proposed in each case, in light of the framework that has emerged from the views expressed by the Executive Board.

4. The Fund should apply its criteria with the necessary flexibility and not in a mechanical way. Rather, the policy should be applied on the basis of experience and taking into account the analytical studies of the staff and the Board discussions of the staff papers. Today's staff paper was part of that background material.

5. The Executive Board preferred not to codify the exceptional circumstances that might entail utilization of the Fund's resources beyond the upper limit of 125 percent. In particular, the Board was opposed to singling out the impairment of the international monetary system as a criterion, because it might imply special treatment for larger countries. Several Directors had noted that, in their view, there might well be a good case for emphasizing the circumstances of smaller countries with no access to financial markets.

6. After a thorough discussion of the concept of the Fund's role as a catalyst, a number of Directors expressed the fear that this concept could lead to withholding the support of the Fund for countries with large problems and little or no access to financial markets. A number of other Directors stressed that in providing assistance to member countries where the process of reaching balance of payments viability would be lengthy, the Fund should

be guided by the principle of the revolving and temporary character of the use of the Fund's resources. Directors would have another opportunity to discuss that issue when they considered the paper that the staff was preparing on continuous use of Fund resources for long periods. A number of Directors stressed the importance of adapting the adjustment period to the circumstances of the country. All Directors agreed that the Fund should continue to concern itself with the type of cases referred to in this paragraph, and develop even closer links with the World Bank for this purpose.

7. A number of Directors expressed the view that the problem of small-quota, low-income countries had been dealt with inadequately in the staff paper, and that the Fund should carry out the injunction of the Interim Committee in paragraph 5(f) of its communiqué that, "in implementing its policies on access to its resources, the Fund should be particularly mindful of the very difficult circumstances of the small-quota, low-income member countries." A number of Directors felt that in considering such cases, the Fund should bear in mind that the limit of SDR 25 million for a small quota was outdated, and should be the subject of further consideration.

8. A number of Directors felt that the staff paper was biased against the use of the Extended Fund Facility. I wish to emphasize that that had not been the intention; on the occasion of the recent discussion in the Executive Board on the review of past programs under stand-by and extended arrangements, stated that the staff and management had the firm intention of continuing to make use of the Extended Fund Facility, which had a valuable role to play but, of course, conditions would have to be adequate.

9. Several Directors called for a review of the Fund's borrowing requirements for 1984 and beyond, and for more of an indication of the methods of financing them. The methods of financing the resources that the Fund might need to borrow in 1984 could not be decided until the scale of the commitments to members and the size of the present commitment gap were better known. When they came to consider the liquidity position of the

Fund in the first months of 1984, Executive Directors would be asked to express their views on how the Fund should meet its borrowing needs, in light of the amounts required. Some Directors emphasized that if requests for augmentation of existing arrangements on the basis of the new quotas and the new access limits were to be received, they would have to be dealt with on a case-by-case basis, in light of needs and the merits of particular cases.

Attachment

EBS/83/233

II. Considerations Governing Amount of Access

Under the decision on enlarged access, a request for the Fund's resources will be met only if the Fund is satisfied that the payments imbalance that the member faces is large in relation to its quota, that the member's financing need from the Fund exceeds the amount available to it in the credit tranches or under the Extended Fund Facility, and that its problem requires a relatively long period of adjustment and a period of repurchases longer that three to five years. The decision further states that the period of a stand-by arrangement involving enlarged access will normally exceed one year and may extend to three years, and the period of an extended arrangement will be normally three years. In practice the Fund has considered successive one-year stand-by arrangements, formulated within a medium-term strategy of steady progress toward a sustainable balance of payments position to be consistent with this decision, when the amount of the arrangement is greater than that available in the credit tranches.

The considerations that need to be taken into account in determining the amount of access in individual arrangements and current practice on access have been discussed in recent staff papers, in particular in EBS/83/132(6/27/83), and may be briefly recapitulated here. The first important consideration is the member's actual or potential need for resources from the Fund,

taking into account other sources of financing and the desirability of maintaining a reasonable level of reserves; in no circumstances can access be greater than this need. The second important consideration stems from the need to preserve the revolving character of the resources that the Fund provides, i.e., the ability of the member to service its indebtedness to the Fund. In determining the case for Fund support and the amount involved, the timing and extent of the expected improvement in the member's balance of payments are relevant factors. It follows that adjustment policies in support of which the Fund's resources are to be used must be designed and implemented in such a manner as to lead to a strengthening of the balance of payments by the time the repurchases begin to fall due and of a sufficient extent to allow the member to make the repurchases without strain. Finally, the amount of the member's outstanding use of Fund credit and its record in using Fund resources in the past must enter into the judgment on the appropriate scale of further use of the Fund.

Under the policy on enlarged access, repurchases of borrowed resources begin three and one half years after the purchase, whether under a stand-by or extended arrangement. Repurchases of ordinary resources under a stand-by arrangement must be made during the regular three- to five-year period after the purchase, while repurchases of ordinary resources under an extended arrangement must be made during a four- to ten-year period after the purchase. For stand-by arrangements, it should therefore be expected that substantially all adjustment measures would be implemented at an early stage and there would be significant progress to balance of payments viability by the end of the three years, in order that repurchases could be made as scheduled.

To ensure that the program allows repurchases to be made, a balance of payments projection well into the repurchase period must show that progress toward a viable balance of payments position is being achieved. This can be indicated by a diminishing need for exceptional finance in general, and that to be provided by the Fund in particular, over the period. The policy measures already in place or being introduced must be commensurate with those needed to continue this progress at the required rate. This

subject is discussed in the recent paper reviewing upper credit tranche stand-by arrangements and conditionality (EBS/83/215, 10/4/83).

These basic principles have to be applied in a flexible way because of the great variety of the member's circumstances and the uncertainties that attend economic projections and programming. Access at or close to the annual limit of 102 percent of quota is justified where the member's outstanding use of the Fund's resources is not large, where the member has undertaken a comprehensive adjustment program adequate to bring about a rapid turnaround in the balance of payments, and where the Fund is satisfied that on the basis of the member's past record and its present circumstances, it has the ability and willingness to implement the program. The Fund support might appropriately be given in the form of an extended arrangement in some of these cases. Substantial Fund financing may frequently be a critical element in restoring confidence of the international financial community in the policies of the country and thus reviving capital flows.

In these cases where the member has an especially large need for financing from the Fund, and where, based on all relevant information, the strength of the adjustment effort is such that the balance of payments improvement will be quick, sufficient, and durable, Fund financing could exceed the 102 percent limit and reach up to the 125 percent limit. Moreover, as reaffirmed by the Interim Committee, the Fund should have the flexibility in exceptional cases of going beyond the latter limit.

The Fund has recognized that even full implementation of a program or programs may not necessarily guarantee the achievement of the desired balance of payments outcome; moreover, even if the outcome were to turn out to be fully as planned, new problems could arise before repurchases were completed, calling for a supplementary adjustment effort. The Fund should continue to have the flexibility to provide financial support in these circumstances, even though this might prolong the period of use of its resources by a member. This policy approach

is implicit in the fact that the cumulative limit allows additional Fund financing even when a member has obtained the maximum possible amount of support for a period of three years.

There are also circumstances where it is clear at the outset that the adjustment period will have to be stretched beyond three years. In these cases Fund support should normally be in the form of successive shorter-term stand-by arrangements, each arrangement being formulated within the framework of a medium-term strategy of balance of payments adjustment. In view of the possible association of the Fund over a number of years, Fund financing in each individual year should be in moderate amounts, that is, well below the limit of 102 percent. Moreover, such support must be associated with the prospect of a significant reduction in balance of payments pressures within a reasonable period so that the member will be in a position to make the repurchases on schedule and in less straitened circumstances than when the corresponding drawings were made.

In a quite different category are situations where the Fund's role is likely to be primarily that of a catalyst. The weakness of a member's balance of payments may be such that it is questionable whether a sustainable position not requiring exceptional finance can be achieved over the medium term. A principal factor causing this weakness is often the existing burden of debt service. In some of these cases the debt service problem may be due in part to the large outstanding use of the Fund by the member and further substantial purchases from the Fund would only aggravate the difficulties. In other cases, a substantial improvement in the balance of payments may call for fundamental economic changes which cannot be achieved within a medium-term time frame. In all these situations Fund financing on a limited scale is justified if the member is taking appropriate steps to deal with its situation and such support will maintain the confidence of other creditors. The great bulk of the external financing must normally be provided on appropriate terms from sources other than the Fund. If sufficient external financing cannot be obtained, the Fund cannot be the residual source of finance, and there would thus be no basis for the Fund to support the adjustment program. The amount of the

financing need that can be met from the Fund must be closely related to the expected rate of improvement in the overall balance of payments, and there should be a clear prospect of the member making net repurchases with a view to restoring its credit tranche position, thus preventing the use of Fund resources acquiring a semipermanent character.

Compensatory and Contingency Financing Facility

COMPENSATORY AND CONTINGENCY FINANCING FACILITY—ESTABLISHMENT

Section I. General Provisions

1. The Fund is prepared to extend financial assistance, in accordance with the provisions of this Decision, to members that encounter balance of payments difficulties arising out of (i) temporary export shortfalls, (ii) adverse external contingencies, (iii) excess costs of cereal imports, or (iv) excess costs of oil imports.

2. Purchases under this Decision will be financed with ordinary resources.

3. Purchases under this Decision and holdings resulting from such purchases shall be excluded for the purposes of the definition of "reserve tranche purchase" pursuant to Article XXX(*c*).

4. Except for the purpose of determining the level of conditionality applied to purchases in the credit tranches, the Fund's holdings of a member's currency resulting from purchases under any of the policies set forth in this Decision shall be considered separate from the Fund's holdings of the same currency resulting from purchases under any other policy on the use of the Fund's general resources. In cases of concurrent requests for purchases under any Section of this Decision and for purchases in the credit tranches, purchases under this Decision shall be deemed to be made first.

5. In order to carry out the purposes of this Decision, the Fund will be prepared to grant a waiver of the limitation of 200 percent of quota in Article V, Section 3(*b*)(iii), whenever necessary to permit purchases under this Decision or to permit other purchases that would raise the Fund's holdings of the purchasing member's currency above that limitation because of purchases outstanding under this Decision.

6. The Fund shall indicate in an appropriate manner which purchases by a member are made pursuant to Section II, III, IV, or V of this Decision, and the export shortfall component, the cereal import cost component, and the oil import cost component of each purchase under Section IV or Section V.

7. When a request for a purchase is made by a member under any Section of this Decision on account of circumstances that have already been taken into account in calculating the amounts of purchases made or to be made under any other Section, double compensation shall be avoided when calculating the amount of the requested purchase.

8. (a) Subject to the other limitations on purchases specified by this Decision, the Fund's holdings of a member's currency resulting from purchases under this Decision shall not exceed any of the following access limits:

(i) a combined limit of 55 percent of the member's quota for

- the sum of purchases on account of export shortfalls under Section II, Section IV, or Section V and purchases on account of external contingencies under Section III;

- the sum of purchases on account of export shortfalls under Section II, Section IV, or Section V and purchases on account of an excess in cereal import costs under Section IV or Section V;

- the sum of purchases on account of external contingencies under Section III and purchases on account of an excess in cereal import costs under Section IV or Section V;

- the sum of purchases on account of export shortfalls under Section II, Section IV, or Section V and purchases on account of excesses in oil import costs under Section V; and

- the sum of purchases on account of excesses in cereal import costs under Section IV or Section V and purchases on account of excesses in oil import costs under Section V.

(ii) a limit of 45 percent of the member's quota for purchases on account of export shortfalls under Section II, Section IV, or Section V if at the time of the request for the purchase the member's balance of payments position apart from the effects of the export shortfall is satisfactory, and a limit of 20 percent of the member's quota for such purchases in all other cases;

(iii) a limit of 20 percent of the member's quota for purchases on account of external contingencies under Section III;

(iv) a limit of 45 percent of the member's quota for purchases on account of an excess in cereal import costs under Section IV or Section V if at the time of the request for the purchase the member's balance of payments position apart from the effects of the excess in cereal import costs is satisfactory, and a limit of 10 percent of the member's quota for such purchases in all other cases;

(v) a limit of [ ] percent of the member's quota for purchases on account of an excess in oil import costs under Section V if at the time of the request for the purchase the member's balance of payments position apart from the effects of the excess in oil import costs is satisfactory, and a limit of

[ ] percent of the member's quota for such purchases in all other cases; and

(vi) a combined limit of 65 percent of the member's quota for the sum of purchases on account of export shortfalls under Section II, Section IV, or Section V, purchases on account of external contingencies under Section III, purchases on account of an excess in cereal import costs under Section IV or Section V, and purchases on account of an excess in oil import costs under Section V.

(b) Notwithstanding the provisions of subparagraph (a)(ii), (iii), (iv), and (v) above, the limits of 20, 10, and [ ] percent above may be exceeded to permit additional purchases under this Decision, provided that the aggregate amount of Fund's holdings of the member's currency resulting from such additional purchases shall not exceed 15 percent of the member's quota.

9. In providing financing pursuant to this Decision, the Fund, as under other policies of the Fund, shall pay due attention to the member's capacity to service its financial obligations to the Fund, and, having regard to the outstanding financial obligations of the member to the Fund, may reduce the amount of financing accordingly, notwithstanding any other provision in this Decision.

10. (a) Wherever used in this Decision, the expression "Fund arrangement" will mean a stand-by or an extended arrangement. It will also mean a Structural Adjustment Facility (SAF) arrangement or an Enhanced Structural Adjustment Facility (ESAF) arrangement, provided that the Fund shall decide to provide financing on the basis of a SAF or ESAF arrangement only if the program supported by the arrangement, at the time of the decision, meets the criteria for the use of the Fund's general resources in the upper credit tranches.

(b) The total amount available under Section III to a member eligible for SAF or ESAF arrangements shall not exceed the total amount that would be available under that Section to the same member if it were not so eligible.

Section II. Compensatory Financing of Export Fluctuations

11. The Fund is prepared to assist members, particularly primary exporters, encountering payments difficulties produced by temporary export shortfalls, and has decided that such members may continue to expect that their requests for purchases will be met, subject to the provisions of this Decision, where the Fund is satisfied that:

(a) the shortfall is of a short-term character and is largely attributable to circumstances beyond the control of the member; and

(b) the member satisfies the conditions of cooperation with the Fund in accordance with paragraph 12.

12. (a) Subject to the provisions of subparagraphs (b) and (c) below, a member may expect that its request for a purchase on account of an export shortfall under this Section, Section IV, or Section V will be met immediately, whenever the purchase would not cause the Fund's holdings of the member's currency resulting from such purchases to exceed:

(i) 20 percent of the member's quota, if the Fund is satisfied that the member will cooperate with the Fund in an effort to find, where required, appropriate solutions for its balance of payments difficulties; and

(ii) 35 percent of the member's quota, if the member has a Fund arrangement, in support of a program that meets the criteria for the use of the Fund's general resources in the upper credit tranches, under which performance is broadly satisfactory, or if the Fund approves such an arrangement for the member at the time of the request, or if the member's current and prospective policies are such as would, in the Fund's view, meet such criteria.

(b) If the Fund considers that the record of the member's cooperation with the Fund in an effort to find, where required, appropriate solutions for its balance of payments difficulties had not been satisfactory, the member may expect that its request for a purchase on account of an export shortfall under this Section, Section IV, or Section V will be met whenever the purchase would not cause the Fund's holdings of the member's currency resulting from such purchases to exceed:

(i) 10 percent of the member's quota, if the Fund is satis fied that the member has taken action that gives, prior to submission of the request, a reasonable assurance that policies corrective of the member's balance of payments problem will be adopted;

(ii) 20 percent of the member's quota, if the member has a Fund arrangement, in support of a program that meets the criteria for the use of the Fund's general resources in the upper credit tranches, under which performance is broadly satisfactory, or if the Fund approves such an arrangement for the member at the time of the request, or if the member's current and prospective policies are such as would, in the Fund's view, meet such criteria; and

(iii) 35 percent of the member's quota, if the member has a Fund arrangement, in support of a program that meets the criteria for the use of the Fund's general resources in the upper credit tranches, under which a review is completed by the Fund at the time of the request, or if the member's policies in the recent past, as well as its current and prospective policies, are such as would, in the Fund's view, continue to meet such criteria.

(c) Notwithstanding subparagraphs (a) and (b) above, if a member's balance of payments position apart from the effects of the export shortfall is satisfactory, such member may expect that its request for a purchase on account of an export shortfall under this Section, Section IV, or Section V will be met whenever the purchase would not cause the Fund's holdings of the member's

currency resulting from such purchases to exceed 45 percent of the member's quota.

(d) Approval in principle of a Fund arrangement shall be deemed to fulfill the conditions in subparagraphs (a)(i) and (b)(i) above.

(e) When a member has outstanding purchases on account of excesses in oil import costs under Section V, the limits in subparagraphs (a), (b), and (c) above shall be reduced in accordance with paragraph 44(f).

(f) Whenever estimated data are used for 9 months or more of the 12-month period referred to in paragraph 14, an amount of compensatory financing, determined in accordance with this Decision as an amount to be purchased under this Section, shall be phased in two purchases in accordance with this subparagraph. The two purchases shall be governed by the provisions of this subparagraph. The member may expect that its request for the first purchase, which shall be for up to 65 percent of the amount of compensatory financing, shall be met immediately. The member may expect that its request for the second purchase, which shall be for up to the difference between (i) the amount of compensatory financing recalculated at the time of the request for the second purchase and (ii) the amount of the first purchase, shall be met after actual data become available for at least 6 months of the 12-month period, provided that:

- the 12-month period shall be the same as for the first purchase and the second purchase shall be subject to the provisions of subparagraph (g) below,

- if policy implementation by the member or the external circumstances of the member differ materially from that originally anticipated at the time of the request for the first purchase, the Fund may decide not to approve, or to reduce the amount available under, the second purchase, and

- if the first purchase and the second purchase requested by the member would cause the Fund's holdings of the member's currency resulting from purchases under this Section to exceed the limit in this paragraph under which the first purchase was made, the second purchase shall be subject to the relevant provisions of subparagraphs (a), (b), and (c) above instead of the provisions of this subparagraph.

(g) A purchase under this Section shall not be approved later than 6 months after the end of the 12-month period referred to in paragraph 14, provided that it may be approved up to 7 months after the end of such period if the delay beyond 6 months is the result of circumstances external to the member.

13. If, in the opinion of the Fund, adequate data on receipts from services other than investment income are available, the member requesting a purchase under this Section shall specify whether the receipts shall be included or excluded in the calculation of the shortfall. The choice by the member to include such receipts shall continue to apply for a period of three years.

14. The existence and amount of an export shortfall for the purpose of any purchase under this Section shall be determined with respect to the latest 12-month period preceding the request for which the Fund has sufficient statistical data, provided that a member may request a purchase in respect of a shortfall year for which not more than 12 months of the data on merchandise exports and on receipts from services are estimated.

15. In order to identify more clearly what are to be regarded as export shortfalls of a short-term character, the Fund, in conjunction with the member concerned, will seek to establish reasonable estimates regarding the medium-term trend of the member's exports based partly on statistical calculation and partly on appraisal of export prospects. For the purposes of this Section, the shortfall shall be the amount by which the member's export earnings in the shortfall year are less than the geometric average of the member's export earnings for the five-year period centered on

the shortfall year. In computing the five-year geometric average, the Fund, in conjunction with the member, will use an estimate based on a judgmental forecast for the period of the two post-shortfall years, provided that any amount by which the forecast for the period of the two post-shortfall years would exceed the member's export earnings for the period of the two preshortfall years by more than 20 percent shall not be included in such computation. When the Fund allows a member to purchase under the proviso in paragraph 14, the Fund may use such methods as it considers reasonable for estimating exports during the period for which sufficient statistical data are not available. If, in the opinion of the Fund, adequate data are available for this purpose, the calculations and estimates under this paragraph of earnings from an export item shall, with respect to a purchase on account of an export shortfall under this Section or Section IV, be made net of the value of imported intermediate inputs, where such value exceeds 50 percent of the gross earnings from the export item and the exclusion of the value of the export item would increase or reduce by at least 10 percent the amount that could otherwise be purchased on account of the export shortfall.

16. (a) When a member has made a purchase under the proviso in paragraph 14 on the basis of estimated data and the amount of the purchase exceeds the amount that could have been purchased on the basis of actual data for the full 12-month period under paragraph 15, the member will be expected to make a prompt repurchase in respect of the outstanding purchase, in an amount equivalent to the excess. The calculation of such an excess with respect to a purchase shall be made on the basis of the same post-shortfall year projections used for the calculation of the purchase, provided that if the member has made more than one purchase with respect to the same 12-month period, the calculation of any excess with respect to all such purchases will be made on the basis of the post-shortfall year projections used for the latest of such purchases.

(b) If a member requests a purchase under this Section in relation to a shortfall year that in whole or in part is included in the period of the two post-shortfall years concerning any earlier

purchase under this Section, Section IV, or Section V, the amount of the requested purchase shall be adjusted so as to take into account any amount by which such earlier purchase differs from the amount that could have been purchased on the basis of data available at the time of the request.

(c) Provision shall be made in stand-by and extended arrangements for the suspension of further purchases under the arrangement whenever a member fails to meet a repurchase expectation pursuant to subparagraph (a) above. Furthermore, the Managing Director shall not recommend for approval, and the Fund shall not approve, a request for the use of the Fund's general resources by a member that is failing to meet such an expectation.

Section III. External Contingency Financing

17. When approving a Fund arrangement, or when completing a review under such an arrangement at least six months before the expiration date of the arrangement, the Fund will be prepared to decide, at the request of the member and subject to the provisions of this Decision, that, should unfavorable deviations in the member's balance of payments due to adverse external contingencies occur during the period of the program supported by the arrangement, it will provide to the member external contingency financing in association with the arrangement.

18. (a) A decision by the Fund that it will be prepared to provide financing under paragraph 17 may be taken only in association with a Fund arrangement which provides that adjustments to performance criteria under the arrangement, including the performance criterion pertaining to international reserves, shall be made automatically in accordance with subparagraph (b) below in the event that deviations in the member's balance of payments due to external contingencies occur during the period of the program supported by the arrangement. With respect to arrangements under the Structural Adjustment Facility, references in this Section to performance criteria shall be understood to be to benchmarks under such arrangements.

(b) The automatic adjustments to performance criteria contemplated in subparagraph (a) above will be made in accordance with the terms specified in the arrangement, which shall include the external contingencies that will be taken into account and such other modalities as the Fund may determine. The external contingencies shall relate to key external variables of the member's current account that are highly volatile and easily identifiable.

19. (a) When deciding that it will be prepared to provide financing under paragraph 17, the Fund shall specify the maximum amount of purchases under this Section that may be permitted in association with the arrangement in case of unfavorable deviations and the maximum amount by which the arrangement could be reduced in accordance with paragraph 22 in the case of a favorable deviation. These two maximum amounts will normally be the same.

(b) The maximum amount of purchases under this Section that may be made in association with a Fund arrangement will generally not exceed 50 percent of the amount of the arrangement.

(c) When a member makes a request under paragraph 17, every effort will be made to obtain contingent financing from other sources.

20. (a) The Fund may provide financing under this Section only if:

(i) an automatic adjustment to the performance criterion pertaining to international reserves under the Fund arrangement for the member has occurred as contemplated in paragraph 18 as a result of an unanticipated unfavorable deviation in the member's balance of payments;

(ii) the deviation referred to in subparagraph (i) above is outside the control of the member;

(iii) the member's performance under the associated Fund arrangement is satisfactory;

(iv) the member is prepared to adapt its adjustment policies as may be necessary to ensure the viability of the program supported by the associated arrangement through a mix of adjustment and financing appropriate to the circumstances of the member; and

(v) the program supported by the associated Fund arrangement continues to be adequately financed which, if necessary, may include the provision of financing from other sources.

(b) Financing under this Section shall be provided generally on the basis of a review by the Executive Board.

(c) The amount of financing shall be equal to the amount of the adjustment to the performance criterion pertaining to international reserves contemplated in paragraph 18(a), provided that:

(i) the amount of financing shall be subject to the maximum amount of purchases specified pursuant to paragraph 19(a);

(ii) the amount of financing shall not exceed the amount by which the member's actual balance of payments position at the end of the period with respect to which contingency financing is requested is less favorable than projected in the member's program supported by the associated arrangement; and

(iii) the Fund's holdings of the member's currency resulting from purchases under this Section on account of deviations in net interest costs in association with all Fund arrangements for the member shall not exceed 15 percent of the member's quota.

(d) For purposes of applying the limitation in subparagraph (c)(iii) above, when a purchase to be made under this Section is attributable to unfavorable deviations in net interest costs and in one or more other variables relating to external contingencies, the purchase shall be allocated between the

deviation in net interest costs and the other deviations. The portion that is to be allocated to the deviation in net interest costs shall be determined on the basis of the share of such deviation in the sum of the deviations.

(e) When, at the request of a member, the Fund has decided to provide financing to the member under this Section that would cause the Fund's holdings of the member's currency resulting from purchases under this Section to exceed 20 percent of the member's quota, the amount of such excess over 20 percent of quota shall not be available under paragraph 8(b), in respect of the arrangement in association with which the Fund decides to provide such financing, for other purchases under this Decision, unless the member notifies the Fund that it will not avail itself of such financing in excess of 20 percent under this Section.

21. Purchases under this Section shall be subject to the observance of any applicable performance criteria or other conditions specified in the associated arrangement, as if such purchases were drawings to be made under that arrangement. Purchases under this Section may be phased as specified by the Fund.

22. (a) If an automatic adjustment to a member's performance criteria pertaining to international reserves has occurred as contemplated in paragraph 18 as a result of a favorable deviation in the member's balance of payments, the Fund may, taking into account the member's level of international reserves, decide to reduce the amount of the arrangement by an amount up to the difference between the deviation and the automatic adjustment, but not exceeding the maximum amount specified pursuant to paragraph 19(a) or the amount that would have been financed under this Section if the deviation had been unfavorable.

(b) When one or more purchases under this Section had earlier been made by the member, the member may choose to substitute for a reduction of the amount of the arrangement a repurchase of a corresponding amount of the Fund's holdings of the member's currency in respect of such earlier purchases.

Section IV. Compensatory Financing of Fluctuations in the Cost of Cereal Imports

23. Until January 13, 2000, the Fund will be prepared to extend financial assistance subject to the provisions of this Decision to members that encounter a balance of payments difficulty produced by an excess in the cost of their cereal imports.

24. For a period of three years from the date of a member's first request for a purchase in respect of cereal imports under Decision No. 6860-(81/81), or under this Section or Section V, any purchases by the member in respect of its export shortfalls shall be made under this Section instead of under Section II of this Decision. The same provision shall apply if, after the end of the three-year period, the member makes a new purchase in respect of cereal imports under this Section or Section V.

25. A member with balance of payments difficulties may continue to expect that its request for a purchase under this Section will be met if the Fund is satisfied that:

(a) any shortfall in exports and any excess costs of cereal imports that result in a net shortfall in the member's exports are of a short-term character and are largely attributable to circumstances beyond the control of the member, and

(b) the member satisfies the conditions of cooperation with the Fund in accordance with paragraph 31.

26. (a) Subject to the limits specified in paragraphs 8 and 31, a member may request a purchase under this Section for an amount equal to the net shortfall in its exports calculated as the sum of its export shortfall and the excess in its cereal import costs.

(b) (i) For the calculation of the net shortfall in exports, an excess in exports shall be considered a negative shortfall in exports and a shortfall in cereal import costs shall be considered a negative excess in cereal import costs.

(ii) An export shortfall shall be determined in accordance with Section II.

(iii) An excess in cereal import costs shall be determined in accordance with paragraphs 27 and 28.

27. The existence and amount of an excess in the cost of cereal imports shall be determined, for the purpose of purchases under this Section, with respect to the latest 12-month period preceding the request for which the Fund has sufficient statistical data, provided that the Fund may allow a member to make a purchase on the basis of estimated data in respect of a 12-month period ending not later than 12 months after the latest month for which the Fund has sufficient statistical data on the member's cereal import costs. The estimates used for this purpose shall be made in consultation with the member. The calculation of a member's shortfall or excess in exports and its excess or shortfall in the cost of its cereal imports shall be made for the same 12-month period.

28. In order to identify more clearly what are to be regarded as excess costs of cereal imports of a short-term character, the Fund, in consultation with the member concerned, will seek to establish reasonable estimates regarding the medium-term trend of the member's cereal import costs. For the purposes of this Section, the excess in a member's cereal imports for the 12-month period referred to in paragraph 27 shall be the amount by which the member's cereal imports in that 12-month period are more than the arithmetic average of the member's cereal imports for the 5-year period centered on that 12-month period.

29. The amount of a purchase under this Section, as defined in paragraph 26, may be either on account of an export shortfall or on account of an excess in cereal import costs, or the amount may consist of two components, one on account of an export shortfall and the other on account of an excess in cereal import costs. The total amount of the purchase and the amount of each component are subject to the limits specified in paragraphs 8 and 31.

30. (a) The part of a purchase relating to an export shortfall, subject to the limits in paragraphs 8 and 31, shall not exceed the lesser of the export shortfall defined in paragraph 26(b)(ii) and the net shortfall in exports defined in paragraph 26(a).

(b) The amount of a purchase relating to an excess in cereal import costs, subject to the limits in paragraphs 8 and 31, shall not exceed the lesser of the excess in cereal import costs defined in paragraph 26(b)(iii) and the net shortfall in exports defined in paragraph 26(a).

31. (a) The provisions of paragraph 12 shall apply to purchases on account of export shortfalls under this Section.

(b) Subject to the provisions of subparagraphs (c) and (d) below, a member may expect that its request for a purchase on account of an excess in cereal import costs under this Section or Section V will be met immediately, whenever the purchase would not cause the Fund's holdings of the member's currency resulting from such purchases to exceed:

(i) 10 percent of the member's quota, if the Fund is satisfied that the member will cooperate with the Fund in an effort to find, where required, appropriate solutions for its balance of payments difficulties; and

(ii) 25 percent of the member's quota, if the member has a Fund arrangement, supporting a program that meets the criteria for the use of the Fund's general resources in the upper credit tranches, under which performance is broadly satisfactory, or if the Fund approves such an arrangement at the time of the request, or if the member's current and prospective policies are such as would, in the Fund's view, meet such criteria.

(c) If the Fund considers that the record of the member's cooperation with the Fund in an effort to find, where required, appropriate solutions for its balance of payments difficulties had not been satisfactory, the member may expect that its request for

a purchase on account of an excess in cereal import costs under this Section or Section V will be met whenever the purchase would not cause the Fund's holdings of the member's currency resulting from such purchases to exceed:

(i) 10 percent of the member's quota, if the Fund is satisfied that the member has taken action that gives, prior to submission of the request, a reasonable assurance that policies corrective of the member's balance of payments problem will be adopted; and

(ii) 25 percent of the member's quota, if the member has a Fund arrangement, supporting a program that meets the criteria for the use of the Fund's general resources in the upper credit tranches, underwhich a review is completed by the Fund at the time of the request, or if the member's policies in the recent past, as well as its current and prospective policies, are such as would, in the Fund's view, continue to meet such criteria.

(d) Notwithstanding subparagraphs (b) and (c) above, if a member's balance of payments position apart from the effects of the excess in cereal import costs is satisfactory, such member may expect that its request for a purchase on account of an excess in cereal import costs under this Section or Section V will be met whenever the purchase would not cause the Fund's holdings of the member's currency resulting from such purchases to exceed 45 percent of the member's quota.

(e) Approval in principle of a Fund arrangement shall be deemed to fulfill the conditions in subparagraphs (b)(i) and (c)(i) above.

(f) When a member has outstanding purchases on account of excesses in oil import costs under Section V, the limits in subparagraphs (b), (c), and (d) above shall be reduced in accordance with paragraph 44(f).

(g) Whenever estimated data are used for 9 months or more of the 12-month period referred to in paragraph 27, an amount of compensatory financing, determined in accordance with this Decision as an amount to be purchased under this Section, shall be phased in two purchases in accordance with this subparagraph. The two purchases shall be governed by the provisions of this subparagraph. The member may expect that its request for the first purchase, which shall be for up to 65 percent of the amount of compensatory financing, shall be met immediately. The member may expect that its request for the second purchase, which shall be for up to the difference between (i) the amount of compensatory financing recalculated at the time of the request for the second purchase and (ii) the amount of the first purchase, shall be met after actual data become available for at least 6 months of the 12-month period, provided that:

- the 12-month period shall be the same as for the first purchase and the second purchase shall be subject to the provisions of subparagraph (h) below,

- if policy implementation by the member or the external circumstances of the member differ materially from that originally anticipated at the time of the request for the first purchase, the Fund may decide not to approve, or to reduce the amount available under, the second purchase, and

- if the first purchase and the second purchase requested by the member would cause the Fund's holdings of the member's currency resulting from purchases under this Section to exceed the limit in this paragraph under which the first purchase was made, the second purchase shall be subject to the relevant provisions of subparagraphs (b), (c), and (d) above instead of the provisions of this subparagraph.

(h) A purchase under this Section shall not be approved later than 6 months after the end of the 12-month period referred to in paragraph 27, provided that it may be approved up to 7

months after the end of such period if the delay beyond 6 months is the result of circumstances external to the member.

32. A member shall allocate the amount of its purchase as between the export shortfall and cereal import components, where the sum of the two components, each as limited by paragraph 8,

(a) exceeds the limit of 55 percent of the member's quota, if, at the time of the request for the purchase, the member's balance of payments position apart from the effects of the export shortfall or the excess in cereal import costs is satisfactory; or

(b) exceeds the amount that the member may purchase pursuant to the access limits in paragraph 8, in all other cases.

33. (a) When a member has made a purchase under this Section on the basis of estimated statistical data and the amount of the purchase exceeds the amount that could have been purchased on the basis of actual statistical data, the member will be expected to make a prompt repurchase in respect of the outstanding purchase, in an amount equivalent to the excess. The calculation of such an excess with respect to a purchase shall be made on the basis of the same post-shortfall year projections used for the calculation of the purchase, provided that if the member has made more than one purchase with respect to the same 12-month period, the calculation of any excess with respect to all such purchases will be made on the basis of the post-shortfall year projections used for the latest of such purchases.

(b) If a member requests a purchase under this Section in relation to a shortfall year that in whole or in part is included in the period of the two post-shortfall years concerning any earlier purchase under Section II, Section V, or this Section, the amount of the requested purchase shall be adjusted so as to take into account any amount by which such earlier purchase differs from the amount that could have been purchased on the basis of data available at the time of the request.

(c) Provision shall be made in stand-by and extended arrangements for the suspension of further purchases under the arrangement whenever a member fails to meet a repurchase expectation pursuant to subparagraph (a) above. Furthermore, the Managing Director shall not recommend for approval, and the Fund shall not approve, a request for the use of the Fund's general resources by a member that is failing to meet such an expectation.

34. (a) Subject to paragraph 33(a), when a reduction in the Fund's holdings of a member's currency is attributed to a purchase under this Section, the member shall attribute that reduction between the outstanding cereal import component and export shortfall component of the purchase.

(b) When the Fund's holdings of a member's currency resulting from a purchase under this Section or Section II are reduced by the member's repurchase or otherwise, the member's access to the Fund's resources under this Section will be restored *pro tanto*, subject to the limits in paragraphs 8 and 31.

35. (a) After the expiration of the period referred to in paragraph 24, the total amount of the export shortfall components of a member's purchases outstanding under this Section shall be counted as having been purchased under Section II.

(b) The provisions of Section II shall continue to apply to the export shortfall component of a purchase under this Section after the expiration of the period referred to in paragraph 24 or the expiration of this Section.

Section V. Compensatory Financing of Fluctuations in the Cost of Oil Imports

36. Until December 31, 1991, the Fund will be prepared to extend financial assistance subject to the provisions of this Decision to members that encounter a balance of payments difficulty produced by an excess in the cost of their oil imports.

37. For the period from the date of a member's first request for a purchase in respect of oil imports under this Section through December 31, 1991, any purchase by the member in respect of its export shortfalls or of its excesses in cereal import costs shall be made under this Section instead of under Section II or Section IV of this Decision.

38. A member with balance of payments difficulties may expect that its request for a purchase under this Section will be met if the Fund is satisfied that:

(a) any shortfall in exports, any excess costs in oil imports, and any excess costs in cereal imports, that result in a net shortfall in the member's exports are of a short-term character and are largely attributable to circumstances beyond the control of the member, and

(b) the member satisfies the conditions of cooperation with the Fund in accordance with paragraph 44.

39. (a) Subject to the limits specified in paragraphs 8 and 44, a member may request a purchase under this Section for an amount equal to the net shortfall in its exports calculated as the sum of its export shortfall, the excess in its oil import costs, and, if cereal import costs are to be included in the calculation of the net shortfall in exports in accordance with paragraph 24, the excess in its cereal import costs.

(b) (i) For the calculation of the net shortfall in exports, an excess in exports shall be considered a negative shortfall in exports, a shortfall in oil import costs shall be considered a negative excess in oil import costs, and a shortfall in cereal import costs shall be considered a negative excess in cereal import costs.

(ii) An export shortfall shall be determined in accordance with Section II, and an excess in cereal import costs shall be determined in accordance with Section IV.

(iii) An excess in oil import costs shall be determined in accordance with paragraphs 40 and 41.

(c) For the purposes of this Section, oil imports will be understood to mean imports of crude petroleum, petroleum products and natural gas. Such imports shall be included in the calculation of an excess in oil import costs to the extent that, in the opinion of the Fund, adequate data are available.

40. The existence and amount of an excess in the cost of oil imports shall be determined, for the purposes of purchases under this Section, with respect to the latest 12-month period preceding the request for which the Fund has sufficient statistical data, provided that the Fund may allow a member to make a purchase on the basis of estimated data in respect of a 12-month period ending not later than 12 months after the latest month for which the Fund has sufficient statistical data on the member's oil import costs. The calculation of a member's shortfall or excess in exports, of its excess or shortfall in the cost of oil imports, and of its excess or shortfall in the cost of cereal imports shall be made for the same 12-month period.

41. In order to identify more clearly what are to be regarded as excess costs of oil imports of a short-term character, the Fund, in consultation with the member concerned, will seek to establish reasonable estimates regarding the medium-term trend of the member's oil import costs. For the purposes of this Section, the excess in a member's oil imports for the 12-month period referred to in paragraph 40 shall be the amount by which the member's oil imports in that 12-month period are more than the arithmetic average of the member's oil imports for the 5-year period centered on that 12-month period.

42. The amount of a purchase under this Section, as defined in paragraph 39, may be on account of an export shortfall, on account of an excess in oil import costs, or on account of an excess in cereal import costs, or it may be on account of any combination of two or three of these components. The total amount of the

purchase and the amount of each component are subject to the limits specified in paragraphs 8 and 44.

43. (a) The part of a purchase relating to an export shortfall, subject to the limits in paragraphs 8 and 44, shall not exceed the lesser of the export shortfall defined in paragraph 39(b)(ii) and the net shortfall in exports defined in paragraph 39(a).

(b) The part of a purchase relating to an excess in oil import costs, subject to the limits in paragraphs 8 and 44, shall not exceed the lesser of the excess in oil import costs defined in paragraph 39(b)(iii) and the net shortfall in exports defined in paragraph 39(a).

(c) The part of a purchase relating to an excess in cereal import costs, subject to the limits in paragraphs 8 and 44, shall not exceed the lesser of the export shortfall defined in paragraph 39(b)(ii) and the net shortfall in exports defined in paragraph 39(a).

44. (a) The provisions of paragraph 12 shall apply to purchases on account of export shortfalls under this Section.

(b) The provisions of paragraph 31 shall apply to purchases on account of excesses in cereal import costs under this Section.

(c) Subject to the provisions of subparagraphs (d) to (i) below, a member may expect that its request for a purchase on account of an excess in oil import costs under this Section will be met immediately, whenever the purchase would not cause the Fund's holdings of the member's currency resulting from such purchases to exceed:

(i) [ ] percent of the member's quota if the Fund is satisfied that the member will cooperate with the Fund in an effort to find, where required, appropriate solutions for its balance of payments difficulties; and

(ii) [ ] percent of the member's quota if the member has a Fund arrangement, in support of a program that meets the criteria for the use of the Fund's general resources in the upper credit tranches, under which performance is broadly satisfactory, or if the Fund approves such an arrangement for the member at the time of the request, or if the member's current and prospective policies are such as would, in the Fund's view, meet such criteria.

(d) Subject to the provisions of subparagraphs (e) to (i) below, if the Fund considers that the record of the member's cooperation with the Fund in an effort to find, where required, appropriate solutions for its balance of payments difficulties had not been satisfactory, the member may expect that its request for a purchase on account of an excess in oil import costs under this Section will be met, whenever the purchase would not cause the Fund's holdings of the member's currency resulting from such purchases to exceed:

(i) [ ] percent of the member's quota if the Fund is satisfied that the member has taken action that gives, prior to the submission of the request, a reasonable assurance that policies corrective of the member's balance of payments problem will be adopted;

(ii) [ ] percent of the member's quota if the member has a Fund arrangement, in support of a program that meets the criteria for the use of the Fund's general resources in the upper credit tranches, under which performance is broadly satisfactory, or if the Fund approves such an arrangement for the member at the time of the request, or if the member's current and prospective policies are such as would, in the Fund's view, meet such criteria; and

(iii) [ ] percent of the member's quota if the member has a Fund arrangement, in support of a program that meets the criteria for the use of the Fund's general resources in the upper credit tranches, under which a review is completed by the Fund at the time of the request, or if the

member's policies in the recent past, as well as its current and prospective policies, are such as would, in the Fund's view, continue to meet such criteria.

(e) Notwithstanding subparagraphs (c) and (d) above, if a member's balance of payments position apart from the effects of the excess in oil import costs is satisfactory, such member may expect that its request for a purchase on account of an excess in oil import costs under this Section will be met whenever the purchase would not cause the Fund's holdings of the member's currency resulting from such purchases to exceed [ ] percent of the member's quota.

(f) Notwithstanding subparagraphs (c), (d), and (e) above, the Fund's holdings of a member's currency resulting from purchases on account of excesses in oil import costs under this Section shall not exceed:

- in the case of a member falling under subparagraph (c)(i), (d)(i), or (d)(ii) above, the amount of access that remains available to the member for purchases on account of export shortfalls under Section II, Section IV, or this Section, and

- in the case of a member falling under subparagraph (c)(ii), (d)(iii), or (e) above, the amount of access that remains available to the member either for purchases on account of export shortfalls under Section II, Section IV, or this Section or for purchases on account of excesses in cereal import costs under Section IV or this Section.

When a member makes a purchase on account of an excess in oil import costs under this Section, the access limits in paragraph 12 for purchases on account of export shortfalls and the access limits in paragraph 31 for purchases on account of excesses in cereal import costs shall be reduced accordingly. If the member falls under subparagraph (c)(ii), (d)(iii), or (e) above, it shall, when requesting the purchase, specify, in accordance with this subparagraph, the extent to which this purchase shall reduce the access limits in paragraph 12 for purchases on account of export

shortfalls and the access limits in paragraph 31 for purchases on account of excesses in cereal import costs.

(g) The Fund shall approve a member's request for a purchase on account of an excess in oil import costs under subparagraph (c), (d) or (e) above only if it is satisfied that the member is pursuing appropriate energy policies.

(h) A purchase under subparagraph (c)(i) or (d)(i) above shall be approved by the Fund if the Fund is satisfied, based on a written statement submitted by the member, that the member will pursue appropriate macroeconomic policies and objectives.

(i) Except in this subparagraph, when compensatory financing is phased in accordance with this subparagraph, references in this Decision to purchases on account of excesses in oil import costs under this Section shall be understood to apply to the amount of compensatory financing before phasing. Whenever estimated data are used for 9 months or more of the 12-month period referred to in paragraph 40, the amount of compensatory financing on account of an excess in oil import costs under this Section shall be phased in two purchases in accordance with this subparagraph. The member may expect that its request for the first purchase, which shall be for up to 65 percent of the amount, shall be met immediately. The member may expect that its request for the second purchase, which shall be for up to the difference between the amount recalculated on the basis of the actual data available at the time of the request and the amount of the first purchase, shall be met after actual data become available for at least 6 months of the 12-month period referred to in paragraph 40, provided that:

- if policy implementation by the member or the external circumstances of the member differ materially from that originally anticipated at the time of the request for the first purchase, the Fund may decide not to approve, or to reduce the amount available under, the second purchase, and

- if the sum of the first purchase and of the second purchase requested by the member exceeds the limit in this

paragraph under which the first purchase was made, the second purchase shall be subject to the relevant provisions of subparagraph (c), (d) or (e) above instead of the provisions of this subparagraph.

(j) Without prejudice to subparagraph (g) above, approval in principle of a Fund arrangement shall be deemed to fulfill the conditions in subparagraphs (c)(i) and (d)(i) above.

45. A member shall allocate the amount of its purchase as between the export shortfall, the oil import, and the cereal import element, where the sum of the three components, each as limited by paragraph 8,

(a) exceeds the limit of [ ] percent of the member's quota, if, at the time of the request for the purchase, the member's balance of payments position apart from the effects of the export shortfall, the excess in oil import costs, or the excess in cereal import costs is satisfactory; or

(b) exceeds the amount that the member may purchase pursuant to the access limits in paragraph 8, in all other cases.

46. (a) When a member has made a purchase under this Section on the basis of estimated statistical data and the amount of the purchase exceeds the amount that could have been purchased on the basis of actual statistical data, the member will be expected to make a prompt repurchase in respect of the outstanding purchase, in an amount equivalent to the excess.

(b) If a member requests a purchase under this Section in relation to a shortfall year that in whole or in part is included in the period of the two post-shortfall years concerning any earlier purchase under Section II, Section IV, or this Section, the amount of the requested purchase shall be adjusted so as to take into account any amount by which such earlier purchase differs from the amount that could have been purchased on the basis of data available at the time of the request.

47. (a) Subject to paragraph 46(a), when a reduction in the Fund's holdings of a member's currency is attributed to a purchase under this Section, the member shall attribute that reduction between the outstanding oil import component, export shortfall component, and cereal import component, of the purchase.

(b) When the Fund's holdings of a member's currency resulting from a purchase under this Section, Section II, or Section IV are reduced by the member's repurchase or otherwise, the member's access to the Fund's resources under this Section will be restored *pro tanto*, subject to the limits in paragraphs 8 and 44.

48. (a) After the expiration of the period referred to in paragraph 37, the total amount of the export shortfall components and of the cereal import components of a member's purchases outstanding under this Section shall be counted as having been purchased under Section II or Section IV, depending on the Section under which they would otherwise have been made.

(b) The provisions of Section II or of Section IV shall continue to apply to the export shortfall and cereal import components of a purchase under this Section after the expiration of the period referred to in paragraph 37 or the expiration of this Section.

Section VI. Transitional and Other Provisions

49. This Decision shall apply to all purchases on account of export shortfalls, on account of external contingencies, or on account of an excess in cereal import costs made after August 23, 1988, provided that purchases on account of export shortfalls or on account of an excess in cereal import costs that are made before November 1, 1988 shall be governed by Decision No. 6224-(79/135) and by Decision No. 6860-(81/81), as the case may be, if they result from requests initiated before the date of this Decision.

50. For purposes of calculating the Fund's holdings of a member's currency under this Decision, purchases made under Decision No. 6224-(79/135) or Decision No. 6860-(81/81) prior

to August 23, 1988 or under paragraph 37, shall be deemed to have been made under Section II or Section IV of this Decision, as the case may be.

51. Notwithstanding the provisions of paragraph 17, the Fund will be prepared to decide, when completing a review of a Fund arrangement approved before November 1, 1988, that external contingency financing will be provided under this Decision for the remaining period of the arrangement, if such period is at least one year. The provisions of Section III shall apply to *mutatis mutandis* that decision.

52. If on August 23, 1988 the Fund's holdings of a member's currency resulting from purchases on account of export shortfalls exceed 65 percent of the member's quota, purchases by the member on account of export shortfalls under Section II, Section IV, or Section V and purchases on account of external contingencies under Section III may be permitted, up to a transitional combined access limit for the sum of such purchases, in excess of the 105 percent and 122 percent limits specified in paragraph 8(a). The transitional access limit shall be equal to the sum of such holdings of the Fund (expressed in terms of the member's quota) on August 23, 1988 and 40 percent of the member's quota. The transitional access limit shall apply until the Fund's holdings of the member's currency resulting from purchases on account of export shortfalls are reduced to 65 percent of the member's quota or the Fund's holdings of the member's currency resulting from both purchases on account of export shortfalls and purchases on account of external contingencies are reduced to 105 percent of the member's quota, whichever shall come first.

53. (a) Rule I-6(4) shall be amended by inserting the following new subparagraph (vi):

> "or (vi) under the Compensatory and Contingency Financing Facility (Executive Board Decision No. 8955-(88/126), as amended)."

(b) Decision No. 5703-(78/39) shall be amended by inserting the following clause in paragraph I(a) immediately after the reference to Decision No. 6860-(81/81):

"or the decision on the Compensatory and Contingency Financing Facility (Decision No. 8955-(88/126), as amended)."

54. Notwithstanding paragraph 13, any member that has specified, for a purchase made prior to November 15, 1990, that receipts from travel and workers' remittances shall be included in the calculation of the shortfall shall specify, for the first purchase under Section II, Section IV, or Section V following November 15, 1990, whether services shall be included or excluded in the calculation of the shortfall.

55. Notwithstanding paragraph 36, a purchase under Section V may be made after the date of expiration of that Section, if (i) it results from a request initiated before such date of expiration and relates to a net shortfall year ending not later than December 31, 1991, or (ii) it is a second purchase within the meaning of paragraph 44(i), and the first purchase was made prior to such date of expiration or was made pursuant to (i) above, provided that a first purchase within the meaning of paragraph 44(i) may not be made after June 30, 1992.

56. The Fund will review this Decision not later than January 13, 2000.

Decision No. 8955-(88/126)
August 23, 1988, as amended by
Decision Nos. 9101-(89/30), March 7, 1989,
9153-(89/59), May 19, 1989
9391-(90/43), March 22, 1990
9503-(90/114), July 16, 1990
9586-(90/161), November 15, 1990
9587-(90/161), November 15, 1990
9588-(90/161), November 15, 1990
9604-(90/170), December 5, 1990

10071-(92/85), July 2, 1992
10183-(92/132), November 3, 1992
10186-(92/132), November 3, 1992
10398-(93/89), June 23, 1993
10725-(94/58), June 24, 1994
11169-(95/122), December 20, 1995
11170-(95/122), December 20, 1995
11474-(97/36), April 9, 1997,
11475-(97/36), April 9, 1997,
11646-(98/1), January 5, 1998,
11647-(98/1), January 5, 1998,
11851-(98/127), December 15, 1998,
11852-(98/127), December 15, 1998,and
11878-(99/2), January 6, 1999.

Final Version of the Chairman's Summing Up of the Discussions on the Compensatory and Contingency Financing Facility Concluded at Executive Board Meeting 88/105, July 15, 1988

These remarks summarize my understanding of the agreement that has been reached on the general principles and specific modalities for the compensatory and contingency financing facility. My informal remarks of April 7, 1988 (Buff 88/68—Final Version) on the same subject form an integral part of the understandings and are included as an Appendix* to this Summing Up.

At the meetings that took place in March and April of this year, broad agreement was reached on general principles and a framework for the new facility. In particular, it was concluded that the essential features of the CFF should be preserved; that contingent Fund financing could help maintain the momentum of adjustment programs against adverse external shocks; and that the basic features of contingency mechanisms should include an appropriate blend of adjustment and financing, incorporate symmetry, and involve external factors beyond the control of

*Not included in this publication.

authorities, subject to a minimum threshold level for activation. To these principles I would add the need to pursue parallel contingent financing vigorously where necessary and to ensure that programs continue to be adequately financed when Fund resources are disbursed. It is also important to stress that purchases under this facility, as under all Fund facilities, would be subject to balance of payments need and that, in providing financing under this facility, due attention will be paid to the member's capacity to meet its obligations to the Fund.

In our meetings over the past few weeks, Directors have reached agreement on a number of operational modalities for the new facility and the features of this agreement are summarized below. Directors also concluded that in order to avoid creating an unduly rigid and complex system, many detailed operational aspects of contingency financing would have to be developed with the authorities at the time each associated arrangement is framed, on an experimental and case-by-case basis. As each case comes before the Board, and is commented on by Directors, that experience will be duly reflected in subsequent cases. Then, before the 1989 Annual Meeting, there will be a general review of the compensatory and contingency financing facility based on experience with its operations.

I will now turn to the detailed modalities for the new facility.

1. *Access limits for contingency mechanisms*

Contingent financing would be subject to the cumulative access limits for the facility. In addition, contingent financing would not generally exceed 70 percent of access under the associated arrangement. For multiyear arrangements there would be a flexible approach for distribution of access as between years; normally, some frontloading and carryover of access would be provided for, but access in any one year would not generally exceed 70 percent of the access available under the associated arrangement in each 12-month period.

2. *Activation*

Contingency mechanisms would be attached to Fund arrangements and would be approved by the Executive Board at the time of the approval of the associated arrangement. Contingency mechanisms generally would be activated on the basis of a review by the Executive Board. Such reviews would normally be conducted within the context of a mid-term program review, although in some cases it might be useful to conduct an ad hoc review. Eventually, some of these reviews might occasionally be conducted on a lapse-of-time basis, but it is understood that in the early experimental stage of the new facility a discussion by the Executive Board would take place in each case.

In some exceptional cases where the link between additional financing needs and the relevant contingencies and the policy actions that would need to be phased in could be specified in advance with sufficient precision, the Executive Board could give advance approval for the disbursement of contingent financing without further Executive Board review. In such cases, the staff assessment could be expedited and, after the Board has received adequate advance notification, disbursements would be made. All purchases would of course require observance of the arrangement's performance criteria, adjusted by the Executive Board as necessary to take account of the effects of the contingencies.

3. *Resources for contingent financing*

Purchases for contingent financing will use ordinary resources with a repurchase period of three–five years. Access would be considered separate from holdings resulting from the use of Fund resources under any other policy but not from holdings resulting from purchases on account of export shortfalls or excess cereal costs. As is the case with purchases under tranche policies, purchases for contingent financing and holdings resulting from such purchases would be excluded for the purpose of determining a member's reserve tranche position.

4. *Choice of the optional tranche*

The optional tranche would be divisible. Prior to activation of a contingency mechanism, members would be free to choose the application of the optional tranche, except when the member requests and the Fund agrees to specify in advance an allocation of the optional tranche; it is expected that this would mainly involve cases where parallel contingent financing was being arranged. At the time of activation of the contingency mechanism, members would commit themselves on the use of the optional tranche for the remaining period of the baseline.

5. *Minimum threshold*

For an experimental period until the general review of the facility has been completed, the staff would work with a threshold of 10 percent of quota, but management would have the freedom to propose a lower or higher figure in what is expected to be the relatively few cases where this was necessary. Four percent of quota—an amount that is assumed to be covered as a minimum in all basic programs through appropriately flexible policies and/or financing—would be deducted before calculating the financing to be made available or before applying the symmetry procedures.

6. *Proportion of deviation to be financed*

The proportion of a contingent deviation to be financed would be determined on a case-by-case basis to ensure an appropriate mix of adjustment and financing and would be established at the outset of the arrangement with a contingency mechanism. In the period immediately after an adverse shock has occurred, it would normally be expected that the Fund would finance a substantial proportion of the adverse deviation. Every effort would be made to obtain parallel contingent financing from other creditors and contingency mechanisms would not be activated unless the program continued to be adequately financed. The proportion of the deviation to be financed could be changed at the request of the member at the time of the activation of the contingency mechanism, if the program was being affected by shocks of a

nature that made the originally decided split between financing and adjustment inappropriate.

7. *Phasing*

Contingent financing would be phased through the baseline period at the same time as purchases under the associated arrangement. The phasing would take into account the timepath of the net deviation from the baseline and the timing of the implementation of additional policy measures. When a shock covered by the contingency variables had occurred the first purchase would be made available when the cumulative deviation from the baseline was projected to exceed the threshold. Subsequent purchases would be proportional to the net deviation estimated for the corresponding quarters, on the basis of shocks that had already been observed. When a member has made a purchase under a contingency mechanism on the basis of an estimated deviation which later is shown to be incorrect, the member will be expected, unless the Fund decides otherwise, to make a prompt repurchase to reverse any overcompensation.

8. *Symmetry*

When a favorable deviation relative to the baseline occurs, a substantial part of the favorable deviation would be used to build up reserves in cases where reserves were low. Where reserves were at a more adequate level, part of the favorable deviation would be reflected in a reduction of purchases under the basic arrangement, or, if an earlier contingency purchase had been made, the member could opt to repurchase contingency purchases.

9. *Eligibility of SAF and ESAF arrangements for contingency mechanisms*

It has been agreed that it would be desirable to permit contingency mechanisms to be attached to SAF and ESAF arrangements. In view of the limited amount of resources available to the Special Disbursement Account and the ESAF Trust and the restrictions on their utilization, financing for this purpose would

need to be provided from the Fund's general resources. The possibility of providing for concessionality in the resources disbursed under contingency mechanisms for low-income countries will be reviewed at a later date.

The use of the Fund's general resources for contingency financing for SAF and ESAF arrangements raises issues with respect to the uniformity of treatment of Fund members. For this fundamental principle to be maintained, the conditionality attached to the use of the Fund's general resources under a contingency mechanism must be the same, whether this is in connection with a SAF arrangement, an ESAF arrangement, or an upper credit tranche arrangement.

This does not pose difficulties with respect to the ESAF, but to enable a contingency mechanism to be activated for a SAF arrangement, it would be necessary for the member concerned to agree to a program sufficiently strong to permit the Executive Board to determine that the SAF arrangement in question entailed conditionality equivalent to that of an upper credit tranche arrangement. It would also, as a practical matter, be necessary for such SAF arrangements (and, as relevant, for ESAF arrangements) to incorporate stronger provisions for monitoring, including a review to change benchmarks as necessary and to formulate them in a way that would govern the phased disbursements under the contingency mechanism, as well as to activate the mechanism.

The principle of uniformity precludes a differentiated overall ceiling on access to the Fund's general resources. Therefore, care will be taken to ensure that a SAF/ESAF-eligible member would not, by virtue of its eligibility both for arrangements under those facilities and for upper credit tranche arrangements, have higher access to the Fund's general resources under the contingency mechanism than a member who is not eligible for the SAF and ESAF.

10. *Eligibility of enhanced surveillance procedures for contingency mechanisms*

The attachment of contingency mechanisms to the procedures for enhanced surveillance would be examined further in the context of the review of enhanced surveillance.

11. *Coverage*

As a general principle, contingency mechanisms would cover unanticipated changes in the exogenous components of a few key external variables: export earnings, import prices, and interest rates. Other current account transactions (such as tourist receipts and migrant workers' remittances) could also be covered where they are of particular importance. Capital movements and unanticipated shifts in the volume of imports of goods and services would not be covered. Natural disasters would not be covered by contingency mechanisms, but could give rise to assistance under the Fund's decision on emergency assistance related to natural disasters.

Coverage in the context of a particular Fund arrangement would be determined on a case-by-case basis, in discussion with the authorities. In all cases, the specific set of variables selected would need to cover a substantial proportion of the exogenous components of the country's current account. At the same time, the authorities and the staff would have sufficient flexibility in determining coverage to avoid complications in the calculations of baselines and contingencies that could substantially delay agreement on programs and activation of the contingency mechanism. The subset of variables covered would be specified at the inception of the program and would remain unchanged throughout the life of the associated arrangement.

Contingency mechanisms would cover unforeseen changes in nominal interest rates, and would be limited to changes in benchmark international interest rates (such as LIBOR). Accordingly, unexpected deviations in interest costs stemming from changes in the risk premium, exchange rates, and unanticipated external

borrowing would not be covered. Fund financing of interest rate contingencies would apply to the member's net external debt, which would generally be defined as the public and publicly guaranteed gross external debt minus official external assets. Such contingencies would apply only to instruments that are affected by unforeseen changes in interest rates.

Contingent financing of interest costs would be subject to a cumulative sublimit of 35 percent of quota. When such a limitation applied, the calculation of the net aggregate contingent deviation would be modified so as to avoid triggering the symmetric provisions of the mechanism in situations where the country would otherwise have experienced a contingent shortfall. Parallel contingent financing from commercial banks will be pursued vigorously. However, provided that adequate financing of the program is assured, there would not be a formal requirement for advance coverage of interest rates and other contingencies by mechanisms established with commercial banks. Countries also would be encouraged to hedge a part of their foreign debt against unforeseen rises in world interest rates, on the basis of the several instruments available in world financial markets.

12. *Calculation of contingent deviations*

Contingent deviations for individual current account variables would be calculated in relation to a baseline projection specified at the inception of the program. The aggregate size of the contingent deviation for a particular member would then be calculated as the net sum of deviations from baseline values for individual variables.

In preparing the baseline projections the staff would draw on World Economic Outlook forecasts of key variables, supplemented as appropriate by country-specific variables, and taking into consideration the country's circumstances. The key WEO projections would be updated as necessary to provide an adequate basis for the calculations. The baseline normally would be specified for a period of 12 months, and in any case no longer than 18 months. EFF and ESAF (and where appropriate SAF) arrangements would

call for specification of annual baselines at the beginning of each program year.

In calculating the contingent deviations, the staff will adhere to the principle of exogeneity. Application of this principle would be straightforward for most import prices and export prices of key internationally traded commodities. For countries with a diversified export base (typically including a substantial proportion of manufactures), the staff will estimate the impact of unforeseen changes in external demand on export earnings. As regards interest rates, the contingent deviation would be calculated by multiplying the stock of net external debt specified in the baseline by the unexpected deviation in the nominal LIBOR (or the appropriate benchmark rate where liabilities are denominated in currencies other than the U.S. dollar). When necessary, the calculation of contingencies would take into account information (particularly with respect to longer-term contracts) about the lags with which changes in world prices and international interest rates have an effect on the member's current account.

13. *Compensatory financing element*

In situations where the member's record of cooperation in recent periods had been unsatisfactory, or where its policies were seriously deficient, the compensatory financing element is to be made available in two tranches of equal size (each 20 percent of quota), given reasonable assurance that policies corrective of the member's balance of payments problems would be adopted.

14. *Approval in principle*

When compensatory financing requests are accompanied by Fund arrangements approved in principle, purchase of the full compensatory financing element (40 percent of quota) would be allowed for members with a good record of cooperation, and purchase of the first tranche (20 percent of quota) of the compensatory financing element would be allowed for other members.

15. *Cereal decision*

Overall access under the cereal decision and the compensatory and contingency financing facility will be 122 percent of quota, as set out under alternative A in the Annex to EBS/88/100. Symmetry with the agreement to maintain access at its current level of 83 percent of quota for export shortfalls for members with a satisfactory balance of payments position except for the effects of the export shortfall would suggest leaving in place the existing access limit of 83 percent of quota for cereal excesses and the existing joint limit of 105 percent of quota for members with a satisfactory balance of payments position except for the effects of the cereal excess/export shortfall. This approach implies a potential to include access for contingency financing up to an overall access limit of 122 percent of quota.

16. *Transitional arrangements*

Under transitional arrangements, (i) there would be access of 40 percent of quota for contingency financing for countries with outstanding CF purchases of more than 65 percent of quota at the time the new decision is approved; and (ii) CF requests on which discussions were initiated before the approval of the new decision would be governed by the current CF decision for a period of three months after the approval of the new decision.

17. *Calculation of compensable export shortfalls*

a. *Projection limits*

There would be an upper limit on the projections of export earnings to be used in the calculations of export shortfalls. The limit on the projected growth of the average level of exports in the two postshortfall years over the average level of exports in the two preshortfall years would be set at 20 percent. Periodically, this limit would be reviewed, and if necessary revised, in the light of developments with respect to world inflation.

b. *Adjustment for overcompensation and undercompensation*

A compensatory financing request based on a shortfall falling within or overlapping with the two-year projection period of an earlier purchase would be adjusted by the amount by which the earlier purchase may have been overcompensated. Similarly, any undercompensation of the first purchase would be added to the subsequent shortfall when determining the size of the second purchase.

18. *Avoidance of double compensation in compensatory and contingency financing*

In calculating compensable amounts under the new facility, the staff will apply procedures to avoid double compensation between compensatory, including with respect to cereal costs, and contingency financing along the lines outlined in EBS/88/100. Under the procedures, a member with a contingency mechanism that includes export earnings as a variable should be able to be compensated under both contingency and compensatory financing, provided the amounts compensated under one component are deducted from the amounts to be compensated under the other. The member will have the choice to classify the amount of compensation deemed common to both contingency and compensatory financing as a purchase under either component.

The Executive Board approves the legal interpretation given by the staff in SM/81/234.

The Executive Board agrees for the time being not to change the legal status of a representation to repurchase any amount of overcompensation under the compensatory financing facility.

The Executive Board agrees to maintain the present and past practice under which an overcompensated member would continue to make prompt repurchases, and emphasizes the importance it attaches to maintaining the high standards of prompt repurchase that have generally characterized past experience.

More specifically, the Executive Board agrees, in the light both of past practice and of the nature of overcompensation, that prompt repurchase in the context of the compensatory financing facility decision would mean that the repurchase would normally be made within a period of 30 days. That understanding should be made clear from the start to members that might be in a position to experience an overcompensation problem in the future.

If the normal period of prompt repurchase referred to in paragraph 4 cannot be respected, a report will be made to the Executive Board within a period of up to two weeks as judged necessary by the management and Treasurer, which report should normally be accompanied by a proposal on how to deal with the question in the most prompt and appropriate manner.

Should experience in the future show an increase in the frequency of cases of overcompensation, or a deterioration in the repurchase behavior attaching to such cases of overcompensation, the Executive Board would review the whole policy issue.

EBM/82/1, pages 20–21

SM/81/234

Conclusions

1. It is clear from the record that a representation as to repurchase made by a member pursuant to the present paragraph 7 of the compensatory financing decision does not create a legally binding obligation.

2. Prior to the date of the Second Amendment, the Fund did not have the power to require a purchasing member to accept a repurchase obligation (other than the automatic repurchase obligations of Article V, Section 7), except as a "term" safeguarding the Fund's interests in cases of purchase involving the granting of a

waiver pursuant to Article V, Section 4. Since the date of the Second Amendment, however, the Fund has ample authority to change existing, or to create new, repurchase obligations as it deems appropriate to ensure that the use of its resources is consistent with the purposes of the Fund. Thus, the Fund may, under the provisions of Article V, Section 7(*d*), decide to require members making purchases under the compensatory financing decision in the future on the basis of estimated data to repurchase promptly, as a matter of legal obligation, the amount of any "overcompensation."

Buffer Stock Financing Facility

BUFFER STOCK FINANCING FACILITY: THE PROBLEM OF STABILIZATION OF PRICES OF PRIMARY PRODUCTS

1. The Executive Board, having considered the staff study on "The Problem of Stabilization of Prices of Primary Products," decides that the Fund will be prepared to extend assistance to members in connection with the financing of international buffer stocks of primary products in accordance with the principles and subject to the quantitative limits set forth in Chapter III, Section 2, and Annex A of Part II of the study.

2. In accordance with paragraph 1 above, the total of purchases outstanding pursuant to paragraph 1 of this decision shall not exceed 25* percent of quota.

3. In order to carry out the purposes of this decision, the Fund will be prepared to waive the limit on purchases that raise the Fund's holdings above 200 percent of quota, where appropriate.

*This percentage of quota was required to be "reviewed [initially] not later than December 31, 1984 and annually thereafter in the light of all relevant factors, including the magnitude of members' payments problems and developments in the Fund's liquidity." (Decision No. 7602-(84/3), January 6, 1984.) The most recent review was on January 6, 1999 (Decision No. 11878-(99/2)).

4. When purchases are made pursuant to paragraph 1 of this decision, the Fund will so indicate in an appropriate manner.

5. . . .*

6. In view of the Fund's purposes which include the facilitation of "the expansion and balanced growth of international trade," the Fund, in its consultations with members, will pay increased attention to their policies in the commodity field.

Decision No. 2772-(69/47)
June 25, 1969, as amended by
Decision Nos. 4913-(75/207), December 24, 1975
7602-(84/3), January 6, 1984,
10183-(92/132), November 3, 1992, and
11878-(99/2), January 6, 1999

BUFFER STOCK FINANCING FACILITY: ACCESS POLICY—ELIMINATION OF FLOATING

Except for the purpose of determining the level of conditionality applied to purchases in the credit tranches, the Fund's holdings of a member's currency resulting from purchases under Decision No. 2772-(69/47), adopted June 25, 1969, as amended, on the buffer stock financing facility, shall be considered separate from the Fund's holdings of the same currency resulting from purchases under any other policy on the use of the Fund's general resources. In cases of concurrent requests for purchases under Decision No. 2772-(69/47) and purchases in the credit tranches, purchases under Decision No. 2772-(69/47) shall be deemed to be made first.

Decision No. 10186-(92/132)
November 3, 1992

*For paragraph 5, see paragraph 1 of Decision No. 5703-(78/39), reproduced on pages 321-22.

BUFFER STOCK FINANCING FACILITY: FOURTH INTERNATIONAL TIN AGREEMENT

(i) The Fund, having considered the text of the Fourth International Tin Agreement, as adopted by the United Nations Tin Conference on May 15, 1970, finds that the terms of this Agreement relating to the international tin buffer stock to be established under the Agreement are consistent with the principles referred to in Executive Board Decision No. 2772-(69/47) of June 25, 1969. The Fund expects that an amount equal to not less than one third of the compulsory contributions due on entry into force of the Agreement under Article 21(a)(ii) of the Agreement will be met from financing other than the use of the Fund's resources under Executive Board Decision No. 2772-(69/47).

(ii) In view of (i) above, the Fund will meet, subject to the provisions of Executive Board Decision No. 2772-(69/47), a member's requests for purchases in connection with the financing by the member of that part of its compulsory contribution to the buffer stock established under the Fourth International Tin Agreement which the member has been called upon to make under Article 21 of the Agreement and which is in excess of one third of the member's compulsory contribution due under Article 21(a)(ii) of the Agreement.

(iii) The staff will keep the Executive Directors informed on the operation of the buffer stock and other developments in connection with the Fourth International Tin Agreement by reports that will be made at least once a year, and the Fund may make such review of this Decision as is appropriate in the light of these reports.

Decision No. 3179-(70/102)
November 25, 1970

In applying the provisions of E.B. Decision No. 3179-(70/102), dated November 25, 1970, the Fund decides that, for the purpose of determining the appropriate use of Fund resources under the

Decision, any initial contribution made in the form of tin metal under Article 21(a)(ii) of the Fourth International Tin Agreement shall be regarded as equivalent to contributions in cash, valued at the floor price ruling on entry into force of the Agreement.

Decision No. 3351-(71/51)
June 21, 1971

BUFFER STOCK FINANCING FACILITY: FIFTH INTERNATIONAL TIN AGREEMENT

1. The Fund, having considered the text of the Fifth International Tin Agreement, as adopted by the United Nations Tin Conference on June 21, 1975, finds that the terms of this Agreement relating to the international tin buffer stock to be established under the Agreement are consistent with the principles referred to in Executive Board Decision No. 2772-(69/47) of June 25, 1969.

2. In view of (1) above, the Fund will meet, subject to the provisions of Executive Board Decision No. 2772-(69/47) as amended by Executive Board Decision No. 4913-(75/207), a member's requests for purchases in connection with the financing by the member of its compulsory contributions to the buffer stock established under the Fifth International Tin Agreement.

3. The Fund decides that any contribution made in the form of tin metal under Article 21 of the Agreement shall be regarded as equivalent to a contribution in cash, valued at the floor price prevailing when the contribution is called up. Any transfer of metal from the buffer stock to a member will be treated as a distribution in currency, valued at the floor price prevailing when the transfer is made.

4. The staff will keep the Executive Directors informed on the operation of the buffer stock and other developments in connection with the Fifth International Tin Agreement by reports that will be

made at least once a year, and the Fund may make such review of this decision as is appropriate in the light of these reports.

Decision No. 5127-(76/91)
June 23, 1976

BUFFER STOCK FINANCING FACILITY: SIXTH INTERNATIONAL TIN AGREEMENT

1. The Fund, having considered the text of the Sixth International Tin Agreement, as established by the United Nations Tin Conference on June 26, 1981, and applied provisionally among the members who have decided to do so, finds that the terms of this Agreement relating to the international buffer stock established under the Agreement are consistent with the principles referred to in Executive Board Decision No. 2772-(69/47), adopted June 25, 1969, as amended.

2. In view of paragraph (1) above, the Fund will meet, subject to the provisions of Executive Board Decision No. 2772-(69/47), as amended, a member's requests for a purchase in connection with the financing by a member of its compulsory contributions to the normal buffer stock established under the Sixth International Tin Agreement, if its request is received in the Fund not later than six months after the date of the contribution or, in respect of contributions made before the date of this decision, not later than 90 days after the date of this decision.

3. A member that has outstanding purchases under this decision

(a) shall make repurchases in respect of these purchases in accordance with paragraph 1(a) of Decision No. 5703-(78/39), adopted March 22, 1978, as amended, and

(b) will be expected to repurchase at an earlier date than would be required under (a) above,

(i) when, and to the extent that, the International Tin Council makes refunds, and

(ii) if the Sixth International Tin Agreement terminates without being replaced by a new International Tin Agreement providing for a buffer stock, when transfers in liquidation are made to the member. Any transfer of tin metal from the buffer stock to the member will be treated as a distribution in currency, valued at the average price for tin prevailing on the appropriate market (London or Penang) on the day of distribution.

4. If the Sixth International Tin Agreement is to be replaced by a new International Tin Agreement providing for a buffer stock,

(a) a transfer of all or part of a member's share under the existing Agreement to the buffer stock account of the new Agreement will not be treated as a distribution in currency for the purpose of repurchase, if within 180 days of the termination of the existing Agreement, the Fund finds the terms of the new Agreement to be consistent with the principles referred to in Executive Board Decision No. 2772-(69/47), as amended, and

(b) members that do not participate in the new Agreement will be expected to repurchase in accordance with paragraph 3(b)(ii) above.

5. The staff will keep the Executive Board informed on the operation of the buffer stock and other developments in connection with the Sixth International Tin Agreement by reports that will be made at least once a year, and the Fund may make such review of this decision as is appropriate in the light of these reports.

Decision No. 7247-(82/147)
November 12, 1982

Buffer Stock Financing Facility: 1977 International Sugar Agreement

1. It is decided that, for the purposes of Decision No. 2772-(69/47), as amended, a sugar buffer stock consisting of buffer stocks nationally owned but internationally controlled pursuant to the 1977 International Sugar Agreement, as established by the 1977 United Nations Sugar Conference, shall be deemed to be an international buffer stock if it otherwise meets all the criteria referred to in Decision No. 2772-(69/47), as amended.

2. The Fund, having considered the text of the International Sugar Agreement, 1977, as adopted by the United Nations Sugar Conference on October 7, 1977, recognizing the economically sound attributes of the Agreement and the price stabilization objective, finds that the terms of this Agreement relating to the special stocks of sugar to be established under the Agreement are consistent with the principles referred to in Executive Board Decision No. 2772(69/47), as amended, including the amendment in paragraph 1 above.

3. In view of paragraph 2 above, the Fund will meet, subject to the provisions of Executive Board Decision No. 2772-(69/47), as amended, and the limits specified in paragraphs 4 and 5 below, a member's requests for purchases in connection with the financing by the member of the special stocks established in accordance with Article 46 of the International Sugar Agreement, 1977. For the purposes of this decision, any special stock in sugar established in accordance with Article 46 of the International Sugar Agreement, 1977, shall cover an amount of sugar not exceeding the quantities for which certificates of existence issued by the Government of the member have been supplied to the International Sugar Organization and in respect of which agreement has been reached between the member and the International Sugar Organization regarding on-site verifications, as provided for in Article 47 of the 1977 International Sugar Agreement. A member may make a purchase under this decision if its request is received in the Fund not later than six months after (i) the end of the period in which the member has to fulfill its obligation to establish a special stock in

accordance with Article 46.5 of the International Sugar Agreement or (ii) the date on which the export quotas are lifted, if this date is earlier.

4. A request for a purchase under this decision will be met if it will not cause the total of purchases outstanding under this decision to exceed the sum of the values of the quantities of sugar placed in the special stock, with each quantity valued on the basis of the lesser of (i) the floor price and (ii) the average market price during the month in which the quantity was acquired.

5. A request for a purchase under this decision by a member that has outstanding any loans in foreign exchange for which a special stock has been used as collateral will be met if, in addition to being consistent with the limit specified in paragraph 4 above, it does not cause the total of purchases outstanding under this decision to exceed the higher of (i) the sum referred to in paragraph 4 above minus the amount of any outstanding loans in foreign exchange for which the special stock has been used as collateral and (ii) the total value of the special stock on the basis of the average price during the latest calendar month before the request for a purchase under this decision minus the amount of any such loans. When requesting a purchase and while it has purchases outstanding under this decision, a member shall inform the Fund of any loans for which the special stock has been used as collateral.

6. A member that has outstanding purchases under this decision will be expected to repurchase in accordance with paragraph I of Decision No. 5703-(78/39) and shall complete repurchase in respect of these purchases in accordance with paragraph 1 of the same decision. The member will be expected to make a repurchase at an earlier date

(i) when, and to the extent that, stocks are released from the control of the International Sugar Organization, and

(ii) when the member obtains a loan in foreign exchange for which the special stock is used as collateral, to the

extent that the amount of this loan, together with the amount of purchases outstanding exceeds the amount that the member may purchase in accordance with paragraphs 4 and 5 above.

7. The staff will keep the Executive Directors informed on the operation of the buffer stock and other developments in connection with the International Sugar Agreement, 1977, by reports that will be made at least once a year, and the Fund may make such review of this decision as is appropriate in the light of these reports.

Decision No. 5597-(77/171)
December 16, 1977

Buffer Stock Financing Facility: International Natural Rubber Agreement, 1979

1. The Fund, having considered the text of the International Natural Rubber Agreement as established by the United Nations Conference on Natural Rubber on October 6, 1979, finds that the terms of this Agreement relating to the international natural rubber buffer stock established under the Agreement are consistent with the principles referred to in Executive Board Decision No. 2772-(69/47), adopted June 25, 1969, as amended.

2. In view of paragraph 1 above, the Fund will meet, subject to the provisions of Executive Board Decision No. 2772-(69/47), as amended, a member's request for a purchase in connection with the financing by the member of its direct compulsory contribution to the acquisition costs of the buffer stock established under the International Natural Rubber Agreement, if its request is received in the Fund not later than six months after the date of the contribution or, in respect of contributions made before the date of this decision, not later than 90 days after the date of this decision.

3. A member that has outstanding purchases under this decision

(a) shall make repurchases in respect of these purchases in accordance with paragraph 1(a) of Decision No. 5703-(78/39), adopted March 22, 1978, as amended, and

(b) will be expected to repurchase at an earlier date than would be required under (a) above,

(i) when, and to the extent that, the International Natural Rubber Council refunds net contributions in excess of those required to support buffer stock operations, and

(ii) if the current Agreement terminates without being replaced by a new Agreement providing for a buffer stock, when transfers in liquidation are made to the member. Any transfer of natural rubber from the buffer stock to the member will be treated as a distribution in currency, valued at the lowest current price for each type or grade so transferred during the 30 market days preceding the termination of the Agreement.

4. If the current Agreement is to be replaced by a new Agreement providing for a buffer stock,

(a) a transfer of all or part of a member's share under the existing Agreement to the buffer stock account of the new Agreement will not be treated as a distribution in currency for the purpose of repurchase if, within 180 days of the termination of the current Agreement, the Fund finds the terms of the new Agreement to be consistent with the principles referred to in Executive Board Decision No. 2772-(69/47), as amended, and

(b) members that do not participate in the new Agreement will be expected to repurchase in accordance with paragraph 3(b)(ii) above.

5. The staff will keep the Executive Board informed on the operation of the buffer stock and other developments in connection with the International Natural Rubber Agreement by reports that will be made at least once a year, and the Fund may make such review of this decision as is appropriate in the light of these reports.

Decision No. 7246-(82/147)
November 12, 1982

Buffer Stock Financing Facility—International Natural Rubber Agreement, 1987

1. The Fund, having considered the text of the International Natural Rubber Agreement as established by the United Nations Conference on Natural Rubber on March 10, 1987 (hereinafter called "1987 International Natural Rubber Agreement"), finds that the international natural rubber buffer stock established under the terms of that Agreement is consistent with the principles referred to in Executive Board Decision No. 2772-(69/47), adopted June 25, 1969, as amended.

2. In view of paragraph 1 above, the Fund will be prepared to meet, subject to the provisions of Executive Board Decision No. 2772-(69/47), as amended, a member's request for a purchase in connection with the financing by the member of its direct compulsory contribution toward covering the acquisition costs of the buffer stock established under the 1987 International Natural Rubber Agreement, if its request is received in the Fund not later than six months after the date of the contribution.

3. A member that has outstanding purchases under this decision,

(a) shall make repurchases in respect of these purchases in accordance with Paragraph 1 of Decision No. 5703-(78/39), adopted March 22, 1978, as amended, and

(b) will be expected to repurchase at an earlier date than would otherwise be required, when, upon termination of the 1987 International Natural Rubber Agreement without replacement by a new agreement providing for a buffer stock in natural rubber, transfers in liquidation are made to the member. Any transfer of natural rubber from the buffer stock to the member will be treated as a distribution in currency, valued at the lowest current price for each type or grade so transferred during the 30 market days preceding the termination of the Agreement.

4. If the 1987 International Natural Rubber Agreement is to be replaced by a new agreement providing for a buffer stock in natural rubber,

(a) a transfer of all or part of a member's share under the 1987 International Natural Rubber Agreement to the buffer stock account of the new agreement will not be treated as a distribution in currency for the purpose of repurchase, if within 180 days after the termination of the 1987 International Natural Rubber Agreement the Fund finds the terms of the new agreement to be consistent with the principles referred to in Executive Board Decision No. 2772-(69/47), as amended, and

(b) members that do not participate in the new agreement will be expected to repurchase at an earlier date than would otherwise be required when the members receive payment of their respective shares in the buffer stock account.

5. The staff will keep the Executive Board informed on the operation of the buffer stock and other developments in connection with the 1987 International Natural Rubber Agreement by reports that will be made at least once a year, and the Fund may make such review of this decision as is appropriate in the light of these reports.

Decision No. 9403-(90/53)
April 4, 1990

Supplemental Reserve Facility and Contingent Credit Lines

I. SUPPLEMENTAL RESERVE FACILITY

1. (a) The Fund will be prepared to provide financial assistance in accordance with the terms of this section to a member that is experiencing exceptional balance of payments difficulties due to a large short-term financing need resulting from a sudden and disruptive loss of market confidence reflected in pressure on the capital account and the member's reserves, if there is a reasonable expectation that the implementation of strong adjustment policies and adequate financing will result, within a short period of time, in an early correction of such difficulties.

(b) This facility is likely to be utilized in cases where the magnitude of the outflows may create a risk of contagion that could pose a potential threat to the international monetary system.

(c) When approving a request for the use of its resources under this section, the Fund will take into account the financing provided by other creditors. In order to minimize moral hazard, a member using resources under this section will be encouraged to seek to maintain participation of creditors, both official and private, until the pressure on the balance of payments ceases. All options should be considered to ensure appropriate burden sharing.

(d) The Fund may make the use of its resources under this section conditional upon the adoption by the member of measures under Article VI, Section 1 of the Fund's Articles of Agreement.

2. Financing under this section will be available to members under a stand-by or extended arrangement in addition to resources in the credit tranches or under the extended Fund facility, in cases where (i) a member faces the type of balance of payments difficulties described in paragraph 1 above and (ii) the projected access in the credit tranches or under the extended Fund facility, taking into account outstanding purchases, would otherwise

exceed either the annual or cumulative limit. In those cases, unless the member's medium-term financing needs require access in the credit tranches or under the extended Fund facility beyond the annual or cumulative limit, financing in the credit tranches or under the extended Fund facility will not be provided beyond the annual or cumulative limit, and financing beyond either limit will be provided only under this section.

3. Financing under this section will be determined by the Fund, taking into account the financing needs of the member, its capacity to repay, including in particular the strength of its program, its outstanding use of Fund credit, and its record in using Fund resources in the past and in cooperating with the Fund in surveillance, as well as the Fund's liquidity.

4. Financing under this section will be committed for a period of up to one year, even if the corresponding arrangement is for a longer period, and will generally be available in two or more purchases. The first purchase will be available at the time of approval of financing under this section, which will normally coincide with the approval of the corresponding arrangement. The subsequent purchases will be available subject to the conditions of the corresponding arrangement.

5. The corresponding arrangement will identify the total amount and phasing of the financing provided under this section.

6. (a) A member making purchases under this section shall repurchase the outstanding amounts of its currency resulting from such purchases within two to two and a half years from the date of each purchase in two equal semi-annual installments; the first installment shall become due two years and the second installment two and a half years from the date of each purchase.

(b) The member will be expected to repurchase those amounts one year before they become due, provided that the Fund may, upon request by the member, decide to extend each such repurchase expectation by up to one year. If a member fails to make a repurchase as expected, the Fund may require the member

to make the repurchase in question within a specified period not to exceed the repurchase schedule under (a) above.

(c) The Fund shall not approve, and the Managing Director shall not recommend for approval, a request for the use of the general resources of the Fund by a member that is failing to meet a repurchase expectation under (b) above. Provision shall be made in each stand-by and extended arrangement for the suspension of further purchases under the arrangement whenever a member fails to meet a repurchase expectation under (b) above.

7. Purchases under this section and holdings resulting from such purchases shall be excluded for the purposes of the definition of reserve tranche purchase pursuant to Article XXX(c).

8. During the first year from the date of the first purchase financed under this section, the rate of charge under Article V, Section 8(b) on holdings acquired as a result of purchases under this section shall be 300 basis points per annum above the rate of charge referred to in Rule I-6(4) as adjusted for purposes of burden sharing. Such rate shall be increased by 50 basis points at the end of that period and every six months thereafter, until the surcharge reaches 500 basis points, subject to the provisions of paragraph 9.

Pending a decision on the use to be given to the income generated under this section, such income shall not be taken into account when determining the amount of net income in excess of the net income target for purposes of paragraph 3 of Decision No. 11482-(97/42), April 21, 1997.

9. The provisions of Decision No. 8165-(85/189) G/TR, December 30, 1985, except Section IV, shall apply to overdue financial obligations arising under this section, subject to the following provision:

The rate of charge on overdue repurchases shall be determined by the Fund but shall not be less than the maximum rate of charge specified in paragraph 8.

10. Except for the purposes of determining the level of conditionality applied to purchases in the credit tranches, the Fund's holdings of a member's currency resulting from purchases under this section shall be considered separate from the Fund's holdings of the same currency resulting from purchases made under any other policy on the use of the Fund's general resources.

11. In order to carry out the purposes of this section, the Fund will be prepared to grant a waiver of the limitation of 200 percent of quota in Article V, Section 3(b)(iii), whenever necessary to permit purchases under this section or to permit other purchases that would raise the Fund's holdings of the purchasing member's currency above that limitation because of purchases outstanding under this section.

12. This section and its operation will be reviewed no later than January 31, 1999.

II. CONTINGENT CREDIT LINES

13. Through May 4, 2001, the Fund will be prepared to commit and provide financial assistance to a member under the terms and conditions specified in this section.

14. Financing under this section will be committed to a member: (i) that, at the time of commitment, is implementing policies that are considered unlikely to give rise to a need to use Fund resources, and is not facing balance of payments difficulties of the type described in paragraph 15; (ii) whose policies have received a positive assessment from the Fund at its last Article IV consultation and whose policies have continued to be assessed favorably by the Fund thereafter based on economic indicators reflecting domestic stability and external sustainability, and taking into account the extent of the member's adherence to relevant internationally-accepted standards; in particular, the member would have subscribed to the Special Data Dissemination Standard and be judged to be making satisfactory progress towards meeting its requirements; (iii) that is maintaining constructive relations

with its private creditors with a view to facilitating appropriate involvement of the private sector, and has made satisfactory progress in limiting external vulnerability through the management of the level and structure of its external debt and international reserves; and (iv) that has submitted a satisfactory economic and financial program, including a quantified framework, which the member stands ready to adjust as needed.

15. Financing under this section will be provided where, as a result of circumstances that are largely beyond the control of the member and that stem primarily from adverse developments in international capital markets consequent upon developments in other countries, the member is experiencing exceptional payments difficulties due to a large short-term financing need resulting from a sudden and disruptive loss of market confidence reflected in pressure on the capital account and the member's reserves, if there is a reasonable expectation that adequate financing and the implementation of any necessary adjustment policies will result, within a short period of time, in an early correction of such difficulties.

16. Financing under this section will be committed and provided under a stand-by arrangement, in addition to resources in the credit tranches. Financing will be committed under this section in cases where purchases in the credit tranches or under the extended Fund facility, taking into account outstanding purchases, would otherwise exceed either the annual or cumulative access limit.

17. The Fund may commit resources under this section at any time under an arrangement but will only make such resources available when it finds that the member meets the conditions specified in paragraph 15. The arrangement will specify the amount of resources committed under this section and will normally provide for the continued availability of such resources beyond a specified date to be subject to the completion of a program review by the Fund. When the Fund decides to make such resources available to a member, it may phase such resources in as many purchases and subject to such conditionality as it considers

appropriate. The Fund may commit resources under this section for a period of up to one year and, after it decides to make such resources available, may extend such period for up to one year from the date such resources are made available.

18. Notwithstanding the provisions of paragraph 16, financing under this section may be committed and provided under any extended arrangement in effect on June 30, 1999.

19. Paragraphs 6 to 11 of this decision shall apply to purchases under this section.

20. This section and its operation will be reviewed no later than May 5, 2000.

Decision No. 11627-(97/123)SRF,
December 17, 1997,
as amended by
Decision No. 11866-(99/1)SRF,
December 22, 1998,
Decision No. 11895-(99/11)SRF,
January 25, 1999,
Decision No. 11942-(99/48)SRF/CCL
April 23, 1999, and
11982-(99/61)SRF/CCL
June 8, 1999.

The Chairman's Summing Up
on Contingent Credit Lines
Executive Board Meeting 99/48, April 23, 1999

Directors have given extensive consideration to a role for the Fund in providing members with contingent credit lines (CCLs). There is now agreement to proceed with this concept, essentially as an important instrument of crisis prevention, creating further incentives for the adoption of strong policies and adherence to internationally accepted standards, encouraging the constructive involvement of the private sector, and thereby reducing the risks of contagion, and Directors have approved the decision

establishing the CCL. There are, however, a number of elements in this decision which require some elaboration in order to express the Board's understanding as to how they will operate.

Foremost among these elements are the four eligibility criteria referred to in paragraph 14 of the decision. As is clear from the decision, and as Directors have agreed, for a member to be eligible for the CCL, it must satisfy all four of these criteria. Directors have also agreed, however, that in assessing whether an individual criterion is satisfied, the Executive Board would take into account a range of factors, and would exercise judgment as to whether a sufficient "critical mass" of factors relevant to the criterion is in evidence.

Let me start with the first criterion. It is agreed that, for a member to be eligible for the CCL, the member's policies should be such that, absent a future balance of payments problem of the type for which CCL resources are intended, the member would not otherwise be expected to need to use Fund resources. This criterion would not exclude members with arrangements in place where members are treating these arrangements as precautionary or where drawings are outstanding but the need for further drawings under the arrangements is judged to have ceased as confirmed by the member.

As indicated by the second criterion, the member's policies should "have received a positive assessment from the Fund at its last Article IV consultation" and its policies should have "continued to be assessed favorably by the Fund thereafter based on economic indicators reflecting domestic stability and external sustainability, and taking into account the extent of the member's adherence to relevant internationally accepted standards". It is understood that by a "positive assessment", it is meant that the Board should have expressed its broad satisfaction with the member's policy stance and prospects, although this does not necessarily mean an assessment entirely devoid of recommendations for changes in policy. But it would be important that the Board should be of the view that the member's policies themselves would not expose it to significant risk of balance of

payments pressure, and this should be true both of the member's policies in the recent past and of the policies it plans to implement in the future. This broadly satisfactory assessment should have been expressed at the time of the most recent Article IV consultation, and reaffirmed, with respect to the policies the member has been implementing and the policy plans it has framed since the Article IV consultation, at the time of the commitment of CCL resources. If the member has not already done so, the Fund would strongly encourage a member that contemplates use of the CCL to volunteer for the pilot project and publish its Article IV staff report.

Directors are agreed that, in judging eligibility under this criterion, the Board should take into account the member's progress in adhering to relevant internationally accepted standards. The member would have subscribed to the Special Data Dissemination Standard and be judged to be making satisfactory progress toward meeting its requirements. In addition, at this early stage, the Board would take into account the member's adherence, or progress toward adherence, to the Basle Core Principles for Banking Supervision, the code of transparency in the area of fiscal policy and, when it is agreed, the code of transparency in monetary and financial policy. Other standards, some of which are still under development, could also be added as they are developed, so long as the Fund is able to assess adherence, possibly taking into account the views of other organizations. As standards are developed and experience is gained, the question of requiring adherence to certain standards could be reviewed.

The third criterion provides that a member would be eligible if it is maintaining constructive relations with its private creditors with a view to facilitating appropriate involvement of the private sector, and has made satisfactory progress in limiting external vulnerability through the management of the level and structure of its external debt. This is a complex area, and many aspects of it remain to be fully worked out. Directors have accepted that a judgmental approach to assessing overall progress in this area will be needed, and they have pointed to a number of factors and considerations that would be relevant to this criterion. For a

member to be judged to have constructive relations with private creditors, for example, it would seem essential that the member not have external payments arrears on sovereign debt, nor on private debt as a result of exchange controls. In examining a member's request under the CCL, the Executive Board would take account of market assessments of the country's situation. In addition, a member should have in place, or demonstrate that it is making credible efforts toward putting in place, appropriate arrangements to involve the private sector. These might include, by way of example, (i) contingent private credit lines or similar arrangements, (ii) call options in debt instruments, which would permit the debtor to extend their maturity, (iii) terms and conditions in recent and forthcoming bond contracts that include provision for the adjustment of terms by qualified majorities, collective representation provisions, and sharing clauses, (iv) as they are developed, other debt instruments designed to provide efficient and appropriate insurance against shocks, (v) a framework for debtor-creditor discussions, (vi) effective debt management procedures, and (vii) strong domestic bankruptcy regimes. It has to be recognized that most of these arrangements are not yet in general use, and we will need both to evaluate what countries have achieved in this area relative to changing practices, and be prepared to learn from experience. As experience is gained and instruments are developed, this checklist will need to be adapted and, as in the area of standards, we could consider whether it would be possible to define more concretely a critical mass of steps that should be expected. It would be appropriate to consider all these issues in the context of the review of the CCL.

In assessing the member's external vulnerability and the management of its external debt profile, the Board will take into account a range of factors or "sustainability checks" including, inter alia, the evolution of the real exchange rate (to establish that this has not moved to an unsustainable level), the level and composition (currency denomination and maturity profile) of public debt (including with reference to derivatives, and with consideration of creditors' put options), the level and composition of external debt (including with reference to derivatives, and with consideration of creditors' put options), the level of gross and net

international reserves, the share of short term external debt unmatched by private contingent credit lines or reserves, the net foreign asset position of commercial banks, and the evolution of domestic credit in relation to GDP. To assist the Board's assessment in this respect, the staff and the authorities should work to provide quantified "stress simulations" which will aim to take into account both potential outflows and secured inflows in the event of a crisis. The policies the member has implemented with a view to limiting vulnerability would also be taken into account. The appropriateness of the exchange rate regime will be important in this respect, but other factors will also be relevant, such as the degree to which the member has avoided bias (for instance, in its regulatory and tax system) in favor of short-term borrowing and the existence of a system to monitor private external liabilities.

The final criterion requires that a member should submit for the Board's approval "a satisfactory economic and financial program, including a quantified framework, which the member stands ready to adjust as needed". As is customary in support of a request for access to Fund resources, the member would present to the Board a description of its planned economic policies for the period for which access to CCL resources is approved, including a quantified framework that will guide its macroeconomic policies, and the structural policies it intends to implement. There would be a strong presumption that this statement of policies would be released to the public. Such policies would be expected to be of sufficient quality and strength that they would meet the standards required of drawings in the upper credit tranches. The quantified framework should be specified in such a way that the staff and the Board would be able to form a rapid assessment of the member's compliance with it and thereby facilitate the rapid release of resources upon the request for activation of the CCL. While this would not necessarily involve monthly benchmarks, it would involve regular and timely provision of relevant data to the staff and continuous monitoring by the staff of the country's economic situation.

I turn now to the subject of access. While there is no general access limit, it is accepted that, unless warranted by exceptional

circumstances and while paying due regard to the liquidity position of the Fund, commitments under the CCL would be expected to be in a range of 300-500 percent of quota. Access policy under the CCL would be an important part of the focus of the review of the CCL, scheduled for one year from its inception.

In its consideration of a member's request for a commitment of the Fund's resources under the CCL, the Executive Board will also consider the potential impact on the Fund's liquidity position and on the level of the Fund's usable and potentially available resources over the period of the requested commitment. The Executive Board will monitor the Fund's liquidity position on a continuing basis paying particular regard to the possible evolution of commitments under the CCL as well as under the Fund's other facilities. The Executive Board will also consider in the light of experience the appropriate method to assess the impact of CCL commitments and possible purchases on the Fund's liquidity position.

CCL resources would be committed under a stand-by arrangement.* In accordance with the principles on access under arrangements, upon Board approval of an arrangement establishing a contingent credit line, a small purchase of credit tranche resources (typically 5 percent of quota) would be immediately available. Beyond this, activation of the credit line will required a Board review. This approach would also be applied if CCL resources are committed in the context of an existing arrangement (namely an arrangement that the member treats as precautionary).

A member for which a CCL has been approved may, at any time, request access to CCL resources, which would require a special "activation" review by the Board. The Board would expeditiously complete this review, and make available the associated purchase, if it were satisfied that: (i) the member is experiencing exceptional balance of payments difficulties due to a large short-term financing need resulting from a sudden and

*However, CCL resources could also be committed under an extended arrangement in effect on June 30, 1999.

disruptive loss of market confidence reflected in pressure on the capital account and the member's reserves, (ii) these difficulties are judged to be largely beyond the member's control and to be primarily from adverse developments in international capital markets consequent upon developments in one or several other countries, (iii) up to the time of the crisis, the member has successfully implemented the economic program that it had presented to the Board as a basis for its access to CCL resources, and (iv) the member is committed to adjusting policies to deal with any real economic impact that may follow from contagion. The monitoring arrangements already in place would allow this review to be completed rapidly. At the time of the activation review, the Board would decide on the amount to be released immediately and on the phasing of the remaining amount through the remainder, or extension, of the arrangement, as well as on the related conditionality.

Upon approval of the arrangement committing CCL resources, the Board will schedule a mid-term review to be completed by a specified date if the activation review is not completed before this date. After this date has passed, the mid-term review will need to be completed before a purchase associated with the activation review can be released. At the mid-term review, the Board would satisfy itself that the member was successfully implementing the economic program earlier presented to the Board and had adjusted that program appropriately in response to any changes in circumstances.

The introduction of the CCL is an important initiative for the Fund. It involves several aspects that are new or still under development, and we will need to approach it experimentally, with a view to learning and, if necessary, adapting it. In any case, we will have a full review in a year's time.

SUPPLEMENTAL RESERVE FACILITY—DISPOSITION OF NET OPERATIONAL INCOME

For financial year 1998, after meeting the cost of administering the ESAF Trust, any remaining net operational income generated by the Supplemental Reserve Facility shall be transferred, after the end of the financial year, to the General Reserve.

Decision No. 11683-(98/27),
March 12, 1998

For financial year 1999, after meeting the cost of administering the ESAF Trust, any remaining net operational income generated by the Supplemental Reserve Facility shall be transferred, after the end of that financial year, to the General Reserve.

Decision No. 11716-(98/49),
April 28, 1998

SUPPLEMENTAL RESERVE FACILITY AND CONTINGENT CREDIT LINES—DISPOSITION OF NET OPERATING INCOME

For financial year 2000, after meeting the cost of administering the ESAF Trust, any remaining net operational income generated by the Supplemental Reserve Facility and Contingent Credit Lines shall be transferred, after the end of that financial year, to the General Reserve.

Decision No. 11949-(99/49) SRF/CCL
April 30, 1999

Systemic Transformation Facility

1. (a) Until April 30, 1995, the Fund will be prepared to provide financial assistance in accordance with the terms of this decision to members that are experiencing balance of payments difficulties as a result of severe disruptions in their traditional trade and payments arrangements that are manifested by (i) a sharp fall of total export receipts due to a shift from significant reliance on trading at nonmarket prices to multilateral, market-based trade, (ii) a substantial and permanent increase in net import costs, due to a shift from significant reliance on trading at nonmarket prices toward world market pricing, particularly for energy products, or (iii) a combination of both.

(b) For purposes of this decision, disruptions in a member's trade and payments arrangements shall be deemed to be "severe" when they are estimated to be at least equivalent to 50 percent of quota.

2. Financing under this decision for the balance of payments difficulties stemming from the disruptions described in paragraph 1 above shall not exceed 50 percent of the member's quota and shall be provided in two purchases. Each purchase shall be equal to 50 percent of the member's access as determined under this decision.

3. (a) A member may expect that its request for a first purchase under this decision will be met immediately, if the Fund is satisfied that the member will cooperate with the Fund in an effort to find appropriate solutions to its balance of payments difficulties, based on:

(i) a written statement submitted by the member

- describing the policies and measures that the member intends to pursue for the next 12 months, including, as appropriate, the steps taken or to be taken to put in place the basic institutions of economic management in a market-oriented system;

- stating the member's intention to reach understandings with the Fund as soon as possible on a comprehensive adjustment program that could be supported by a Fund arrangement; and

- describing a financial program, including quarterly targets for relevant macroeconomic indicators, for the next 12 months, if such a program can reasonably be elaborated; and

(ii) such prior actions, if any, as the Fund considers appropriate.

(b) A member shall be deemed to fulfill the condition of willingness to cooperate set out in subparagraph (a) above with respect to a request for a first purchase, if a Fund arrangement is approved or a program review under a Fund arrangement is completed for the member while the request for the first purchase is under consideration by the Fund.

4. (a) A member may expect that its request for a second purchase under this decision, which would normally be made about 6 months, but in any event not later than 18 months, after the date of the first purchase, will be met when the Fund is satisfied that the member continues to cooperate with the Fund in an effort to find appropriate solutions to its balance of payments difficulties, based on:

(i) a finding by the Fund that there has been satisfactory progress (1) toward reaching understandings between the member and the Fund on a comprehensive adjustment program that could be supported by a Fund arrangement, taking into account the policies and measures carried out by the member since the first purchase, and (2) in mobilizing the external financing necessary to support the policies being implemented with the support of the Fund under this decision;

(ii) a written statement submitted by the member describing or updating a financial program, including quarterly targets of relevant macroeconomic indicators, for the subsequent two quarters; and

(iii) such prior actions, if any, as the Fund considers appropriate.

(b) A member shall be deemed to fulfill the condition of continuing cooperation set out in subparagraph (a) above with respect to a request for a second purchase, and may make such purchase earlier than specified in subparagraph (a) above, if a Fund arrangement is approved or a program review under a Fund arrangement is completed for the member not less than 2 months after the date of the first purchase and while the request for the second purchase is under consideration by the Fund.

5. A member that has a Fund arrangement shall, as a condition for making a purchase under this decision, reach understandings with the Fund on appropriate modifications of the terms and conditions of the arrangement, including the amount of the arrangement.

6. Purchases under this decision and holdings resulting from such purchases shall be excluded for the purposes of the definition of "reserve tranche purchase" pursuant to Article XXX(*c*).

7. Except for the purpose of determining the level of conditionality applied to purchases in the credit tranches, the Fund's holdings of a member's currency resulting from purchases under this decision shall be considered separate from the Fund's holdings of the same currency resulting from purchases made under any other policy on the use of the Fund's general resources. In cases of concurrent requests for a purchase in the credit tranches and for a purchase under this decision, the purchase under this decision shall be deemed to be made first.

8. In order to carry out the purposes of this decision, the Fund will be prepared to grant a waiver of the limitation of 200 percent of quota in Article V, Section 3(*b*)(iii), whenever necessary to

permit purchases under this decision or to permit other purchases that would raise the Fund's holdings of the purchasing member's currency above that limitation because of purchases outstanding under this decision.

9. Wherever used in this decision, the expression "Fund arrangement" will mean an upper credit tranche stand-by or extended arrangement or an arrangement under the Enhanced Structural Adjustment Facility.

10. In providing financing pursuant to this decision, the Fund, as under any other policies of the Fund, shall pay due attention to the member's capacity to service its financial obligations to the Fund, and, having regard to the outstanding financial obligations of the member to the Fund and to assurances received from creditors and donors, may reduce the amount of financing accordingly, notwithstanding any other provision of this decision.

11. Notwithstanding paragraph 1, a second purchase under paragraph 4 may be made by a member after April 30, 1995, but not later than December 31, 1995, provided that the member has made the first purchase under paragraph 3 before December 31, 1994.

12. Pursuant to Article V, Section 7(*d*), repurchases in respect of an outstanding purchase under this decision shall be made in equal semiannual installments during the period beginning four and one half years and ending ten years after the purchase.

13. Rule I-6(4) shall be amended by inserting the following new subparagraph (viii):

> "or (viii) under the Systemic Transformation Facility (Executive Board Decision No. 10348-(93/61) STF, adopted April 23, 1993,)"

Decision No. 10348-(93/61) STF
April 23, 1993, as amended by
Decision No. 10760-(94/71) STF, July 29, 1994, and
10855-(94/109) STF, December 14, 1994

FUTURE OF SYSTEMIC TRANSFORMATION FACILITY

The period of the systemic transformation facility is not extended. In accordance with the terms of the decision establishing this facility, the period within which a member may make a first purchase will expire on April 30, 1995. With respect to members that will have only made their first purchase by April 30, 1995, the period during which they may make their second purchase will expire on December 31, 1995.

Decision No. 10961-(95/41),
April 19, 1995

Supplementary Financing Facility

SUPPLEMENTARY FINANCING FACILITY: ESTABLISHMENT

1. (a) The Fund will be prepared to provide, in accordance with this decision, supplementary financing in conjunction with use of the other resources of the Fund (hereinafter referred to as "ordinary resources") to members facing serious payments imbalances that are large in relation to their quotas. Supplementary financing for the purpose of this decision means financing that the Fund will provide under a stand-by or extended arrangement with resources the Fund obtains by replenishment under Article VII, Section 2* and Decision No. 5509-(77/127),** adopted August 29, 1977.

(b) Resources available to members under other policies of the Fund will remain available in accordance with the terms of those policies.

*Corresponds to Article VII, Section 1 of the Articles of Agreement after the Second Amendment.
**Reproduced on pages 477-78.

2. A member contemplating use of the Fund's resources in the three credit tranches beyond the first credit tranche (hereinafter referred to as the "upper credit tranches") that would include supplementary financing shall consult the Managing Director before making a request under this decision. A request by a member will be met under this decision only if the Fund is satisfied: (i) that the member needs financing from the Fund that exceeds the amount available to it in the four credit tranches and its problem requires a relatively long period of adjustment and a maximum period for repurchase longer than the three to five years under the credit tranche policies; and (ii), on the basis of a detailed statement of the economic and financial policies the member will follow and the measures it will apply during the period of the stand-by or extended arrangement, that the member's program will be adequate for the solution of its problem and is compatible with the Fund's policies on the use of its resources in the upper credit tranches or under the Extended Fund Facility.

3. The Fund may approve a stand-by or extended arrangement that provides for supplementary financing at any time within two years from the effective date of this decision. The Fund will review this period when conducting a review under 12 below. Any extension of the period shall not exceed one year.

4. (a) Supplementary financing will be available only if the program referred to in 2(ii) above is one in support of which the Fund approves a stand-by arrangement in the upper credit tranches or beyond or an extended arrangement. The stand-by or extended arrangement will be in accordance with the Fund's policies, including inter alia its policies on conditionality, phasing, and performance criteria, provided however that any right of augmentation exercised by a member in connection with a repurchase in respect of a purchase made with supplementary financing shall be subject to the same period of repurchase that applied to the purchase in respect of which the repurchase was made.

(b) The period of a stand-by arrangement approved under this decision will normally exceed one year, and may extend up to three years in appropriate cases. The period of an extended

arrangement will be in accordance with Decision No. 4377-(74/114),* adopted September 13, 1974.

(c) A request for a purchase in accordance with a stand-by or extended arrangement approved under this decision will be met from ordinary resources and supplementary financing in the proportions determined under 5 and 6 below when the arrangement is approved.

5. The amounts available to a member under a stand-by arrangement approved under this decision will be apportioned between ordinary resources and supplementary financing as follows:

(a) While each credit tranche is 36.25 percent of quota under the Fund's policies, supplementary financing will be equivalent to 34 percent of quota in respect of each of the upper credit tranches.

(b) After each credit tranche becomes 25 percent of quota under the Fund's policies, supplementary financing will be equivalent to 12.5 percent of quota in respect of the first credit tranche and 30 percent of quota in respect of the upper credit tranches.

(c) If a member has used all or part of its credit tranches before a stand-by arrangement is approved under this decision, the arrangement approved under this decision will provide that the amount of supplementary financing that would have been used under (a) and (b) above if all earlier purchases in the credit tranches had been made in conjunction with supplementary financing will be used, subject to 4(a) above, before purchases are made under (a) or (b) above.

(d) If a purchase in a credit tranche is less than the amount of a full credit tranche, the supplementary financing to be used in conjunction with the purchase will be in the same proportion of the

*Reproduced on pages 150-54.

amount of supplementary financing referred to in (a) and (b) above as the purchase in the credit tranche bears to the amount available in that tranche when the arrangement was approved.

(e) From time to time, the Fund will review the proportions of supplementary financing to be used in conjunction with the upper credit tranches, and may substitute modified proportions for those in effect pursuant to this decision. The modified proportions shall apply only to stand-by arrangements approved after the date of the decision to modify the proportions, provided that a member that has an existing stand-by arrangement may request that, subject to 4(a) and 5(c) above, any increased proportions be made available to it under a new or revised arrangement.

(f) In special circumstances, a stand-by arrangement may be approved under this decision that provides for purchases beyond the credit tranches and supplementary financing available under (a), (b), and (c) above. The arrangement will provide that all purchases under it will be made with supplementary financing. The Fund, taking into account the criteria in 2 above, will prescribe in each arrangement the amount of supplementary financing that will be available.

6. (a) Supplementary financing will be available, in combination with ordinary resources, for purchases under an extended arrangement approved under this decision in an amount not exceeding the equivalent of 140 percent of quota. Purchases under an extended arrangement will be made with ordinary resources and with supplementary financing in the ratio of one to one.

(b) Supplementary financing available to a member in accordance with the ratio in (a) above will be increased by an amount determined by the ratio of one to one in respect of that part of the upper credit tranches that is no longer available to the member as the result of earlier uses of the Fund's resources. Purchases will be made with supplementary financing, subject to 4(a) above, to the extent of the amount of this increase before purchases are made in accordance with (a) above.

(c) The principles of 5(e) and (f) shall apply to extended arrangements approved under this decision.

7. (a) Repurchases in respect of outstanding purchases under this decision will be made in accordance with the terms of the stand-by or extended arrangement under which the purchases were made.

(b) The terms will include a provision that the member will be expected to repurchase in respect of purchases, whether made with ordinary resources or with supplementary financing, as its balance of payments and reserve position improves, and will make such repurchases if, after consultation with the member, the Fund represents that repurchase should be made because of an improvement.

(c) The terms will also provide that with respect to purchases financed with ordinary resources repurchase will be made in accordance with the Fund's policies on the credit tranches or under the Extended Fund Facility; and that with respect to purchases made with supplementary financing repurchase will be made in equal semiannual installments that begin not later than three and one-half years and are completed not later than seven years after the purchase.

(d) A repurchase attributed to a purchase made with supplementary financing in advance of this schedule of equal semiannual installments must be accompanied by a repurchase in respect of the purchase financed with ordinary resources made at the same time if any part of the latter purchase is still outstanding. The amounts of the two repurchases will be in the same proportions in which ordinary resources and supplementary financing were used in the purchases, provided, however, that the repurchase in respect of the purchase financed with ordinary resources will not exceed the amount of the purchase still outstanding.

(e) Repurchases will be made in the media prescribed by the Articles of Agreement and specified by the Fund at the time of

the repurchase after consultation with members. The Fund will be guided by a policy of specifying for repurchase the media in which it will make repayments as a result of the repurchases, and will take this policy into account in preparing its currency budgets.

8. In order to carry out the purposes of this decision, the Fund will be prepared to grant a waiver of the conditions of Article V, Section 3*(a)*(iii) (or Article V, Section 3*(b)*(iii) after the Second Amendment of the Articles) that is necessary to permit purchases under this decision or to permit purchases under other policies that would raise the Fund's holdings of a member's currency above the limits referred to in that provision because of purchases outstanding under this decision.

9. The Fund will apply its credit tranche policies as if the Fund's holdings of a member's currency did not include holdings resulting from purchases outstanding under this decision that have been made with supplementary financing. After the effective date of the Second Amendment of the Articles of Agreement purchases under this decision and holdings resulting from purchases outstanding under this decision will be excluded under Article XXX*(c)*.

10. The Fund will state which purchases by a member are made under this decision and the amounts of ordinary resources and supplementary financing used in each purchase.

11. The Fund will levy charges in accordance with the decision of the Executive Board on holdings of a member's currency resulting from purchases outstanding under this decision to the extent that they are made with supplementary financing.

12. The Fund will review this decision not later than two years after its effective date or when the Seventh General Review of Quotas becomes effective, if that occurs within the two years. One year after the effective date of this decision the Fund will report on the use of the supplementary financing facility. The report will deal also with other important aspects of the facility.

13. The effective date of this decision will be the date on which agreements are completed under Decision No. 5509-(77/127), adopted August 29, 1977, for a total amount not less than SDR 7.75 billion, including at least six agreements each of which provides for an amount not less than SDR 500 million.

Decision No. 5508-(77/127)
August 29, 1977

Media of Payment

USE OF CURRENCIES AND SDRS IN THE GENERAL RESOURCES ACCOUNT AND PRINCIPLES AND PROCEDURES FOR DESIGNATION

(a) Assessment of Strength of Member's Balance of Payments and Gross Reserve Position for the Purposes of Designation Plans, Operational Budgets and Repurchases Under Article V, Section 7(b)

This decision sets forth guidelines for the assessment of the strength of the balance of payments and gross reserve position of a participant under Article XIX, Section 5(*a*)(i) (designation plans), and of the balance of payments and reserve position of a member under Article V, Section 3(*d*) (operational budgets) and, in accordance with Executive Board Decisions No. 5704-(78/39) and No. 6172-(79/101), under Article V, Section 7(*b*) (early repurchases).

1. Assessments of strength for the purposes of Article V, Sections 3(*d*) and 7(*b*) will be based on a member's balance of payments and gross reserve position, and shall take into account developments in the exchange markets.

2. A member's "balance of payments and gross reserve position" is a combined concept, under which strength in one element may compensate for moderate weakness in the other.

3. In the Fund's assessment whether a member's balance of payments and gross reserve position is sufficiently strong for the purposes of the designation plans, operational budgets, and early repurchases, all relevant factors and data on the member's position shall be considered, including the following: recent and prospective movements in gross reserves, balance of payments developments, the relationship of gross reserves to a member's

imports and Fund quota, and developments in exchange markets. To the extent that recent data on changes in a member's net reserves are available, these shall be taken into account as an indicator of the member's balance of payments position.

4. If a member has outstanding purchases in the General Resources Account, the assessment of its balance of payments and gross reserve position will include judgments on whether the member's position shows an improvement in comparison with the position at the time it made its last purchase from the Fund, on the extent of the improvement, and on whether it is likely to be sustained in the foreseeable future. Special attention will be given to the recent and prospective evolution in the various components of the member's balance of payments, including developments in the member's net reserves to the extent that data are available.

Decision No. 6273-(79/158) G/S
September 14, 1979

(b) Specification of Currencies by the Fund

This decision sets forth guidelines for the selection of currencies in purchases under Article V, Section 3(*d*), in repurchases under Article V, Section 7(*i*), and in transfers of SDRs by the Fund under Article V, Section 6(*b*) pursuant to decisions adopted prior to the date of this decision.

1. Normally, the Fund will select a member's currency for use in the operations and transactions of the General Resources Account in amounts that result in a net reduction of the Fund's holdings of the currency only if the member's balance of payments and gross reserve position is judged to be sufficiently strong. Accordingly this will not preclude the possibility that the Fund will make net reductions in its holdings of the currency of a member with a strong reserve position even though it has a moderate balance of payments deficit.

2. Under procedures to be adopted, the currency of a member with outstanding purchases subject to repurchase, whose balance of payments and gross reserve position is judged sufficiently strong for the purposes of operational budgets and designation plans, normally will be sold by the Fund under Article V, Section 3(*d*) only if the member and the Fund agree.

3. The desirability of promoting over time balanced positions in the Fund ("harmonization") will be taken into account in the following way:

a. A member's "position in the Fund" shall be defined as its reserve tranche position plus any outstanding loans to the Fund by the member or an institution of a member under credit arrangements that are judged by the Fund to provide it, on a continuing basis, with the ability to finance uses of its resources by members on terms comparable to those applicable to the Fund's use of its currency holdings for this purpose.

b. Subject to (c) and (d) below, currencies shall be selected for use in purchases and repurchases, and in transfers of SDRs by the Fund under decisions adopted prior to the date of this decision, in such a way as to promote, over time, the equalization of the ratios of members' positions in the Fund, as defined under (a) above, to their gold and foreign exchange holdings.

c. The application of the principle in (b) above will not be carried beyond the point where the Fund's holdings of a member's currency are substantially below the average level, expressed as a percentage of quota, at which the Fund holds the currencies of members that do not have purchases outstanding and whose balance of payments and gross reserve position is sufficiently strong in accordance with paragraph 1 above. In addition, the Fund will seek to maintain adequate working balances of a currency.

d. If the currency of a member whose balance of payments and gross reserve position is not judged sufficiently strong in accordance with paragraph 1 above can be accepted in repurchase under Article V, Section 7(*i*), the Fund, at the request of the

member, will give special emphasis to the use of that currency for repurchases.

4. The guidelines in this decision will be applied in a manner that will allow the Fund to retain the flexibility necessary to ensure that (i) the use of currencies can be adapted to the needs and circumstances of members and of the Fund, and (ii) the transactions and operations of the Fund can be executed expeditiously and in a manner that pays due regard to the convenience of members. Considerations that are relevant under (i) may include the need for members to purchase certain currencies in order to stabilize exchange markets, the effects of the use or receipt of currencies on the Fund's financial position, the Fund's liquidity, and the fact that in respect of the issuer of a reserve currency the ratio of its Fund position to its gold and foreign exchange holdings may not provide an appropriate measure of the amounts of the currency that might be used by the Fund. Considerations under (ii) may include the need to avoid the use of an excessive number of currencies in single transactions and operations.

Decision No. 6274-(79/158)
September 14, 1979

(c) Transfers of SDRs Under Article V, Section 3(f)

Pursuant to Article V, Section 3(*f*), the Fund shall provide SDRs instead of the currencies of other members to a participant making a purchase in accordance with decisions on the operational budgets taken under Rule O-10. For this purpose, the Executive Board shall keep under review the amount of the Fund's holdings of SDRs in the General Resources Account in the light of all relevant considerations, including the relationship of SDR holdings to its other assets, and will determine from time to time the approximate range within which the Fund will aim to maintain these holdings.

Decision No. 6275-(79/158) G/S
September 14, 1979

Procedures for the Sale of Currencies at the Request of Members with Outstanding Purchases

Pursuant to paragraph 2 of the Executive Board Decision No. 6274-(79/158), the Executive Board approves the procedures set out [below].

Decision No. 6352-(79/183)
December 12, 1979

Procedures

1. Executive Board Decision No. 6274-(79/158) on the selection of currencies by the Fund contains the following paragraph:

> 2. Under procedures to be adopted, the currency of a member with outstanding purchases subject to repurchase, whose balance of payments and gross reserve position is judged sufficiently strong for the purposes of operational budgets and designation plans, normally will be sold by the Fund under Article V, Section 3(*d*) only if the member and the Fund agree.

2. . . .*

3. . . .*

4. . . .*

5. . . . the following procedural guidelines are suggested. They place stress on consultations between the Managing Director and the member concerned prior to the submission by the Managing Director to the Executive Board of a proposal agreed with the member on a maximum amount of sales of its currency and on the way in which these sales would be integrated in the operational budget. The guidelines are intended to provide a reasonable degree of flexibility for the Managing Director to make proposals that

*Not included in this publication.

would be acceptable both to the member that wished its currency to be sold and to the Executive Board.

a. As far as practicable, a member with outstanding purchases that wishes its currency to be sold by the Fund would be expected to consult with the Managing Director before the end of the second month of the quarterly period prior to the beginning of the period in which the currency would be sold. This will enable a proposal for the sale of the currency to be incorporated in the next operational budget. However, the Managing Director might also propose an amendment to an existing budget. The qualification "as far as practicable" is included in order to provide some flexibility; one reason for this is that a member may not know that its balance of payments and reserve position is judged "sufficiently strong" for the purposes of the next designation plan and operational budget until the relevant documents are circulated to the Executive Board.

b. Following the consultation, and with the agreement of the member concerned, the Managing Director will make a proposal to the Executive Board in accordance with paragraph (c) below that the currency be included in the operational budget. The Managing Director's proposal will cover the way in which the sales of the currency will be integrated with the sales of other currencies and SDRs in the execution of the operational budget. While in each case the decision on sales of a currency would rest with the Executive Board, there would be a reasonable presumption that a proposal made in accordance with these guidelines would be accepted.

c. Proposals by the Managing Director for sales of a currency of a member with purchases outstanding would be guided by the following considerations:

(i) Proposals would not normally be made for sales of currencies if such sales would give rise to repayments of borrowing by the Fund, or if they would be attributed by the member to repurchase obligations falling due within the quarterly period of the budget.

(ii) The amounts of currency involved should not be such as to detract significantly from the promotion of balanced positions in the Fund or the aim of maintaining the SDR holdings of the General Resources Account within a particular range.

SALES OF SDRs AND USE OF CURRENCIES THROUGH THE OPERATIONAL BUDGETS

1. *Sales of SDRs*

The Fund will sell the amount of SDRs expected to be received in each budget period; and the balance of purchases will be distributed between SDRs and currencies in such a manner as to aim at Fund holdings of special drawing rights of SDR 4.5 billion in early 1982, taking into account use and receipt of SDRs and currencies in transactions and operations outside the budgets. Modifications in this guideline will be proposed as necessary.

2. *Use of Currencies*

Currencies shall be selected for use on the transfer and receipt side of the operational budgets in amounts that will promote, over time, balanced "positions in the Fund" as follows:

a. For the quarterly period March–May 1981 the method currently in use will be continued.

b. For the subsequent quarterly periods the amounts on the transfer side of the budgets will be calculated on the basis of members' holdings of gold and foreign exchange and the amounts on the receipt side will be calculated in proportion to their reserve tranche positions in the Fund. Modifications of this method will be proposed if circumstances so warrant. The Fund will seek to maintain adequate working balances of currencies.

c. The U.S. dollar will be included in the operational budgets on the basis of ad hoc proposals.

d. A member's "position in the Fund" shall be defined as its reserve tranche position plus any outstanding loans to the Fund by the member, or an institution of a member, under credit arrangements that are judged by the Fund to provide it, on a continuing basis, with the ability to finance uses of its resources by members on terms comparable to those applicable to the Fund's use of its currency holdings for this purpose.

Decision No. 6772-(81/35) G/S
March 5, 1981

GUIDELINES REGARDING THE USE OF CURRENCIES IN THE GENERAL RESOURCES ACCOUNT

The Executive Board approves the operational guidelines set out below:

a. On the transfer side of the operational budget, currencies will be allocated in proportion to members' gold and foreign exchange reserves, as reported in International Financial Statistics, provided that the Fund's holdings of a member's currency in terms of quota shall not be reduced as a result of transfer allocations below a floor of two-thirds of the average level, expressed as a percent of quota, at which the Fund would hold by the end of a budget period the currencies of members that are sufficiently strong to be included in the operational budget (excluding the United States dollar);

b. The use of the U.S. dollar in transfers shall be included in the operational budgets on the basis of *ad hoc* proposals and, to the extent feasible, the Fund will aim to maintain the Fund's holdings of U.S. dollars, in relation to quota, close to the average level of the Fund's holdings of currencies of other members in relation to quotas that are sufficiently strong to be included in the operational budget;

c. On the receipts side of the operational budget, the currencies to be used in receipts will be allocated in proportion to the reserve tranche positions of those members included in the operational budget, provided that such use shall not raise the Fund's holdings of such a member's currency above its norm for remuneration;

d. The currencies of members with no outstanding purchases and with relatively large reserve tranche positions that were not considered sufficiently strong for inclusion in the operational budget would be used in receipts only, with their agreement;

e. The Fund will seek to maintain adequate working balances of currencies of not less than 10 percent of quotas;

f. The operation of the guidelines will be periodically reported to the Executive Board in the context of the quarterly operational budget; any proposals for modification of the guidelines will be presented to the Executive Board for its consideration. The guidelines will be reviewed by the Executive Board not later than February 10, 1995.

Decision No. 10279-(93/19)
February 10, 1993

The Fund has reviewed the guidelines for the use of currencies under the Fund's operational budget approved by Decision No. 10279-(93/19), adopted February 10, 1993, and decides that they remain appropriate. These guidelines will be reviewed again by the Fund not later than December 31, 1996.

Decision No. 10904-(95/13)
February 6, 1995

SALES OF SDRS AND CURRENCIES IN THE GENERAL RESOURCES ACCOUNT: LEVEL OF FUND SDR HOLDINGS

In determining the amounts of SDRs to be transferred in purchases under the operational budgets, the Fund will be guided by the aim of reducing the Fund's SDR holdings to a level of approximately SDR 4.0 billion by May 31, 1985. Prior to April 30, 1985, the Fund will review the level of its SDR holdings to determine whether and to what extent they should be further reduced.

Decision No. 7626-(84/23) S
February 13, 1984

In determining the amounts of SDRs to be transferred in purchases under the operational budgets, the Fund will be guided by the aim of reducing the Fund's SDR holdings to a level of approximately SDR 2.5 billion by May 31, 1986. Prior to April 30, 1986, the Fund will review the level of its SDR holdings to determine whether and to what extent they should be reduced further.

Decision No. 7941-(85/50) S
March 29, 1985

In determining the amounts of SDRs to be transferred in purchases under the operational budgets, the Fund will be guided by the aim of reducing the Fund's SDR holdings to a level of approximately SDR 1 billion by May 31, 1987. Prior to April 30, 1987, the Fund will again review the level of its SDR holdings.

Decision No. 8265-(86/70) S
April 25, 1986

In determining the amounts of SDRs to be transferred in purchases under the operational budgets, the Fund will be guided by

the aim of maintaining the Fund's SDR holdings within the approximate range of SDR 0.75–1.25 billion. The Executive Board will be informed on the evolution of the Fund's holdings of SDRs on a regular basis. Should circumstances warrant any change in this approximate range, proposals will be brought to the Executive Board.

Decision No. 8574-(87/64) S
April 24, 1987

In determining the amounts of SDRs to be transferred in purchases and operational payments under the operational budgets, the Fund will be guided by the aim of reducing the Fund's SDR holdings to within a range of SDR 1.0-1.5 billion by end-1995. The Executive Board will be informed of the evolution of the Fund's holdings of SDRs on a regular basis in the context of the quarterly operational budget.

Decision No. 10278-(93/19) S
February 10, 1992

SELECTION OF CURRENCIES BY THE FUND

This decision sets forth guidelines for the selection of currencies in purchases under Article V, Section 3(*d*), in repurchases under Article V, Section 7(*i*), and in transfers of SDRs by the Fund under Article V, Section 6(*b*) pursuant to decisions adopted prior to the date of this decision.

1. Normally, the Fund will select a member's currency for use in the operations and transactions of the General Resources Account in amounts that result in a net reduction of the Fund's holdings of the currency only if the member's balance of payments and gross reserve position is judged to be sufficiently strong. Accordingly this will not preclude the possibility that the Fund will make net reductions in its holdings of the currency of a

member with a strong reserve position even though it has a moderate balance of payments deficit.

2. (a) Under procedures to be adopted, the currency of a member with outstanding purchases subject to the guidelines on early repurchase, whose balance of payments and gross reserve position is judged sufficiently strong for the purposes of operational budgets and designation plans, normally will be sold by the Fund under Article V, Section 3(*d*) only if the member and the Fund agree.

(b) If the outstanding purchases of a member judged sufficiently strong are not subject to the guidelines on early repurchase, and the member agrees with the Fund that its currency shall be sold, the amounts of its currency to be sold shall be calculated in accordance with the procedures set out in the Annex to this decision.

3. If the currency of a member whose balance of payments and gross reserve position is not judged sufficiently strong in accordance with paragraph 1 above can be accepted in repurchase under Article V, Section 7(*i*), the Fund, at the request of the member, will give special emphasis to the use of that currency for repurchases.

4. The guidelines in this decision will be applied in a manner that will allow the Fund to retain the flexibility necessary to ensure that (i) the use of currencies can be adapted to the needs and circumstances of members and of the Fund, and (ii) the transactions and operations of the Fund can be executed expeditiously and in a manner that pays due regard to the convenience of members. Considerations that are relevant under (i) may include the need for members to purchase certain currencies in order to stabilize exchange markets, the effects of the use or receipt of currencies on the Fund's financial position, the Fund's liquidity, and the fact that in respect of the issuer of a reserve currency the ratio of its Fund position to its gold and foreign exchange holdings may not provide an appropriate measure of the amounts of the currency that might be used by the Fund.

Considerations under (ii) may include the need to avoid the use of an excessive number of currencies in single transactions and operations.

Decision No. 6774-(81/35)
March 5, 1981

ANNEX

Sales of Currencies of Members Indebted to the Fund

a. There are some members indebted to the Fund that are judged sufficiently strong but to whose outstanding purchases the guidelines on early repurchase do not apply. It was agreed that the Fund would not insist on its right to sell the currency of such a member and such sales would take place only if there was agreement between the member and the Fund. In such cases the Managing Director is authorized, under procedures agreed by the Executive Board, to approach any of these members in a particularly strong position with a view to the member reducing its indebtedness to the Fund in amounts calculated in accordance with the guidelines. In order to facilitate sales of such members' currencies, the rule of attribution is changed to give a member with outstanding indebtedness under excluded facilities financed by borrowing (other than the GAB) the option to apply the consequent reduction in the Fund's holdings of its currency to an enlargement of its reserve tranche position rather than to the discharge of its outstanding obligations to the Fund.

b. The Fund will calculate the amounts of the currencies of the members referred to in (a) above, included for sales in an operational budget, in accordance with the guidelines on early repurchase. In addition, if any other debtor member whose outstanding purchases were neither under excluded facilities financed by borrowings nor subject to the guidelines on early repurchase agreed with the Fund on the sale of its currency, the Fund would calculate the amounts to be sold in the same manner. However, at the request of the member, the calculated amounts

would be reduced for the first two successive budget periods. The calculation of the amount of sales of a debtor member's currency for any quarterly period would no longer be made in accordance with the guidelines on early repurchase, or would be reduced from the calculated amount, when sales of the currency equal the outstanding indebtedness of the member to the Fund.

Ineligibility to Use the Fund's General Resources

USE OF FUND'S RESOURCES: LIMITATION AND INELIGIBILITY UNDER ARTICLE V, SECTION 5

The Fund has, in the case of a member which has had a previous exchange transaction with the Fund, power to declare the member ineligible or limit its use of the resources of the Fund if the member is, in the opinion of the Fund, using the resources of the Fund in a manner contrary to the purposes of the Fund.

Decision No. 284-3
March 10, 1948

USE OF FUND'S RESOURCES: POSTPONEMENT AND LIMITATION UNDER ARTICLE V, SECTION 5

If the Fund receives a request from a member to purchase exchange and either, (1) the Fund is considering sending the member a report pursuant to Article V, Section 5 or (2) the Fund finds when the request is before it that action pursuant to that Section should be considered, then the Fund has the authority, pursuant to Article V, Section 5 of the Fund Agreement, to postpone the transfer as permitted under the provisions of Rules and Regulations G-3* for such time as may reasonably be necessary to decide the question of applying Article V, Section 5, and, if it decides to apply it, to prepare and send to the member a report and subject its use of the Fund's resources to limitations. Under such

*Corresponds to Rule G-4 of the Rules and Regulations adopted April 29, 1981 effective May 1, 1981.

circumstances the limitations imposed will apply to the pending request for the purchase of exchange as well as to future requests.

Decision No. 286-1
March 15, 1948

Sales of SDRs by the Fund

1. Pursuant to Article V, Section 6(*b*) and (*c*), the Fund shall provide a member at its request with SDRs from the General Resources Account in exchange for an equivalent amount of the currencies of other members to enable the member to pay SDRs in order to increase its quota under Board of Governors Resolution No. 34-2 on the Seventh General Review of Quotas or in accordance with the provisions of that Resolution.

2. The amount of SDRs a member may receive under this decision shall not exceed the difference between the amount of the member's SDR holdings and the amount of its quota payment due in SDRs at the time of payment.

Decision No. 6663-(80/160) S
October 31, 1980

Repurchases

EARLY REPURCHASES

1. In applying the first sentence of Article V, Section 7(*b*) of the Second Amendment the Fund will be guided by the Summary of Guidelines attached to this decision.

2. This decision will be reviewed after one year from the date of its adoption.

Summary of Guidelines

The following paragraphs are intended to provide members with the assurance that if they repurchase the amount indicated by the agreed guidelines they will be meeting the expectation of Article V, Section 7(*b*). These guidelines would need to be reviewed from time to time in the light of experience.

a. A member's balance of payments and reserve position would normally be deemed to have improved sufficiently for repurchases to be expected under Article V, Section 7(*b*), if the member's position is judged sufficiently strong in the context of a quarterly designation plan and currency budget. However, a member that makes a purchase in the credit tranches or under a special facility would not be expected to make repurchases under Article V, Section 7(*b*) until the quarter following the second full quarter after its purchase, provided that at that time its balance of payments and reserve position was judged sufficiently strong.

b. During the quarter following the decisions on the designation plan and currency budget, it would be expected that the member's outstanding purchases would be reduced by a specified amount, either by repurchases or by sales of the member's currency, or by some combination of the two. The method employed would be at the option of the member.

c. Subject to paragraphs (d) and (e) below, the specified amount for the expected quarterly repurchase would be 1.5 percent of the member's latest gross reserves plus (minus) 5 percent of the increase (decrease) in gross reserves over the latest six-month period for which data are available. The quarterly amount would be subject to a limit of 4 percent of a member's latest gross reserves, and the amount of a quarterly repurchase would be limited to an amount that would not reduce the member's latest gross reserves below 250 percent of the member's quota.

d. The specified amount would represent the minimum reduction in the Fund's holdings of the member's currency expected during the quarter. Repurchases under Article V, Section 7(*c*) and (*d*), and Schedule B, and sales of the member's currency, would count toward meeting that minimum. If the minimum is exceeded in one quarter, the excess amount shall be deducted from expected repurchases in the subsequent quarter or quarters.

e. If, during the six months prior to the date when a member is added to the list of those members whose positions are considered sufficiently strong, a member makes repurchases in amounts in excess of amounts it was obliged or expected to make during those six months, these excess amounts shall be deducted from expected repurchases in the subsequent quarter or quarters.

f. If a member opted to have its currency sold, the specified amount (less any other expected reductions in the Fund's holdings) would also serve as the amount of the currency the Fund might sell in the quarter under Article V, Section 3(*d*). If the Fund did not sell the currency in the specified amount before the end of the second month of the quarter, the member would be expected to repurchase any balance remaining before the end of the quarter.

Decision No. 5704-(78/39)
March 22, 1978, effective April 1, 1978

Guidelines for Early Repurchase

Preamble

This decision sets forth guidelines for members regarding early repurchase under the first sentence of Article V, Section 7(*b*) when the balance of payments and reserve position of members improves. The guidelines apply to the Fund's holdings of currency that result from the purchases under Article V, Section 3 that are referred to in the following sentence and are subject to repurchase under the provisions of the Articles and policies of the Fund. This decision, and any future changes in it, shall apply in respect of holdings of currency resulting from purchases made either (i) under stand-by or extended arrangements approved by the Fund after October 1, 1977, or (ii) after the date of this decision, but not under stand-by or extended arrangements approved by the Fund before October 1, 1977. Decision No. 5704-(78/39) shall continue to apply in respect of holdings of currency resulting from purchases made after April 1, 1978 and before the date of this decision that were not made under a stand-by or extended arrangement.

The Fund's authority to select the currencies to be used in purchases in accordance with the Articles and its policies is not modified by these guidelines.

1. A member's balance of payments and reserve position will be deemed normally to have improved sufficiently for early repurchases to be expected in accordance with these guidelines if the member's position is judged sufficiently strong for the purposes of a quarterly designation plan and operational budget as determined by the Fund from time to time in the light of the relevant factors. A member that makes a purchase in the credit tranches or under a special policy of the Fund will not be expected, however, to make early repurchases until the quarter following the second full quarter after its purchase.

2. During the quarter following the decisions adopting the designation plan and operational budget, it will be expected that

the Fund's holdings of the member's currency will be reduced by a specified amount, either by repurchases or by sales of the member's currency, or by some combination of the two. The method employed will be at the option of the member.

3. Subject to paragraphs 4 and 5 below, the specified amount for the expected quarterly repurchase will be 1.5 percent of the member's gross reserves plus (minus) 5 percent of the increase (decrease) in gross reserves over the latest six-month period for which data are available ("latest gross reserves"). The quarterly amount will be subject to a limit of 4 percent of the member's latest gross reserves. A quarterly repurchase will be limited to an amount that will not (i) reduce the member's latest gross reserves below 250 percent of the member's quota, and (ii) exceed, together with the member's early repurchases and sales of its currency during the preceding three quarters, 10 percent of these reserves.

4. The specified amount in accordance with paragraph 3 above will represent the minimum reduction in the Fund's holdings of the member's currency expected during the quarter. Repurchases by the member and sales of the member's currency during the quarter will be included in calculating the reductions for this purpose. If the member's repurchases made during a quarter in advance of repurchase maturities, or the sale of its currency during that quarter, exceed the minimum reduction expected during that quarter, the excess will give rise to a credit that will meet pro tanto the expectations of early repurchase for the next five quarters. At the end of a quarter the credit will be reduced by the larger of (i) the repurchase expectation for the quarter that is deemed to be satisfied by the credit, and (ii) the repurchase obligations that would have matured during the quarter but have been discharged by the advance repurchase or by the sale.

5. If, during the two quarters prior to the date when a member is added to the list of members whose positions are considered sufficiently strong for the purposes of the quarterly designation plan and operational budget, the member's repurchases in advance of maturity, or the sale of its currency, exceed the minimum reduction expected during those two quarters, a credit will be

given in accordance with paragraph 4 above. Any credit still available when a member's balance of payments and reserve position is no longer considered sufficiently strong for the purposes of a quarterly designation plan and operational budget will continue to apply in accordance with paragraph 4 above.

6. If a member has opted to have its currency sold, it will be included in the operational budget for the amount calculated in accordance with paragraphs 3, 4, and 5 above, less the amount of its repurchase obligations maturing during the quarter. If the Fund has not sold the currency in the specified amount before the end of the second month of the quarter, the member will be expected to repurchase any balance remaining before the end of the quarter.

7. In each operational budget the Managing Director will report on the observance by members of the guidelines for early repurchase.

8. This decision will be reviewed from time to time in the light of experience.

Decision No. 6172-(79/101)
June 28, 1979

REPURCHASE

1. (a) Repurchases of the outstanding amount of a member's currency that results from a purchase under the credit tranches and is subject to charges under Article V, Section 8(*b*), or under the decision on Compensatory Financing of Export Fluctuations (Decision No. 4912-(75/207), as amended) or the decision on The Problem of Stabilization of Prices of Primary Products (Decision No. 2772-(69/47), as amended), or the decision on Compensatory Financing of Fluctuations in the Cost of Cereal Imports (Decision No. 6860-(81/81), as amended), or the decision on the Compensatory and Contingency Financing Facility (Decision No. 8955-(88/126), as amended), shall be completed, pursuant to Article V, Section 7(*c*), five years after the date of the purchase,

provided that the repurchase shall be made in equal quarterly installments during the period beginning three years and ending five years after the date of the purchase unless the Fund approves a different schedule.

(b) A member that has outstanding purchases under the decision on The Problem of Stabilization of Prices of Primary Products (Decision No. 2772-(69/47), as amended) will be expected to make a repurchase at an earlier date than would be required under (a) above when, and to the extent that, the international buffer stock for the financing of which the purchase was made makes distributions in currency to the member.

2. Decisions with respect to the timing of repurchases shall be understood to permit a member to combine all repurchases to be made within a calendar month and to complete them not later than the last business day of the month, provided however that the maximum period for use of the Fund's resources according to the policy under which a repurchase is to be made shall not be exceeded.

3. If a member that has an outstanding obligation to pay gold in repurchase has made an equivalent repurchase with special drawing rights in discharge of a commitment the member shall be regarded as having discharged its obligation in accordance with Schedule B, paragraph 2.

4. If a member that has an outstanding obligation to pay gold in repurchase has made an equivalent repurchase with currencies of other members in discharge of a commitment, the member shall be regarded as having discharged its obligation in accordance with Schedule B, paragraph 2, provided that if the currencies paid are not acceptable in repurchase as of the date of the Second Amendment, the member shall substitute an equivalent amount of the currencies of other members specified by the Fund in accordance with Article V, Section 7(*i*).

5. If a member that has an outstanding obligation to pay gold in repurchase has not made an equivalent repurchase with special

drawing rights or with the currencies of other members in discharge of a commitment, within two months after the date of the Second Amendment of the Articles of Agreement, the member shall make a repurchase equivalent to the outstanding obligation in gold with special drawing rights or, at its option, with the currencies of other members specified by the Fund in accordance with Article V, Section 7(*i*). The repurchase shall be regarded as a discharge of the member's obligation in accordance with Schedule B, paragraph 2.

6. The dates for the payment of special drawing rights or currencies of other members in discharge of any obligation to pay gold to the Fund in repurchase, and for any substitution under paragraph 5 above, after the date of the Second Amendment of the Articles of Agreement shall be determined in accordance with Schedule B, paragraph 1.

7. Repurchase under Schedule B, paragraph 4 shall be completed four years after the date of the Second Amendment of the Articles of Agreement. If the Fund's holdings of a member's currency that are subject to paragraph 4(ii) are in excess of 10 percent of the member's quota on the date of the Second Amendment, the member shall be requested to agree to make the repurchase in four equal installments beginning not later than one year after that date.

Decision No. 5703-(78/39)
March 22, 1978, effective April 1, 1978,
as amended by
Decision No. 6862-(81/81)
May 13, 1981, and
Decision No. 8955-(88/126)
August 23, 1988

A member shall discharge any repurchase obligation that accrued in gold before the date of the Second Amendment with special drawing rights or, at its option, with the currencies of other

members specified by the Fund in accordance with Article V, Section 7(*i*).

Decision No. 5809-(78/88)
June 12, 1978

Attribution of Reductions in Fund's Holdings of Currencies

1. (a) Subject to paragraphs (b) and (c) below a member shall be free to attribute a reduction in the Fund's holdings of its currency (i) to any of its obligations to repurchase, and (ii) to enlarge its reserve tranche.

(b) If the reduction results from the sale of a member's currency or from operational payments by the Fund, an attribution may not be made to an obligation to repurchase financed from borrowed resources unless the Fund is obligated or entitled immediately to repay the lender on the occasion of such attribution. A member would be able to combine an attribution under this decision to an obligation to repurchase financed with ordinary resources with a repurchase of an outstanding obligation financed with borrowed resources, provided this repurchase and the attribution would result in a joint reduction of repurchase obligations as required under Decision No. 5508-(77/127) and Decision No. 6783-(81/40).

(c) An attribution to create a reserve tranche may only be made if the reduction results from the sale of the member's currency or from operational payments by the Fund in that currency and if the member's obligations to repurchase do not include an obligation relating to a purchase financed through borrowing under the GAB.

2. A reduction attributed to a reserve tranche position will not discharge an expectation of repurchase under the Guidelines for Early Repurchase.

3. If the member when asked does not make an attribution in accordance with 1 above, it will be deemed to be discharging the first maturing repurchase obligation.

4. The Fund will review this decision before April 30, 1984.

Decision No. 6831-(81/65)
April 22, 1981, effective May 1, 1981,
as amended by
Decision No. 7059-(82/23)
February 22, 1982

The Executive Board has reviewed Decision Nos. 6830-(81/65), adopted April 22, 1981, effective from May 1, 1981 and 6831-(81/65), adopted April 22, 1981, effective from May 1, 1981, as amended by Decision No. 7059-(82/23), adopted February 22, 1982. It has concluded that the decisions shall remain in effect without any change.

Decision No. 7704-(84/78)
May 14, 1984

Charges and Remuneration

CHARGES: FUTURE CHANGES IN CHARGES ON FUND'S HOLDINGS OF MEMBERS' CURRENCIES IN EXCESS OF QUOTA

Changes in any schedule of charges levied under Article V, Section 8(*c*), (*d*), and (*e*)* shall apply to all holdings subject to the schedule that are obtained by the Fund after the date of this decision.

Decision No. 4239-(74/67)
June 13, 1974

CHARGES: MEDIA OF PAYMENT IN GENERAL RESOURCES ACCOUNT

1. A member whose holdings of SDRs are insufficient for the payment of the total of estimated charges due and payable by it within the next thirty days may:

(a) obtain SDRs from the General Resources Account up to a reasonable estimate of the balance of SDRs needed for the payment; or

(b) pay the balance of the charges in the currencies of other members.

2. A member that is unable to pay charges in SDRs because it is not a participant in the Special Drawing Rights Department and has not been prescribed as an other holder may pay all charges

* Corresponds to Article V, Section 8(*b*), (*c*), and (*d*) of the Articles of Agreement after the Second Amendment.

payable under Article V, Section 8 in the currencies of other members.

3. The currencies for which the SDRs would be sold under paragraph 1(a) or that would be paid under paragraph 1(b) and paragraph 2 shall be selected by the Fund from those currencies that the Fund would receive in accordance with the operational budget in effect at the time.

Decision No. 5702-(78/39) G/S
March 22, 1978, effective April 1, 1978,
as amended by
Decision No. 7096-(82/57) G/S
April 23, 1982

CHARGES: ACCOUNTING FOR CHARGES FROM MEMBERS WITH OVERDUE OBLIGATIONS

The Executive Board decides that, effective November 1, 1986, accrued charges on the use of the Fund's general resources from a member that is overdue in meeting any financial obligation to the Fund for six months or more will not be included in accrued income unless the member is current in the payment of charges. Charges that are not included in accrued income will instead be reported as deferred income, and will be recorded as income only when paid. Once charges from a member have been reported as deferred income, charges subsequently accrued will not be included in accrued income until the member becomes current in the payment of charges.

*Decision No. 8433-(86/175)**
October 31, 1986

* Replaced Decision No. 7930-(85/41), March 13, 1985.

CHARGES: SPECIAL CHARGES ON OVERDUE FINANCIAL OBLIGATIONS TO THE FUND

I. Overdue Repurchases

1. Pursuant to [ ]* the Fund has reviewed the rates of charge to be levied under Article V, Section 8(*c*) on its holdings of a member's currency that have not been repurchased in accordance with the requirements of the Articles or decisions of the Fund.

2. Within three business days after (i) the due date for the repurchase by a member of the Fund's holdings of its currency or (ii) the effective date of this decision, whichever is the later, the Fund shall consult with the member on the reduction of the Fund's holdings of the member's currency that should have been repurchased. The consultation shall take place by rapid means of communication.

3. Unless the Fund's holdings of the member's currency are reduced within the period referred to in Section IV below by the amount that should have been repurchased, the rate of charge on the holdings that should have been repurchased shall be increased by a percentage equal to the excess, if any, of the rate of interest on the SDR over the rate of charge levied on the holdings under Rule I-6(4). For the purposes of this calculation, any adjustments in the rate of charge referred to in Rule I-6(4) that may be made to cover deferred income or for placement to the Special Contingent Account shall not be taken into consideration.

II. Overdue Charges in the General Resources Account

A special charge equal to the rate of interest on the SDR shall be paid by a member on the unpaid amount of charges owed by it under Article V, Section 8(*a*) and (*b*).

*Deleted by Decision No. 10551-(94/1) G/TR, January 7, 1994.

III. Overdue Interest and Repayments on Trust Fund Loans

The Fund shall levy a special charge on (i) the amount of overdue interest on Trust Fund loans, at a rate equal to one half of the sum of the rate of interest on Trust Fund loans and the rate of interest on the SDR, and (ii) the overdue amounts of repayments of Trust Fund loans, at a rate equal to one half of the sum of the rate of interest on Trust Fund loans and the rate of interest on the SDR, less one-half percent.

IV. Waiver of Special Charges

Special charges under Sections I, II, and III above shall be levied in respect of an overdue financial obligation as of the due date or the effective date of this decision, whichever is the later, unless the obligation is discharged within ten business days after the applicable date.

Effective May 1, 1992, special charges under Sections I and II above shall not be levied on overdue obligations of a member that is overdue in meeting any financial obligation to the Fund subject to special charges under Sections I and II above for six months or more.

Effective May 1, 1993, special charges under Section III above shall not be levied on overdue obligations of a member that is overdue for six months or more in meeting any financial obligation to the Fund subject to special charges under Section III above.

V. Notification and Payment of Special Charges

1. Special charges levied under this decision shall be payable following the end of each of the Fund's financial quarters and the member shall be notified promptly of any special charges due. The charges shall be payable on the third business day following the dispatch of the notification.

2. Special charges in respect of overdue repurchases and charges in the General Resources Account shall be paid in SDRs

to that Account. Special charges in respect of overdue repayments and interests on Trust Fund loans shall be paid in U.S. dollars to the Special Disbursement Account. Such payments may be made also in SDRs to a prescribed holder on behalf of the Special Disbursement Account, provided that use of SDRs is in accordance with Decision No. 8642-(87/101) S/TR, adopted July 9, 1987.

VI. Entry into Effect and Review

This Decision will enter into effect on February 1, 1986. It will be reviewed shortly after October 31, 1986 at the time of the mid-year review of the Fund's income position for the financial year ending April 30, 1987, and thereafter annually in connection with the annual reviews of the Fund's income position.

Decision No. 8165-(85/189) G/TR
December 30, 1985, effective
February 1, 1986, as amended by
Decision Nos. 8496-(87/3) G/TR, January 7, 1987,
8641-(87/101) G/S/TR, July 9, 1987,
8923-(88/110) G/TR, July 21, 1988, and
10000-(92/58) G/TR, April 17, 1992
10337-(93/49) G/TR, April 9, 1993
10352-(93/49) G/TR, April 9, 1993, and
10551-(94/1) G/TR, January 7, 1994

CHARGES: SYSTEM OF SPECIAL CHARGES—REVIEW

The Fund has reviewed the system of special charges applicable to overdue obligations to the General Resources Account, the Structural Adjustment Facility, and the Trust Fund.

Decision No. 11715-(98/49) G/SAF/TR
April 28, 1998

The Fund has reviewed the system of special charges applicable to overdue obligations to the General Resources Account, the Structural Adjustment Facility, and the Trust Fund.

Decision No. 11948-(99/49) G/SAF/TR
April 30, 1999

Charges: Setoff in Connection with a Retroactive Reduction of Charges Due by Members in Arrears

1. When the Fund decides upon a retroactive reduction in the rate of charge specified in Rule I-6(4), the amount to be paid to a member that has charges or repurchases overdue, in the General Resources Account, on the effective date of the payment by the Fund, shall be set off *pro tanto*, as of that date, against such overdue obligations in the following manner: the member shall be requested to specify which overdue obligations, among the categories listed in paragraph 2, it wishes to discharge by the setoff; in the absence of a response by the member within seven business days after the request, the setoff shall apply to the member's overdue obligations, within the categories listed in paragraph 2, in the descending order of maturities.

2. The setoff under paragraph 1 shall apply to:

(a) special charges due on the amount of overdue charges under Executive Board Decision No. 8165-(85/189)G/TR, December 30, 1985;

(b) special charges due on the amount of overdue repurchases under Article V, Section 8(*c*);

(c) charges due under Article V, Section 8(*a*) or (*b*);

(d) overdue repurchase obligations.

Decision No. 8271-(86/74)
April 30, 1986

CHARGES: SPECIAL CHARGES ON OVERDUE REPURCHASES—SETOFF

The amount to be repaid by the Fund to a member with respect to special charges on overdue obligations in the General Resources Account under Decision No. 8165-(85/189) G/TR paid by the member for the first quarter of financial year 1987 shall be set off *pro tanto* against charges due for the second quarter of financial year 1987.

Decision No. 8442-(86/178)
November 6, 1986

Burden Sharing

INCOME POSITION—PRINCIPLES OF "BURDEN SHARING," INCOME TARGET FOR FY 1987 AND FY 1988, RATE OF CHARGE, AND RATE OF REMUNERATION

Section I. *Principles of "Burden Sharing"*

1. The financial consequences for the Fund which stem from the existence of overdue financial obligations shall be shared between debtor and creditor member countries.

2. This sharing shall be applied in a simultaneous and symmetrical fashion.

Section II. *Income Target for FY 1987 and FY 1988*

1. During financial year 1987 and financial year 1988, the Fund's net income target shall be raised from 5 percent to 7.5 per-

cent of the Fund's reserves at the beginning of each year. The additional net income shall be generated in accordance with the provisions of Section V. It shall be recorded separately in the financial statements of the Fund.

2. For financial year 1988, the Fund may decide to add supplemental income to be generated in accordance with the provisions of Section V. It shall be recorded separately in the financial statements of the Fund.

Section III. *Rate of Charge*

1. (a) The rate of charge referred to in Rule I-6(4) shall be determined at the beginning of financial year 1987 and financial year 1988. This determination shall be made on the basis of the estimated income and expense of the Fund during the year and the target amount of net and supplemental income for the year, and shall include the adjustment necessary to generate one half of the additional net income and of the supplemental income for the year.

(b) During financial year 1987 and financial year 1988, when estimating income, no deduction shall be made for projected deferred income.

2. During financial year 1987 and financial year 1988, the rate of charge shall be further adjusted in accordance with the provisions of Section V.

3. The rate of charge in force as of the end of a financial year, as adjusted under Section V, shall continue to apply subsequently unless it is otherwise decided.

Section IV. *Rate of Remuneration*

1. Effective August 1, 1986, Rule I-10(d) shall cease to apply.

2. Effective February 1, 1987, Rule I-10 shall read as follows:

I-10. (a) The rate of remuneration shall be equal to 100 percent of the rate of interest on holdings of SDRs under Rule T-1 (hereafter referred to as "SDR interest rate").

(b) The relationship of the rate of remuneration to the SDR interest rate will be referred to as the "remuneration coefficient."

3. During financial year 1987 and financial year 1988, the rate of remuneration shall be adjusted in accordance with the provisions of Section V.

Section V. *"Burden Sharing" in FY 1987 and FY 1988*

1. In financial year 1987 and financial year 1988, and notwithstanding Rule I-6(4)(a) and (b) and Rule I-10, the rate of charge referred to in Rule I-6(4), and the rate of remuneration prescribed in Rule I-10 shall be adjusted in accordance with the provisions of this Section.

2. (a) In order to generate the additional net income referred to in Section II.1, and the supplemental income referred to in Section II.2, the rate of charge shall be adjusted in accordance with the provisions of Section III.1(a), and the rate of remuneration shall be adjusted, subject to the limitation in (c), in accordance with the provisions of this paragraph, so as to produce equal amounts of income.

(b) If income from charges becomes deferred during an adjustment period as defined in (d), the rate of charge and the rate of remuneration shall be further adjusted, subject to the limitation in (c), in accordance with the provisions of this paragraph, so as to generate, in equal amounts, an additional amount of income equal to the amount of deferred charges. For the purposes of this provision, special charges on overdue financial obligations under Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, shall not be taken into account.

(c) No reduction in the rate of remuneration under this paragraph shall be carried to the point where the average remuneration coefficient would be reduced below 85 percent for an adjustment period.

(d) Subject to the provisions of Section III.1(a), the adjustments under this paragraph shall be made as of May 1, as of August 1, as of November 1, and as of February 1 of each year:

shortly after July 31 for the period from May 1 to July 31;

shortly after October 31 for the period from August 1 to October 31;

shortly after January 31 for the period from November 1 to January 31;

shortly after April 30 for the period from February 1 to April 30.

(e) Notwithstanding the provisions of (d), any adjustment made in respect of the first half of financial year 1987 shall affect the rate of remuneration only as of August 1, 1986.

(f) The operation of this decision shall be reviewed when the remuneration coefficient is reduced to 85 percent under (c).

3. A midyear review of the Fund's income position shall be held shortly after October 31 of each year. If, after any adjustment under paragraph 2, the actual net income for the first six months of the financial year, on an annual basis, is below the target amount for the year by an amount equal to, or greater than, 2 percent of the Fund's reserves at the beginning of the financial year, the Executive Board will consider how to deal with the situation. If on December 15 no agreement has been reached as a result of this consideration, the rate of charge shall be increased as of November 1 to the level necessary to reach the target amount of net income for the year.

4. (a) An amount equal to the proceeds of any adjustment made under paragraph 2(a) in order to generate supplemental income in financial year 1988 shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration as a result of the adjustment, when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

(b) An amount equal to the proceeds of any adjustment made under paragraph 2(b) in financial year 1987 or financial year 1988 shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration as a result of the adjustment, when, and to the extent that, charges, the deferral of which had given rise to the same adjustment, are paid to the Fund. Distributions under this provision shall be made quarterly.

(c) Distributions under (a) or (b) shall be made in proportion to the amounts that have been paid or have not been received by each member as a result of the respective adjustments.

(d) If a member that is entitled to a payment under this paragraph has any overdue obligation to the Fund in the General Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in accordance with Decision No. 8271-(86/74), adopted April 30, 1986, or any subsequent decision of the Fund.

Decision No. 8348-(86/122)
July 25, 1986, as amended by
Decision Nos. 8481-(86/202), December 17, 1986, and
8482-(86/202), December 17, 1986

Managing Director's Concluding Remarks at Informal Meeting on Principles of Burden Sharing and the Fund's Income Position
July 17, 1986

Although we need to look at the language, the principles I outlined at the outset of this afternoon's meeting are accepted, but the mechanism for FY 1987 and FY 1988 is different.

The agreed principles are:

First, the consequences for the Fund which stem from the problem of overdue financial obligations should be shared between debtor and creditor member countries. Second, the burden sharing in principle should be applied in a simultaneous and symmetrical fashion inasmuch as the Articles of Agreement make possible the full application of this principle. Third, the remuneration coefficient would be raised to 100 percent of the interest rate on the SDR.

The principles governing burden sharing shall remain in effect as a temporary understanding, as long as the problem of overdue financial obligations which gave rise to the need for burden sharing at present continues.

The compromise on the financing mechanism for FY 1987 and FY 1988 is as follows:

(1) The remuneration coefficient will be increased to 100 percent, effective February 1, 1987; until that time the coefficient will move according to the existing formula.

(2) The income for FY 1986 in excess of target—SDR 26 million—remains part of reserves; it will not be deemed as income for FY 1987.

(3) As a reserve effort in FY 1987 and FY 1988 the target will be increased from 5 percent to 7.5 percent; there will be burden sharing, without refunding.

(4) The FY 1988 reserve target of 7.5 percent may be raised beyond that figure if needed; burden sharing will apply above 5 percent and amounts in excess of 7.5 percent will be refundable.

(5) Net income above 5 percent will be placed in a special line of "reserves."

The mechanism will be in place for two years; afterwards, the Board will take a new decision. As for the 85 percent floor to the rate of remuneration, if the remuneration coefficient is moving toward that limit the situation will be reviewed in advance to determine what action the Fund should take; the Board will reach a decision in light of the circumstances at that time. The existing safeguard clause continues, to avoid a vacuum.

Techniques will be studied, and implemented as practical, of adjusting, in the context of the operational budget, the share of the United States in total remunerated positions with a view to mitigating the share of the United States in the amount of burden sharing to be assumed by the creditor countries.

The Managing Director's Concluding Remarks at Executive Board Meeting 86/124 on July 30, 1986 on Principles of Burden Sharing and the Fund's Income Position

With reference to the texts of Decision No. 8348-(86/122) and Decision No. 8349-(86/122) taken at EBM/86/122 on July 25, 1986, and noting today's revision (7/30/86) of the concluding remarks on July 17, it was understood that:

The Executive Board will come back at an early date to the issue of provisioning.

For any financial year after 1988, in which the problem of overdue obligations to the Fund remains serious, the reserve target will remain at 7.5 percent unless a decision by the Executive Board on

provisioning will have altered the treatment of the problem in the meantime.

The increase in the reserve target above 5 percent will remain subject to burden sharing as during FY 1987 and FY 1988 as long as the increase is required by the problem of overdue obligations.

Special Contingent Account

In view of the existing overdue obligations, a special contingent account shall be established. It shall be recorded separately in the Fund's financial statements. There shall be placed to that account, for financial year 1987, an amount of SDR 26,547,074. This amount shall be distributed, to creditors and debtors for that year, in accordance with the principles of burden sharing, when the need for this account disappears.

Decision No. 8619-(87/90)
June 17, 1987

Special Contingent Account: Additions in FY 1988, and Disposition of Amounts Placed in FY 1987 and FY 1988

1. An amount equivalent to 2½ percent of the Fund's reserves at the beginning of financial year 1988 already provided for in accordance with Section II.1 of Decision No. 8348-(86/122), adopted July 25, 1986, as amended, shall be placed to the Special Contingent Account at the end of financial year 1988.

2. An additional amount equivalent to 2½ percent of the Fund's reserves at the beginning of financial year 1988 shall be raised in accordance with Section II.2 and Section V.1 and 2(a) of Decision No. 8348-(86/122), as amended, as follows:

(a) effective February 1, 1988 the rate of charge referred to in Rule I-6(4) shall be 6.15 percent;

(b) the rate of remuneration shall be adjusted for the period from February 1 through April 30, 1988 in order to generate an amount of net income equal to the amount generated under (a), subject to the limitation in Section V.2(c) of Decision No. 8348-(86/122), as amended.

That additional amount shall also be placed to the Special Contingent Account at the end of financial year 1988.

3. The amounts placed to the Special Contingent Account, including the amount placed to it in financial year 1987, shall be distributed when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide, in accordance with subparagraphs (a), (b), and (c) below:

(a) distributions of the amounts placed to the Special Contingent Account at the end of financial year 1988 shall be made in proportion to the amounts that have been paid, or have not been received, by each member in financial year 1988 as a result of adjustments made under paragraphs 1 and 2 above;

(b) the amount placed to the Special Contingent Account in financial year 1987 shall be distributed to members that have paid charges referred to in Rule I-6(4) in financial year 1987, in proportion to the amounts that have been paid;

(c) any distribution shall be made in proportion to the total amount to be distributed to each member under (a) and (b) cumulatively.

4. If any loss is charged against the Account, it shall be recorded in accordance with the principle of proportionality set forth in paragraph 3(c).

Decision No. 8780-(88/12)
January 29, 1988

PRINCIPLES OF "BURDEN SHARING," RATE OF CHARGE, AMOUNT FOR SPECIAL CONTINGENT ACCOUNT AND NET INCOME TARGET, AND IMPLEMENTATION OF "BURDEN SHARING" FOR FY 1989

Section I. *Principles of "Burden Sharing"*

1. The financial consequences for the Fund which stem from the existence of overdue financial obligations shall be shared between debtor and creditor member countries.

2. This sharing shall be applied in a simultaneous and symmetrical fashion.

Section II. *Determination of the Rate of Charge*

1. (a) The rate of charge for financial year 1989 referred to in Rule I-6(4)(a) shall be determined at the beginning of the financial year, on the basis of the estimated income and expense of the Fund during the year, to generate the target amount of net income for that year.

(b) When estimating income, no deduction shall be made for projected deferred income.

2. The rate of charge shall be adjusted in accordance with the provisions of Section IV.

3. The rate of charge in force as of the end of financial year 1989, as adjusted under Section IV, shall continue to apply subsequently unless it is otherwise decided.

4. Net income for FY 1989 exceeding the total of (i) the amount specified in Section III, and (ii) the amount of deferred income in the quarter ended April 30, 1988 for which no adjustments are made in that quarter in accordance with Decision No. 8878-(88/84), adopted May 23, 1988, shall be used to reduce the rate of charge retroactively for FY 1989.

Section III. *Amount for Special Contingent Account and Net Income Target for FY 1989*

1. An amount equivalent to 5 percent of the Fund's reserves at the beginning of financial year 1989 shall be generated during financial year 1989, in accordance with the provisions of Section IV, and shall be placed to the Special Contingent Account.

2. In addition, during financial year 1989, in accordance with Rule I-6(4)(a), the target amount of net income referred to in Rule I-(6)(4)(a) shall be 5 percent of the Fund's reserves at the beginning of the year.

Section IV. *Implementation of "Burden Sharing"*

1. During financial year 1989, notwithstanding Rule I-6(4)(a) and (b) and Rule I-10, the rate of charge referred to in Rule I-6(4), and the rate of remuneration prescribed in Rule I-10 shall be adjusted in accordance with the provisions of this Section.

2. (a) In order to generate the amount to be placed in financial year 1989 to the Special Contingent Account, the rate of charge, and, subject to the limitation in (c), the rate of remuneration shall be adjusted, in accordance with the provisions of this paragraph, so as to produce equal amounts of income.

(b) If income from charges becomes deferred during an adjustment period as defined in (d), the rate of charge and, subject to the limitation in (c), the rate of remuneration shall be further adjusted, in accordance with the provisions of this paragraph, so as to generate, in equal amounts, an additional amount of income equal to the amount of deferred charges. For the purposes of this provision, special charges on overdue financial obligations under Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, as amended, shall not be taken into account.

(c) No adjustment in the rate of remuneration under this paragraph shall be carried to the point where the average

remuneration coefficient would be reduced below 85 percent for an adjustment period.

(d) The adjustments under this paragraph shall be made as of May 1, 1988, as of August 1, 1988, as of November 1, 1988, and as of February 1, 1989:

shortly after July 31 for the period from May 1 to July 31;

shortly after October 31 for the period from August 1 to October 31;

shortly after January 31 for the period from November 1 to January 31;

shortly after April 30 for the period from February 1 to April 30.

(e) The operation of this decision shall be reviewed when the adjustment in the rate of remuneration reduces the remuneration coefficient to the limit in (c) above.

3. A midyear review of the Fund's income position shall be held shortly after October 31, 1988. If, after any adjustment under paragraph 2, the actual net income for the first six months of the financial year, on an annual basis, is below the target amount for the year, by an amount equal to, or greater than, 2 percent of the Fund's reserves at the beginning of the financial year, the Executive Board will consider how to deal with the situation. If on December 15 no agreement has been reached as a result of this consideration, the rate of charge shall be increased as of November 1 to the level necessary to reach the target amount of net income for the year.

4. (a) Subject to paragraph 3 of Decision No. 8780-(88/12), adopted January 29, 1988, the balances held in the Special Contingent Account shall be distributed in accordance with the provisions of this paragraph to members that have paid additional charges or have received reduced remuneration as a result of the

adjustment, when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

(b) An amount equal to the proceeds of any adjustment for deferred charges shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration as a result of the adjustment, when, and to the extent that, charges, the deferral of which had given rise to the same adjustment, are paid to the Fund. Distributions under this provision shall be made quarterly.

(c) Distributions under (a) or (b) shall be made in proportion to the amounts that have been paid or have not been received by each member as a result of the respective adjustments.

(d) If a member that is entitled to a payment under this paragraph has any overdue obligation to the Fund in the General Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in accordance with Decision No. 8271-(86/74), adopted April 30, 1986, or any subsequent decision of the Fund.

(e) Subject to paragraph 4 of Decision No. 8780-(88/12), adopted January 29, 1988, if any loss is charged against the Special Contingent Account, it shall be recorded in accordance with the principles of proportionality set forth in (c).

Decision No. 8861-(88/67)
April 27, 1988, as amended by
Decision No. 8880-(88/84)
May 23, 1988

INCOME POSITION—BURDEN SHARING—IMPLEMENTATION IN FY 1990*

Section I. *Principles of "Burden Sharing"*

1. The financial consequences for the Fund which stem from the existence of overdue financial obligations shall be shared between debtor and creditor member countries.

2. The sharing shall be applied in a simultaneous and symmetrical fashion.

Section II. *Determination of the Rate of Charge*

1. The rate of charge for financial year 1990 referred to in Rule I-6(4)(a) shall be adjusted in accordance with the provisions of Section IV.

2. The rate of charge in force as of the end of financial year 1990, as adjusted under Section IV, shall continue to apply subsequently unless it is otherwise decided.

Section III. *Amount for Special Contingent Account*

1. An amount equivalent to SDR 65 million shall be generated during financial year 1990, in accordance with the provisions of Section IV, and shall be placed to the Special Contingent Account.

Section IV. *Implementation of Burden Sharing*

1. During financial year 1990, notwithstanding Rule I-6(4)(a) and (b) and Rule I-10, the rate of charge referred to in Rule I-6(4) and the rate of remuneration prescribed in Rule I-10 shall be adjusted in accordance with the provisions of this Section.

*Similar decisions have been adopted for FY 1991, 1992, and 1993 (See Decision Nos. 9410-(90/62), 9696-(91/49), and 9997-(92/57) in *Selected Decisions*, Eighteenth Issue, June 30, 1993).

2. (a) In order to generate the amount to be placed in financial year 1990 to the Special Contingent Account in accordance with Section III, the rate of charge, and, subject to the limitation in (c), the rate of remuneration shall be adjusted, in accordance with the provisions of this paragraph, so as to produce equal amounts of income.

(b) If income from charges becomes deferred during an adjustment period as defined in (d), the rate of charge and, subject to the limitation in (c), the rate of remuneration shall be further adjusted, in accordance with the provisions of this paragraph, so as to generate, in equal amounts, an additional amount of income equal to the amount of deferred charges. For the purposes of this provision, special charges on overdue financial obligations under Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, as amended, shall not be taken into account.

(c) No adjustment in the rate of remuneration under this paragraph shall be carried to the point where the average remuneration coefficient would be reduced below 85 percent for an adjustment period.

(d) The adjustments under this paragraph shall be made as of May 1, 1989, as of August 1, 1989, as of November 1, 1989, and as of February 1, 1990:

shortly after July 31 for the period from May 1 to July 31;

shortly after October 31 for the period from August 1 to October 31;

shortly after January 31 for the period from November 1 to January 31;

shortly after April 30 for the period from February 1 to April 30.

(e) The operation of this decision shall be reviewed when the adjustment in the rate of remuneration reduces the remuneration coefficient to the limit in (c) above.

3. A midyear review of the Fund's income position shall be held shortly after October 31, 1989. If, after any adjustment under paragraph 2, the actual net income for the first six months of the financial year, on an annual basis, is below the target amount for the year, by an amount equal to, or greater than, 2 percent of the Fund's reserves at the beginning of the financial year, the Executive Board will consider how to deal with the situation. If on December 15 no agreement has been reached as a result of this consideration, the rate of charge shall be increased as of November 1 to the level necessary to reach the target amount of net income for the year.

4. (a) Subject to paragraph 3 of Decision No. 8780-(88/12), adopted January 29, 1988, the balances held in the Special Contingent Account shall be distributed in accordance with the provisions of this paragraph to members that have paid additional charges or have received reduced remuneration as a result of the adjustment, when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

(b) An amount equal to the proceeds of any adjustment for deferred charges shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration, when, and to the extent that, charges, the deferral of which had given rise to the same adjustment, are paid to the Fund. Distributions under this provision shall be made quarterly.

(c) Distributions under (a) or (b) shall be made in proportion to the amounts that have been paid or have not been received by each member as a result of the respective adjustments.

(d) If a member that is entitled to a payment under this paragraph has any overdue obligation to the Fund in the General

Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in accordance with Decision No. 8271-(86/74), adopted April 30, 1986, or any subsequent decision of the Fund.

(e) Subject to paragraph 4 of Decision No. 8780-(88/12), adopted January 29, 1988, if any loss is charged against the Special Contingent Account, it shall be recorded in accordance with the principles of proportionality set forth in (c).

Decision No. 9135-(89/46)
April 26, 1989

BURDEN SHARING—IMPLEMENTATION IN FY 1994

Section I. *Principles of "Burden Sharing"*

1. The financial consequences for the Fund which stem from the existence of overdue financial obligations shall be shared between debtor and creditor member countries.

2. The sharing shall be applied in a simultaneous and symmetrical fashion.

Section II. *Determination of the Rate of Charge*

1. The rate of charge for financial year 1994 referred to in Rule I-6(4) and shall be adjusted in accordance with the provisions of Section IV.

2. The rate of charge referred to in Rule I-6(4) in force as of the end of financial year 1994, as adjusted under Section IV, shall continue to apply subsequently unless it is otherwise decided.

3. When estimating income for purposes of Rule I-6(4)(a) and (b), no projection shall be made of deferred income. The calculation of actual net income under Rule I-6(4)(b) shall include

the proceeds of adjustments for deferred income under Section IV, paragraph 2.

Section III. *Amount for Special Contingent Account 1*

An amount equivalent to 5 percent of the Fund's reserves at the beginning of the financial year shall be generated during financial year 1994 in accordance with the provisions of Section IV, and shall be placed to the Special Contingent Account-1 referred to in Decision No. 9471-(90/98), adopted June 20, 1990.

Section IV. *Implementation of Burden Sharing*

1. During financial year 1994, notwithstanding Rule I-6(4)(a) and (b), and Rule I-10, the rate of charge referred to in Rule I-6(4) and the rate of remuneration prescribed in Rule I-10 shall be adjusted in accordance with the provisions of this Section.

2. (a) In order to generate the amount to be placed to the Special Contingent Account-1 in accordance with Section III, the rate of charge, and, subject to the limitation in (c), the rate of remuneration, shall be adjusted in accordance with the provisions of this paragraph, so as to produce equal amounts of income.

(b) If income from charges becomes deferred during an adjustment period as defined in (d), the rate of charge and, subject to the limitation in (c), the rate of remuneration, shall be further adjusted, in accordance with the provisions of this paragraph, so as to generate, in equal amounts, an additional amount of income equal to the amount of deferred charges. For the purposes of this provision, special charges on overdue financial obligations under Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, as amended, shall not be taken into account.

(c) No adjustment in the rate of remuneration under this paragraph shall be carried to the point where the average remuneration coefficient would be reduced below 85 percent for an adjustment period.

(d) The adjustments under this paragraph shall be made as of May 1, 1993, August 1, 1993, November 1, 1993, and February 1, 1994:

shortly after July 31 for the period May 1 to July 31;

shortly after October 31 for the period from August 1 to October 31;

shortly after January 31 for the period from November 1 to January 31;

shortly after April 30 for the period from February 1 to April 30.

(e) The operation of this decision shall be reviewed when the adjustment in the rate of remuneration reduces the remuneration coefficient to the limit in (c) above.

3. . . .*

4. (a) Subject to paragraph 3 of Decision No. 8780-(88/12), adopted January 29, 1988, the balances held in the Special Contingent Account-1 shall be distributed in accordance with the provisions of this paragraph to members that have paid additional charges or have received reduced remuneration as a result of the adjustment, when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

(b) An amount equal to the proceeds of any adjustment for deferred charges shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration, when, and to the extent that, charges, the deferral of which had given rise to the same adjustment, are paid to the Fund. Distributions under this provision shall be made quarterly.

*Deleted by Decision No. 10549-(94/1), January 7, 1994.

(c) Distributions under (a) or (b) shall be made in proportion to the amounts that have been paid or have not been received by each member as a result of the respective adjustments.

(d) If a member that is entitled to a payment under this paragraph has any overdue obligation to the Fund in the General Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in accordance with Decision No. 8271-(86/74), adopted April 30, 1986, or any subsequent decision of the Fund.

(e) Subject to paragraph 4 of Decision No. 8780-(88/12), adopted January 29, 1988, if any loss is charged against the Special Contingent Account-1, it shall be recorded in accordance with the principles of proportionality set forth in (c).

Decision No. 10340-(93/54)
April 14, 1993, as amended by
Decision No. 10549-(94/1)
January 7, 1994

NET INCOME TARGET FOR FY 1994 AND RATE OF CHARGE ON USE OF FUND RESOURCES

1. The target amount of net income for FY 1994 shall be 5 percent of the Fund's reserves at the beginning of the financial year plus the shortfall from the income target in FY 1993.

2. . . . *

3. Effective May 1, 1993, the proportion of the rate of charge

*Paragraphs 2, 4, 5, and 6 were deleted by Decision No. 10554-(94/1), January 7, 1994.

referred to in Rule I-6(4) to the SDR interest rate under Rule T-1 shall be 111.0 percent.

Decision No. 10391-(93/86)
June 21, 1993, as amended by
Decision No. 10552-(94/1)
January 7, 1994, and
Decision No. 10554-(94/1)
January 7, 1994

BURDEN SHARING—IMPLEMENTATION DURING THE FIRST QUARTER OF FY 1995

Section I. *Principles of "Burden Sharing"*

1. The financial consequences for the Fund which stem from the existence of overdue financial obligations shall be shared between debtor and creditor member countries.

2. The sharing shall be applied in a simultaneous and symmetrical fashion.

Section II. *Determination of the Rate of Charge*

1. During the first quarter of financial year 1995, the rate of charge for financial year 1995 referred to in Rule I-6(4) shall be adjusted in accordance with the provisions of Section IV.

2. When estimating income for purposes of Rule I-6(4)(a) and (b), no projection shall be made of deferred income. The calculation of actual net income under Rule I-6(4)(b) shall include the proceeds of adjustments for deferred income under Section IV, paragraph 2.

Section III. *Amount for Special Contingent Account 1*

An amount equivalent to 1.25 percent of the Fund's reserves at the beginning of the financial year shall be generated during the

first quarter of financial year 1995 in accordance with the provisions of Section IV, and shall be placed to the Special Contingent Account-1 referred to in Decision No. 9471-(90/98), adopted June 20, 1990.

Section IV. *Implementation of Burden Sharing*

1. During the first quarter of financial year 1995, notwithstanding Rule I-6(4)(a) and (b) and Rule I-10, the rate of charge referred to in Rule I-6(4) and the rate of remuneration prescribed in Rule I-10 shall be adjusted in accordance with the provisions of this Section.

2. (a) In order to generate the amount to be placed to the Special Contingent Account-1 in accordance with Section III, the rate of charge, and, subject to the limitation in (c), the rate of remuneration, shall be adjusted in accordance with the provisions of this paragraph, so as to produce equal amounts of income.

(b) If income from charges becomes deferred during the adjustment period as defined in (d), the rate of charge and, subject to the limitation in (c), the rate of remuneration, shall be further adjusted, in accordance with the provisions of this paragraph, so as to generate, in equal amounts, an additional amount of income equal to the amount of deferred charges. For the purposes of this provision, special charges on overdue financial obligations under Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, as amended, shall not be taken into account.

(c) No adjustment in the rate of remuneration under this paragraph shall be carried to the point where the average remuneration coefficient would be reduced below 85 percent for an adjustment period.

(d) The adjustments under this paragraph shall be made as of May 1, 1994 shortly after July 31 for the period of May 1 to July 31.

3. (a) Subject to paragraph 3 of Decision No. 8780-(88/12), adopted January 29, 1988, the balances held in the Special Contingent Account-1 shall be distributed in accordance with the provisions of this paragraph to members that have paid additional charges or have received reduced remuneration as a result of the adjustment, when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

(b) An amount equal to the proceeds of any adjustment for deferred charges shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration, when, and to the extent that, charges, the deferral of which had given rise to the same adjustment, are paid to the Fund. Distributions under this provision shall be made quarterly.

(c) Distributions under (a) or (b) shall be made in proportion to the amounts that have been paid or have not been received by each member as a result of the respective adjustments.

(d) If a member that is entitled to a payment under this paragraph has any overdue obligation to the Fund in the General Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in accordance with Decision No. 8271-(86/74), adopted April 30, 1986, or any subsequent decision of the Fund.

(e) Subject to paragraph 4 of Decision No. 8780-(88/12), adopted January 29, 1988, if any loss is charged against the Special Contingent Account-1, it shall be recorded in accordance with the principles of proportionality set forth in (c).

Decision No. 10660-(94/38)
April 29, 1994

Disposition of Net Income for FY 1994

The Fund's net income for financial year 1994, equal to SDR 74,149,193, shall be placed to the Special Reserve.

Decision No. 10704-(94/52)
June 8, 1994

Net Income Target for FY 1995; Rate of Charge on Use of Fund Resources; and Retroactive Reduction of Rate of Charge for FY 1995 and Increase in Net Income Target for FY 1996

1. The target amount of net income for financial year 1995 shall be 5 percent of the Fund's reserves at the beginning of the Financial year.

2. Effective May 1, 1994, the proportion of the rate of charge referred to in Rule I-6(4) to the SDR interest rate under Rule T-1 shall be 115.1 percent.

3. Any net income for financial year 1995 in excess of the target amount of net income of 5 percent of the Fund's reserves at the beginning of that financial year shall be used to reduce retroactively the proportion of the rate of charge to the SDR interest rate for financial year 1995. If net income for financial year 1995 is below the target amount for that year, the net income target for financial year 1996 shall be increased by the equivalent of that shortfall.

Decision No. 10705-(94/52)
June 8, 1994

INCOME POSITION FOR FY 1995—MIDYEAR REVIEW; RATE OF CHARGE AS OF NOVEMBER 1, 1994; AND RETROACTIVE REDUCTION OF RATE OF CHARGE FOR FY 1994 AND INCREASE IN NET INCOME TARGET FOR FY 1996

Effective November 1, 1994, the proportion of the rate of charge under Rule I-6(4)(a) shall be 112.0 percent. Net income for financial year (FY) 1995 in excess of 5 percent of the Fund's reserves at the beginning of the year shall be used first to reduce retroactively the proportion of the rate of charge under Rule I-6(4)(a) for the period May 1, 1994 to October 31, 1994 to the extent possible but not below 112.0 percent. Any remaining amount of net income at the end of FY 1995 in excess of the target amount shall be used to reduce further the proportion effective May 1, 1994. If net income for FY 1995 is below the target amount for that year, the net income target for FY 1996 shall be increased by the equivalent of that shortfall.

Decision No. 10850-(94/107)
December 9, 1994

BURDEN SHARING—IMPLEMENTATION DURING SECOND THROUGH FOURTH QUARTERS OF FY 1995

Section I. *Principles of "Burden Sharing"*

1. The financial consequences for the Fund which stem from the existence of overdue financial obligations shall be shared between debtor and creditor member countries.

2. The sharing shall be applied in a simultaneous and symmetrical fashion.

Section II. *Determination of the Rate of Charge*

1. During the second through fourth quarters of financial year 1995, the rate of charge for financial year 1995 referred to in Rule

I-6(4) shall be adjusted in accordance with the provisions of Section IV.

2. When estimating income for purposes of Rule I-6(4)(a) and (b), no projection shall be made of deferred income. The calculation of actual net income under Rule I-6(4)(b) shall include the proceeds of adjustments for deferred income under Section IV, paragraph 2.

Section III. *Amount for Special Contingent Account 1*

An amount equivalent to 1.25 percent of the Fund's reserves at the beginning of the financial year shall be generated each quarter during the second through fourth quarters of financial year 1995 in accordance with the provisions of Section IV, and shall be placed to the Special Contingent Account-1 referred to in Decision No. 9471-(90/98), adopted June 20, 1990.

Section IV. *Implementation of Burden Sharing*

1. During the second through fourth quarters of financial year 1995, notwithstanding Rule I-6(4)(a) and (b) and Rule I-10, the rate of charge referred to in Rule I-6(4) and the rate of remuneration prescribed in Rule I-10 shall be adjusted in accordance with the provisions of this Section.

2. (a) In order to generate the amount to be placed to the Special Contingent Account-1 in accordance with Section III, the rate of charge and, subject to the limitation in (c), the rate of remuneration, shall be adjusted in accordance with the provisions of this paragraph, so as to produce equal amounts of income.

(b) If income from charges becomes deferred during an adjustment period as defined in (d), the rate of charge and, subject to the limitation in (c), the rate of remuneration, shall be further adjusted, in accordance with the provisions of this paragraph, so as to generate, in equal amounts, an additional amount of income equal to the amount of deferred charges. For the purposes of this provision, special charges on overdue financial obligations under

Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, as amended, shall not be taken into account.

(c) No adjustment in the rate of remuneration under this paragraph shall be carried to the point where the average remuneration coefficient would be reduced below 85 percent for an adjustment period.

(d) The adjustments under this paragraph shall be made as of August 1, 1994, November 1, 1994, and February 1, 1995:

shortly after October 31 for the period August 1 to October 31;

shortly after January 31 for the period November 1 to January 31;

shortly after April 30 for the period February 1 to April 30.

(e) The operation of this decision shall be reviewed when the adjustment in the rate of remuneration reduces the remuneration coefficient to the limit in (c) above.

3. (a) Subject to paragraph 3 of Decision No. 8780-(88/12), adopted January 29, 1988, the balances held in the Special Contingent Account-1 shall be distributed in accordance with the provisions of this paragraph to members that have paid additional charges or have received reduced remuneration as a result of the adjustment, when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

(b) An amount equal to the proceeds of any adjustment for deferred charges shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration, when, and to the extent that, charges, the deferral of which had given rise to the same adjustment, are paid to the Fund. Distributions under this provision shall be made quarterly.

(c) Distributions under (a) or (b) shall be made in proportion to the amounts that have been paid or have not been received by each member as a result of the respective adjustments.

(d) If a member that is entitled to a payment under this paragraph has any overdue obligation to the Fund in the General Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in accordance with Decision No. 8271-(86/74), adopted April 30, 1986, or any subsequent decision of the Fund.

(e) Subject to paragraph 4 of Decision No. 8780-(88/12), adopted January 29, 1988, if any loss is charged against the Special Contingent Account-1, it shall be recorded in accordance with the principles of proportionality set forth in (c).

Decision No. 10706-(94/52),
June 8, 1994

Disposition of Net Income for FY 1995

The Fund's net income for financial year 1995 of SDR 85,073,615 shall be placed to the Special Reserve after the end of the financial year.

Decision No. 10957-(95/40),
April 14, 1995

Income Position—Burden Sharing—Implementation in FY 1996

Section 1. *Principles of "Burden Sharing"*

1. The financial consequences for the Fund that stem from the existence of overdue financial obligations shall be shared between debtor and creditor member countries.

2. The sharing shall be applied in a simultaneous and symmetrical fashion.

Section II. *Determination of the Rate of Charge*

1. The rate of charge for financial year 1996 referred to in Rule I-6(4) shall be adjusted in accordance with the provisions of Section IV.

2. When estimating income for purposes of Rule I-6(4)(a) and (b), no projection shall be made of deferred income. The calculation of actual net income under Rule I-6(4)(b) shall include the proceeds of adjustments for deferred income under Section IV, paragraph 2.

Section III. *Amount for Special Contingent Account—I*

An amount equivalent to 5 percent of the Fund's reserves at the beginning of the financial year shall be generated during financial year 1996 in accordance with the provisions of Section IV, and shall be placed to the Special Contingent Account-1 referred to in Decision No. 9471-(90/98), adopted June 20, 1990.

Section IV. *Implementation of Burden Sharing*

1. During financial year 1996, notwithstanding Rule I-6(4)(a) and (b) and Rule I-10, the rate of charge referred to in Rule I-6(4) and the rate of remuneration prescribed in Rule I-10 shall be adjusted in accordance with the provisions of this Section.

2. (a) In order to generate the amount to be placed to the Special Contingent Account-1 in accordance with Section III, the rate of charge, and, subject to the limitation in (c), the rate of remuneration, shall be adjusted in accordance with the provisions of this paragraph, so as to produce equal amounts of income.

(b) If income from charges becomes deferred during an adjustment period as defined in (d), the rate of charge and, subject to the limitation in (c), the rate of remuneration, shall be further

adjusted, in accordance with the provisions of this paragraph, so as to generate, in equal amounts, an additional amount of income equal to the amount of deferred charges. For the purposes of this provision, special charges on overdue financial obligations under Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, as amended, shall not be taken into account.

(c) No adjustment in the rate of remuneration under this paragraph shall be carried to the point where the average remuneration coefficient would be reduced below 85 percent for an adjustment period.

(d) The adjustments under this paragraph shall be made as of May 1, 1995, August 1, 1995, November 1, 1995, and February 1, 1996:

shortly after July 31 for the period from May 1 to July 31;

shortly after October 31 for the period from August 1 to October 31;

shortly after January 31 for the period from November 1 to January 31;

shortly after April 30 for the period from February 1 to April 30.

(e) The operation of this decision shall be reviewed when the adjustment in the rate of remuneration reduces the remuneration coefficient to the limit in (c) above.

3. (a) Subject to paragraph 3 of Decision No. 8780-(88/12), adopted January 29, 1988, the balances held in the Special Contingent Account-1 shall be distributed in accordance with the provisions of this paragraph to members that have paid additional charges or have received reduced remuneration as a result of the adjustment, when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

(b) An amount equal to the proceeds of any adjustment for deferred charges shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration, when, and to the extent that, charges, the deferral of which had given rise to the same adjustment, are paid to the Fund. Distributions under this provision shall be made quarterly.

(c) Distributions under (a) or (b) shall be made in proportion to the amounts that have been paid or have not been received by each member as a result of the respective adjustments.

(d) If a member that is entitled to a payment under this paragraph has any overdue obligation to the Fund in the General Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in accordance with Decision No. 8271-(86/74), adopted April 30, 1986, or any subsequent decision of the Fund.

(e) Subject to paragraph 4 of Decision No. 8780-(88/12), adopted January 29, 1988, if any loss is charged against the Special Contingent Account-1, it shall be recorded in accordance with the principles of proportionality set forth in (c).

Decision No. 10958-(95/40),
April 14, 1995

Income Position—Net Income Target for FY 1996, and Rate of Charge on Use of Fund Resources

1. The target amount of net income for financial year 1996 shall be 5 percent of the Fund's reserves at the beginning of the financial year.

2. Effective May 1, 1995, the proportion of the rate of charge referred to in Rule I-6(4) to the SDR interest rate under Rule T-1 shall be 102.5 percent.

3. Any net income for financial year 1996 in excess of the target amount of net income of 5 percent of the Fund's reserves at the beginning of that financial year shall be used to reduce retroactively the proportion of the rate of charge to the SDR interest rate for financial year 1996. If net income for financial year 1996 is below the target amount for that year, the net income target for financial year 1997 shall be increased by the equivalent of that shortfall.

Decision No. 10962-(95/41),
April 19, 1995

INCOME POSITION—BURDEN SHARING—
IMPLEMENTATION IN FY 1997

Section I. *Principles of "Burden Sharing"*

1. The financial consequences for the Fund that stem from the existence of overdue financial obligations shall be shared between debtor and creditor member countries.

2. The sharing shall be applied in a simultaneous and symmetrical fashion.

Section II. *Determination of the Rate of Charge*

1. The rate of charge for financial year 1997 referred to in Rule I-6(4) shall be adjusted in accordance with the provisions of Section IV.

2. When estimating income for purposes of Rule I-4(4) (a) and (b), no projection shall be made of deferred income. The calculation of actual net income under Rule I-6(4) (b) shall include the proceeds of adjustments for deferred income under Section IV, paragraph 2.

Section III. *Amount for Special Contingent Account I*

An amount equivalent to 5 percent of the Fund's reserves at the beginning of the financial year shall be generated during financial year 1997 in accordance with the provisions of Section IV, and shall be placed to the Special Contingent Account-1 referred to in Decision No. 9471-(90/98), adopted June 20, 1990.

Section IV. *Implementation of Burden Sharing*

1. During financial year 1997, notwithstanding Rule I-6(4) (a) and (b) and Rule I-10, the rate of charge referred to in Rule I-6(4) and the rate of remuneration prescribed in Rule I-10 shall be adjusted in accordance with the provisions of this Section.

2. (a) In order to generate the amount to be placed to the Special Contingent Account-1 in accordance with Section III, the rate of charge, and, subject to the limitation in (c), the rate of remuneration shall be adjusted in accordance with the provisions of this paragraph, so as to produce equal amounts of income.

(b) If income from charges becomes deferred during an adjustment period as defined in (d), the rate of charge and, subject to the limitation in (c), the rate of remuneration shall be further adjusted, in accordance with the provisions of this paragraph, so as to generate, in equal amounts, an additional amount of income equal to the amount of deferred charges. For the purposes of this provision, special charges on overdue financial obligations under Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, as amended, shall not be taken into account.

(c) No adjustment in the rate of remuneration under this paragraph shall be carried to the point where the average remuneration coefficient would be reduced below 85 percent for an adjustment period.

(d) The adjustments under this paragraph shall be made as of May 1, 1996, August 1, 1996, November 1, 1996, and February 1, 1997: shortly after July 31 for the period May 1 to July 31;

shortly after October 31 for the period from August 1 to October 31; shortly after January 31 for the period from November 1 to January 31; shortly after April 30 for the period from February 1 to April 30.

(e) The operation of this decision shall be reviewed when the adjustment in the rate of remuneration reduces the remuneration coefficient to the limit in (c) above.

3. (a) Subject to paragraph 3 of Decision No. 8780-(88/12), adopted January 29, 1988, the balances held in the Special Contingent Account-1 shall be distributed in accordance with the provisions of this paragraph to members that have paid additional charges or have received reduced remuneration as a result of the adjustment, when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

(b) An amount equal to the proceeds of any adjustment for deferred charges shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration, when, and to the extent that, charges, the deferral of which had given rise to the same adjustment, are paid to the Fund. Distributions under this provision shall be made quarterly.

(c) Distributions under (a) or (b) shall be made in proportion to the amounts that have been paid or have not been received by each member as a result of the respective adjustments.

(d) If a member that is entitled to a payment under this paragraph has any overdue obligation to the Fund in the General Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in accordance with Decision No. 8271-(86/74), adopted April 30, 1986, or any subsequent decision of the Fund.

(e) Subject to paragraph 4 of Decision No. 8780-(88/12), adopted January 29, 1988, if any loss is charged against the

Special Contingent Account-1, it shall be recorded in accordance with the principles of proportionality set forth in (c).

Decision No. 11249-(96/39),
April 18, 1996

INCOME POSITION—NET INCOME TARGET AND RATE OF CHARGE ON USE OF FUND RESOURCES FOR FY 1997

1. The target amount of net income for FY 1997 shall be 5 percent of the Fund's reserves at the beginning of the financial year.

2. Effective May 1, 1996, the proportion of the rate of charge referred to in Rule I-6(4) to the SDR interest rate under Rule T-1 shall be 109.4 percent.

3. Any net income for financial year 1997 in excess of the target amount of net income of 5 percent of the Fund's reserves at the beginning of that financial year shall be used to reduce retroactively the proportion of the rate of charge to the SDR interest rate for financial year 1997. If net income for financial year 1997 is below the target amount for that year, the net income target for financial year 1998 shall be increased by the equivalent of that shortfall.

Decision No. 11251-(96/39),
April 18, 1996

INCOME POSITION, PRECAUTIONARY BALANCES, AND BURDEN SHARING FOR FY 1997 AND FY 1998

INCOME POSITION—BURDEN SHARING—IMPLEMENTATION IN FY 1998

Section I. *Principles of "Burden Sharing"*

1. The financial consequences for the Fund which stem from the existence of overdue financial obligations shall be shared between debtor and creditor member countries.

2. The sharing shall be applied in a simultaneous and symmetrical fashion.

Section II. *Determination of the Rate of Charge*

1. The rate of charge for financial year 1998 referred to in Rule I-6(4) shall be adjusted in accordance with the provisions of Section IV.

2. When estimating income for purposes of Rule I-4(4)(a) and (b), no projection shall be made of deferred income. The calculation of actual net income under Rule I-6(4)(b) shall include the proceeds of adjustments for deferred income under Section IV, paragraph 2.

Section III. *Amount for Special Contingent Account 1*

An amount equivalent to 5 percent of the Fund's reserves at the beginning of the financial year shall be generated during financial year 1998 in accordance with the provisions of Section IV, and shall be placed to the Special Contingent Account-1 referred to in Decision No. 9471-(90/98), adopted June 20, 1990.

Section IV. *Implementation of Burden Sharing*

1. During financial year 1998, notwithstanding Rule I-6(4)(a) and (b) and Rule I-10, the rate of charge referred to in Rule I-6(4) and the rate of remuneration prescribed in Rule I-10 shall be adjusted in accordance with the provisions of this Section.

2. (a) In order to generate the amount to be placed to the Special Contingent Account-1 in accordance with Section III, the rate of charge, and, subject to the limitation in (c), the rate of remuneration, shall be adjusted in accordance with the provisions of this paragraph, so as to produce equal amounts of income.

(b) If income from charges becomes deferred during an adjustment period as defined in (d), the rate of charge and, subject to the limitation in (c), the rate of remuneration, shall be further adjusted, in accordance with the provisions of this paragraph, so as to generate, in equal amounts, an additional amount of income equal to the amount of deferred charges. For the purposes of this provision, special charges on overdue financial obligations under Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, as amended, shall not be taken into account.

(c) No adjustment in the rate of remuneration under this paragraph shall be carried to the point where the average remuneration coefficient would be reduced below 85 percent for an adjustment period.

(d) The adjustments under this paragraph shall be made as of May 1, 1997, August 1, 1997, November 1, 1997, and February 1, 1998:

shortly after July 31 for the period May 1 to July 31;
shortly after October 31 for the period from August 1 to October 31;

shortly after January 31 for the period from November 1 to January 31;

shortly after April 30 for the period from February 1 to April 30;

(e) The operation of this decision shall be reviewed when the adjustment in the rate of remuneration reduces the remuneration coefficient to the limit in (c) above.

3. (a) Subject to paragraph 3 of Decision No. 8780-(88/12), adopted January 29, 1988, the balances held in the Special Contingent Account-1 shall be distributed in accordance with the provisions of this paragraph to members that have paid additional charges or have received reduced remuneration as a result of the adjustment, when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

(b) An amount equal to the proceeds of any adjustment for deferred charges shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration, when, and to the extent that, charges, the deferral of which had given rise to the same adjustment, are paid to the Fund. Distributions under this provision shall be made quarterly.

(c) Distributions under (a) or (b) shall be made in proportion to the amounts that have been paid or have not been received by each member as a result of the respective adjustments.

(d) If a member that is entitled to a payment under this paragraph has any overdue obligation to the Fund in the General Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in accordance with Decision No. 8271-(86/74), adopted April 30, 1986, or any subsequent decision of the Fund.

(e) Subject to paragraph 4 of Decision No. 8780-(88/12), adopted January 29, 1988, if any loss is charged against the Special Contingent Account-1, it shall be recorded in accordance

with the principles of proportionality set forth in (c).

Decision No. 11480-(97/42)
April 21, 1997

INCOME POSITION—NET INCOME TARGET AND RATE OF CHARGE ON USE OF FUND RESOURCES FOR FY 1998

1. The target amount of net income for FY 1998 shall be 5 percent of the Fund's reserves at the beginning of the financial year.

2. Effective May 1, 1997, the proportion of the rate of charge referred to in Rule I-6(4) to the SDR interest rate under Rule T-1 shall be 107 percent.

3. Any net income for financial year 1998 in excess of the target amount of net income of 5 percent of the Fund's reserves at the beginning of that financial year shall be used to reduce retroactively the proportion of the rate of charge to the SDR interest rate for financial year 1998. If net income for financial year 1998 is below the target amount for that year, the net income target for financial year 1999 shall be increased by the equivalent of that shortfall.

Decision No. 11482-(97/42)
April 21, 1997, as amended by
Decision No. 11683-(98/27)
March 12, 1998

INCOME POSITION—DISPOSITION OF NET INCOME FOR FY 1997

The Fund's net income for financial year 1997, up to SDR 93,793,653, shall be placed to the Special Reserve after the end of the financial year.

Decision No. 11483-(97/42)
April 21, 1997

Income Position, Precautionary Balances, Burden Sharing, And Special Charges For FY 1998 And FY 1999

Disposition Of Net Income For FY 1998

SDR 98,483,336 of the Fund's net income for financial year 1998 shall be placed to the Fund's Special Reserve after the end of the financial year.

Decision No. 11710-(98/49)
April 28, 1998

The Rate Of Charge On The Use Of Fund Resources For FY 1999

1. Notwithstanding Rule I-6(4)(a), effective May 1, 1998, the proportion of the rate of charge referred to in Rule I-6(4) to the SDR interest rate under Rule T-1 shall be 107 percent.

2. Any net income for financial year 1999 in excess of an amount equivalent to 5 percent of the Fund's reserves at the beginning of that financial year shall be used to reduce retroactively the proportion of the rate of charge to the SDR interest rate for financial year 1999. If net income for financial year 1999 is below an amount equivalent to 5 percent of the Fund's reserves at the beginning of that financial year, the amount of projected net income for financial year 2000 shall be increased by the equivalent of that shortfall. For the purpose of this provision, net income shall be calculated without taking into account net operational income generated by the Supplemental Reserve Facility.

Decision No. 11711-(98/49)
April 28, 1998

BURDEN SHARING—IMPLEMENTATION IN FY 1999

Section I. *Principles of "Burden Sharing"*

1. The financial consequences for the Fund which stem from the existence of overdue financial obligations shall be shared between debtor and creditor member countries.

2. The sharing shall be applied in a simultaneous and symmetrical fashion.

Section II. *Determination of the Rate of Charge*

The rate of charge for financial year 1999 referred to in Rule I-6(4) shall be adjusted in accordance with the provisions of Section IV.

Section III. *Amount for Special Contingent Account I*

An amount equivalent to 5 percent of the Fund's reserves at the beginning of the financial year shall be generated during financial year 1999 in accordance with the provisions of Section IV, and shall be placed to the Special Contingent Account-1 referred to in Decision No. 9471-(90/98), adopted June 20, 1990.

Section IV. *Implementation of Burden Sharing*

1. During financial year 1999, notwithstanding Rule I-6(4)(a) and (b) and Rule I-10, the rate of charge referred to in Rule I-6(4) and the rate of remuneration prescribed in Rule I-10 shall be adjusted in accordance with the provisions of this Section.

2. (a) In order to generate the amount to be placed to the Special Contingent Account-1 in accordance with Section III, the rate of charge, and, subject to the limitation in (c), the rate of remuneration, shall be adjusted in accordance with the provisions of this paragraph, so as to produce equal amounts of income.

(b) If income from charges becomes deferred during an adjustment period as defined in (d), the rate of charge and, subject to the limitation in (c), the rate of remuneration, shall be further adjusted, in accordance with the provisions of this paragraph, so as to generate, in equal amounts, an additional amount of income equal to the amount of deferred charges. For the purposes of this provision, special charges on overdue financial obligations under Decision No. 8165-(85/189)G/TR, adopted December 30, 1985, as amended, shall not be taken into account.

(c) No adjustment in the rate of remuneration under this paragraph shall be carried to the point where the average remuneration coefficient would be reduced below 85 percent for an adjustment period.

(d) The adjustments under this paragraph shall be made as of May 1, 1998, August 1, 1998, November 1, 1998, and February 1, 1999:

shortly after July 31 for the period May 1 to July 31;

shortly after October 31 for the period from August 1 to October 31;

shortly after January 31 for the period from November 1 to January 31;

shortly after April 30 for the period from February 1 to April 30;

(e) The operation of this decision shall be reviewed when the adjustment in the rate of remuneration reduces the remuneration coefficient to the limit in (c) above.

3. (a) Subject to paragraph 3 of Decision No. 8780-(88/12), adopted January 29, 1988, the balances held in the Special Contingent Account-1 shall be distributed in accordance with the provision of this paragraphs to members that have paid additional charges or have received reduced remuneration as a result of the

adjustment, when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

(b) An amount equal to the proceeds of any adjustment for deferred charges shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration, when, and to the extent that, charges, the deferral of which had given rise to the same adjustment, are paid to the Fund. Distributions under this provision shall be made quarterly.

(c) Distributions under (a) or (b) shall be made in proportion to the amounts that have been paid or have not been received by each member as a result of the respective adjustments.

(d) If a member that is entitled to a payment under this paragraph has any overdue obligation to the Fund in the General Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in accordance with Decision No. 8271-(86/74), adopted April 30, 1986, or any subsequent decision of the Fund.

(e) Subject to paragraph 4 of Decision No. 8780-(88/12), adopted January 29, 1988, if any loss is charged against the Special Contingent Account-1, it shall be recorded in accordance with the principles of proportionality set forth in (c).

Decision No. 11712-(98/49)
April 28, 1998

INCOME POSITION, PRECAUTIONARY BALANCES, BURDEN SHARING, AND SPECIAL CHARGES FOR FY 1999 AND FY 2000

DISPOSITION OF NET INCOME FOR FY 1999

SDR 106,675,756 of the Fund's net income for financial year 1999 shall be placed to the Fund's Special Reserve after the end of the financial year.

Decision No. 11943-(99/49)
April 30, 1999

THE RATE OF CHARGE ON THE USE OF FUND RESOURCES FOR FY 2000

1. Notwithstanding Rule I-6(4)(a), effective May 1, 1999, the proportion of the rate of charge referred to in Rule I-6(4) to the SDR interest rate under Rule T-1 shall be 113.7 percent.

2. Any net income for financial year 2000 in excess of an amount equivalent to 5 percent of the Fund's reserves at the beginning of that financial year shall be used to reduce retroactively the proportion of the rate of charge to the SDR interest rate for financial year 2000. If net income for financial year 2000 is below an amount equivalent to 5 percent of the Fund's reserves at the beginning of that financial year, the amount of projected net income for financial year 2001 shall be increased by the equivalent of that shortfall. For the purpose of this provision, net income shall be calculated without taking into account net operational income generated by the Supplemental Reserve Facility and Contingent Credit Lines or the effect on income of the implementation of International Accounting Standard 19—Employee Benefits.

Decision No. 11944-(99/49)
April 30, 1999

BURDEN SHARING—IMPLEMENTATION IN FY 2000

Section I. *Principles of "Burden Sharing"*

1. The financial consequences for the Fund which stem from the existence of overdue financial obligations shall be shared between debtor and creditor member countries.

2. The sharing shall be applied in a simultaneous and symmetrical fashion.

Section II. *Determination of the Rate of Charge*

The rate of charge for financial year 2000 referred to in Rule I-6(4) shall be adjusted in accordance with the provisions of Section IV.

Section III. *Amount for Special Contingent Account 1*

An amount equivalent to 5 percent of the Fund's reserves at the beginning of the financial year shall be generated during financial year 2000 in accordance with the provisions of Section IV, and shall be placed to the Special Contingent Account-1 referred to in Decision No. 9471-(90/98), adopted June 20, 1990.

Section IV. *Implementation of Burden Sharing*

1. During financial year 2000, notwithstanding Rule I-6(4)(a) and (b) and Rule I-10, the rate of charge referred to in Rule I-6(4) and the rate of remuneration prescribed in Rule I-10 shall be adjusted in accordance with the provisions of this Section.

2. (a) In order to generate the amount to be placed to the Special Contingent Account-1 in accordance with Section III, the rate of charge, and, subject to the limitation in (c), the rate of remuneration, shall be adjusted in accordance with the provisions of this paragraph, so as to produce equal amounts of income.

(b) If income from charges becomes deferred during an adjustment period as defined in (d), the rate of charge and, subject to the limitation in (c), the rate of remuneration, shall be further adjusted, in accordance with the provisions of this paragraph, so as to generate, in equal amounts, an additional amount of income equal to the amount of deferred charges. For the purposes of this provision, special charges on overdue financial obligations under Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, as amended, shall not be taken into account.

(c) No adjustment in the rate of remuneration under this paragraph shall be carried to the point where the average remuneration coefficient would be reduced below 85 percent for an adjustment period.

(d) The adjustments under this paragraph shall be made as of May 1, 1999, August 1, 1999, November 1, 1999, and February 1, 2000: shortly after July 31 for the period May 1 to July 31; shortly after October 31 for the period from August 1 to October 31; shortly after January 31 for the period from November 1 to January 31; shortly after April 30 for the period from February 1 to April 30;

(e) The operation of this decision shall be reviewed when the adjustment in the rate of remuneration reduces the remuneration coefficient to the limit in (c) above.

3. (a) Subject to paragraph 3 of Decision No. 8780-(88/12), adopted January 29, 1988, the balances held in the Special Contingent Account-1 shall be distributed in accordance with the provisions of this paragraph to members that have paid additional charges or have received reduced remuneration as a result of the adjustment when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

(b) An amount equal to the proceeds of any adjustment for deferred charges shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration when, and to the

extent that, charges, the deferral of which had given rise to the same adjustment, are paid to the Fund. Distributions under this provision shall be made quarterly.

(c) Distributions under (a) or (b) shall be made in proportion to the amounts that have been paid or have not been received by each member as a result of the respective adjustments.

(d) If a member that is entitled to a payment under this paragraph has any overdue obligation to the Fund in the General Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in accordance with Decision No. 8271-(86/74), adopted April 30, 1986, or any subsequent decision of the Fund.

(e) Subject to paragraph 4 of Decision No. 8780-(88/12), adopted January 29, 1988, if any loss is charged against the Special Contingent Account-1, it shall be recorded in accordance with the principles of proportionality set forth in (c).

Decision No. 11945-(99/49)
April 30, 1999

Extended Burden Sharing

EXTENDED BURDEN SHARING—IMPLEMENTATION, AND MODALITIES OF NEW SPECIAL CONTINGENT ACCOUNT (SCA-2)

1. Effective July 1, 1990, during the remainder of financial year 1991 and during subsequent financial years, adjustments to the rate of charge referred to in Rule I-6(4) and the rate of remuneration prescribed in Rule I-10 shall be made in accordance with this decision until the amount of SDR 1 billion has been generated. Amounts generated in accordance with this decision shall be placed to an additional Special Contingent Account ("Special Contingent Account 2").

2. Notwithstanding Rule I-6(4)(a) and (b) and Rule I-10, the rate of charge referred to in Rule I-6(4) and the rate of remuneration prescribed in Rule I-10 shall be adjusted in accordance with this paragraph. During financial year 1991, such adjustments shall be made after adjustments in accordance with Decision No. 9410-(90/62), adopted April 20, 1990. In subsequent financial years, such adjustments shall be made, after any other adjustments, to the rate of charge referred to in Rule I-6(4), as in effect during that year, and to the rate of remuneration prescribed in Rule I-10.

(a) The rate of charge shall be increased by 0.26* percentage point and, subject to the limitation in (b), an amount equivalent to three times the proceeds of that adjustment during an adjustment period shall be generated through reduction in the rate of remuneration during the same period.

(b) No adjustment in the rate of remuneration under this paragraph shall be carried to the point where the average remuneration coefficient would be reduced below 80 percent for an adjustment period.

(c) The adjustments under this paragraph shall be made as of May 1, as of August 1, as of November 1, and as of February 1 of each financial year:

shortly after July 31 for the period from May 1 to July 31;

shortly after October 31 for the period from August 1 to October 31;

shortly after January 31 for the period from November 1 to January 31;

shortly after April 30 for the period from February 1 to April 30.

*This percentage point was replaced by "0.04 percentage point." See Decision No. 10662-(94/38) on page 381.

(d) Whenever an adjustment in the rate of remuneration cannot be made to the full extent prescribed in (a) because of the limitation in (b), then the amount that could not be generated shall be added to the amounts to be generated by adjustments to the rate of remuneration under (a) in subsequent adjustment periods to the extent possible under the limitation in (b), until the amount of SDR 1 billion has been generated through adjustments to the rate of charge under (a) and the rate of remuneration under (a) and under this subparagraph.

3. (a) Distributions of the balances held in the Special Contingent Account 2 shall be made when all repurchases have been made with respect to purchases made for the financing of "rights," as defined in the Managing Director's Summing Up at EBM/90/97 of June 20, 1990, or at such earlier time as the Fund may decide.

(b) Distributions under (a) shall be made in proportion to the amounts that have been paid or have not been received by each member as a result of the respective adjustments.

(c) If a member that is entitled to a payment under this paragraph has any overdue obligations to the Fund in the General Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in accordance with Decision No. 8271-(86/74), adopted April 30, 1986, or any subsequent decision of the Fund.

(d) Any loss in relation to an undischarged repurchase obligation resulting from the financing of rights, as defined above, shall be charged, first, against the Special Contingent Account 2, and shall be recorded in accordance with the principles of proportionality set forth in (b) above, and any remaining balance shall be charged against the existing Special Contingent Account ("Special Contingent Account 1").

4. The operation of this decision, including the amounts of adjustments, shall be reviewed shortly before the end of each

financial year as long as the mechanism continues in effect.

Decision No. 9471-(90/98)
June 20, 1990, as amended by
Decision No. 10341-(93/54)
April 14, 1993

Effective February 1, 1994, the words "by 0.26 percentage point" in paragraph 2(a) of Decision No. 9471-(90/98), adopted June 20, 1990, as amended by Decision No. 10341-(93/54), adopted April 14, 1993, shall be replaced by the words "by 0.04 percentage point," provided that no further adjustments to the rate of charge shall be made under this decision when an amount equal to SDR 250 million has been generated from adjustments to the rate of charge under this decision. If by August 1, 1994, no decision on the implementation of burden sharing for FY 1995 has been adopted, the existing wording of Decision No. 9471-(90/98), adopted June 20, 1990, as amended by Decision No. 10341-(93/54), adopted April 14, 1993, on extended burden sharing shall be reinstated.

Decision No. 10662-(94/38)
April 29, 1994

EXTENDED BURDEN SHARING—REVIEW

The Fund has reviewed the operation of Decision No. 9471-(90/98), adopted June 20, 1990, as amended.

Decision No. 11714-(98/49)
April 28, 1998

The Fund has reviewed the operation of Decision No. 9471-(90/98), adopted June 20, 1990, as amended.

Decision No. 11947-(99/49)
April 30, 1999

Rates for Computations and Maintenance of Value

1. The exchange rate for computations by the Fund relating to the currency of a member in the General Resources Account

(a) on the occasion of the use of that currency in an operation or transaction between the Fund and another member shall be the rate as of three business days before the value date of the operation or transaction, and, if this rate cannot be used, the rate of the preceding day closest thereto that is practicable;

(b) on all other occasions shall be the rate at which the currency is held by the Fund.

2. The Fund shall adjust its holdings of the currency of a member in the General Resources Account

(a) whenever a computation relating to the currency is made in accordance with paragraph 1(a) above,

(b) at the end of the Fund's financial year,

(c) when the member requests the Fund to adjust the Fund's holdings of its currency,

(d) with respect to the euro, on the last business day of each month,

(e) with respect to the U.S. dollar, on the last business day of each month, and

(f) on such other occasions as the Fund may decide.

3. Adjustments under paragraph 2 shall be made on the basis of the exchange rate of the currency under Rule O-2 for the day of

the adjustment and shall take effect on that day, provided that if an exchange rate under Rule O-2 is not communicated for the currency with respect to paragraph 2(b) above, the rate of the preceding day closest thereto for which a rate is communicated shall be used.

4. Whenever the Fund adjusts its holdings of a member's currency in accordance with paragraph 3 above, the Fund shall establish an account receivable or an account payable, as the case may be, in respect of the amount of the currency payable by or to the member under Article V, Section 11.

5. For the purpose of adjustments, the Fund's holdings of a member's currency in the General Resources Account shall consist of the total of the balances of the member's currency in the General Resources Account, plus the balance in any account receivable, or minus the balance in any account payable, in the currency, as of the date of the adjustment. The total of the balances of the member's currency in the General Resources Account shall be as recorded on the Fund's books if the member agrees with this procedure.

6. For the purpose of applying the provisions of the Articles as of any date, the Fund's holdings of a currency shall consist of its actual holdings plus the balance in any account receivable or minus the balance in any account payable on that date.

7. Settlements of accounts receivable or payable by or to a member shall be made promptly after the end of a financial year of the Fund and at other times when requested by the Fund or the member.

Decision No. 5590-(77/163)
December 5, 1977, effective April 1, 1978,
as amended by
Decision No. 11859-(98/130)
December 17, 1998

Special Disbursement Account*

TRUST FUND: TERMINATION AND TRANSFER OF RESOURCES TO SPECIAL DISBURSEMENT ACCOUNT

. . .**

3. (b) Of the resources received in the Special Disbursement Account as a consequence of the termination of the Trust Fund which are not used for the Subsidy Account as provided in (a) above, SDR 1,500 million shall be used to provide balance of payments assistance on concessional terms, on a uniform basis, to low-income developing members in need of such assistance under arrangements similar to those set forth in the Trust Instrument. The remainder shall be used to provide assistance to low-income developing members in accordance with the second sentence of subsection 12(*f*)(ii) of Article V of the Articles of Agreement under a decision of the Fund to be taken not later than June 30, 1986. If no such decision is taken by that date, the remainder referred to in the preceding sentence shall be used on the same terms as the SDR 1,500 million referred to in the first sentence of this subparagraph.

Decision No. 6704-(80/185) TR
December 17, 1980

SPECIAL DISBURSEMENT ACCOUNT: INVESTMENT

Pending their use, the Managing Director shall place in investments, denominated in SDRs, with the Bank for International Settlements, the currencies received by the Special Disbursement

*See also Decision Nos. 6704-(80/185) TR, December 17, 1980, and 7989-(85/81) SBS, May 28, 1985, on pages 629 and 639.
**See pages 629-30 for full text.

Account as a result of the termination of the Trust Fund, unless the Managing Director considers that the terms offered by the BIS on an intended deposit denominated in SDRs are not sufficiently attractive. In that event the Managing Director shall inform the Executive Board promptly and make other proposals to it for investment in SDR-denominated obligations in accordance with Article V, Section 12(*h*).

Decision No. 7990-(85/81)
May 28, 1985

SPECIAL DISBURSEMENT ACCOUNT: TRANSITIONAL INVESTMENT OF BALANCES WITH THE FEDERAL RESERVE BANK OF NEW YORK

Pending placement in SDR-denominated investments with the Bank for International Settlements in accordance with Executive Board Decision No. 7990-(85/81), adopted May 28, 1985, the Managing Director is hereby authorized to invest with the Federal Reserve Bank of New York the U.S. dollars held by the Special Disbursement Account.

Decision No. 8029-(85/105)
July 11, 1985

SPECIAL DISBURSEMENT ACCOUNT: STRUCTURAL ADJUSTMENT FACILITY

. . .*

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

*Decision No. 8237-(86/56) SAF was replaced by Decision No. 8760-(87/176). See page 416.

of the Structural Adjustment Facility within the Special Disbursement Account.

Decision No. 8238-(86/56) SAF
March 26, 1986, as amended by
Decision Nos. 8497-(87/3) SAF, January 7, 1987,
8652-(87/105) SAF, July 22, 1987,
8758-(87/176) SAF, December 18, 1987,
9118-(89/40) SAF, March 29, 1989,
9490-(90/106) SAF, July 2, 1990,
9863-(91/156) SAF/ESAF, November 15, 1991,
10093-(92/94) SAF, July 23, 1992, and
10353-(93/49) SAF, April 9, 1993

ANNEX TO DECISION II

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. If the member's potential access is increased after all disbursements under the three-year commitment have been made, but before the expiration of the commitment, an amount not in excess of the balance may be disbursed to the member at its request, upon a determination by the Fund that the member is continuing to make a reasonable effort to strengthen its balance of payments position.

(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 in the form of loans under three annual arrangements approved by the Fund. An annual arrangement may not be approved before the expiration of the preceding annual arrangement, other than under exceptional circumstances. 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. 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. Additional interest shall be charged on (i) the amount of overdue interest on structural adjustment facility loans, at a rate equal to one half of the sum of the rate of interest on loans under the Structural Adjustment Facility and the rate of interest on the SDR, and (ii) the overdue amounts of repayments of loans under the Structural Adjustment Facility, at a rate equal to one half of the sum of the rate of interest on loans under the Structural Adjustment Facility and the rate of interest on the SDR, less one half percent, and subject to the rules on waiver, notification, and payment of special charges under Executive Board Decision No.

8165-(85/189) G/TR, adopted December 30, 1985, or any subsequent decision of the Fund thereon.

Effective May 1, 1993, such additional interest shall not be levied on overdue obligations of a member that is overdue for six months or more in meeting any financial obligation to the Fund subject to additional interest under this paragraph.

(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.

Paragraph 14. *Loans Under Enhanced Structural Adjustment Facility*

Assistance from the Structural Adjustment Facility, in conjunction with loans from the Enhanced Structural Adjustment Facility Trust, under the Enhanced Structural Adjustment Facility established by Decision No. 8757-(87/176) SAF/ESAF, adopted December 18, 1987 shall be governed by these Regulations subject to the following provisions:

(1) (a) The amounts of such assistance shall be identified in any commitment, arrangement, or disbursement under the Enhanced Structural Adjustment Facility. They shall remain available for disbursement until the expiration of any commitment under the Enhanced Structural Adjustment Facility.

(b) If the full amount of resources committed to an eligible member under a three-year arrangement under the Structural Adjustment Facility has not been disbursed and a subsequent three-year commitment is made under the Enhanced Structural Adjustment Facility for that member, the undisbursed amounts under the previous arrangement may be made available to the member under the three-year arrangement under the Enhanced Structural Adjustment Facility.

(2) Disbursements under each annual arrangement shall be made in two installments, the first after approval of the corresponding annual arrangement, and the second after

(i) a finding by the Managing Director that the performance criteria that have been established for that disbursement have been met, and a determination by the Fund that the midterm review of the program supported by the arrangement has been completed to the satisfaction of the Fund, or

(ii) if so specified in the annual arrangement, a finding by the Managing Director that the performance criteria that have been established for that disbursement have been met.

(3) Disbursements shall be made at the same time as the corresponding disbursements under Trust loans.

(4) If, pursuant to subparagraph (2) above, a second disbursement under an annual arrangement is not made, the period of the three-year commitment may be extended, and the corresponding amount may be made available during the extended period, subject to these Regulations.

(5) If a three-year commitment to an eligible member has expired with undrawn amounts, the Fund may approve a new commitment for that member, subject to these Regulations, provided that the member submits a three-year macroeconomic and structural adjustment program and that the amount of resources that could be made available under the new commitment shall not exceed the undrawn amounts under the expired commitment. The

new commitment may be made under a one-year or a two-year arrangement, as the case may be, with annual access to be determined on the basis of the strength of the member's program and its balance of payments need.

(6) If a member has received loans from the Structural Adjustment Facility in conjunction with loans from the Enhanced Structural Adjustment Facility Trust, any payment made by the member for the discharge of an obligation under any such loan shall also be attributed to the obligation under the other loan having the same due date in proportion to the respective amounts of such obligations.

*III. Use of SDRs in Operations**

. . .

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 29, 1989 shall be 50** percent of quota; no more than 15*** percent of quota shall

*See Decision No. 8239-(86/56) SAF, March 26, 1986, page 583.

**The previous percentages of quota were 70, 20, and 30, respectively. These changes were made "provided that, notwithstanding paragraph 4(3) of Decision No. 8238-(86/56) SAF, adopted March 26, 1986, as amended, the SDR amount under three-year commitments in effect at the time this Decision becomes effective shall not be reduced as a consequence of such changes." *(Decision No. 10184-(92/132) SAF, November 3, 1992)*

***The previous percentages of quota were 70, 20, and 30, respectively. These changes were made "provided that, notwithstanding paragraph 4(3) of Decision No. 8238-(86/56) SAF, adopted March 26, 1986, as amended, the SDR amount under three-year commitments in effect at the time this Decision becomes effective shall not be reduced as a consequence of such changes." *(Decision No. 10184-(92/132)*

(continued...)

be disbursed under the first annual arrangement; no more than 20*** percent of quota shall be disbursed under the second annual arrangement; and no more than 15*** percent of quota shall be disbursed under the third annual arrangement.

Decision No. 8240-(86/56) SAF
March 26, 1986, as amended by
Decision Nos. 8542-(87/36) SAF, March 2, 1987
8651-(87/105) SAF, July 22, 1987
8935-(88/118) SAF, July 29, 1988
9117-(89/40) SAF, March 29, 1989
9986-(92/48) SAF, April 7, 1992, and
10184-(92/132) SAF, November 3, 1992

***(...continued)
SAF, November 3, 1992)

ANNEX TO DECISION IV

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

Member	Quota[1] (*In SDR millions*)	Member	Quota[1] (*In SDR millions*)
China, People's Republic of[2]	2,390.9	Afghanistan	86.7
India[2]	2,207.7		
Subtotal	4,598.6		

[1] In effect when a member became eligible for assistance under SAF.
[2] China and India have indicated that they do not intend to make use of the resources of the Structural Adjustment Facility.

Member	Quota (*In SDR millions*)	Member	Quota (*In SDR millions*)
Armenia 1/	67.5	Burkina Faso	31.6
Azerbaijan 4/	117.0	Burundi	42.7
Bangladesh	287.5	Cambodia	25.0
Benin	31.3	Cameroon 2/	135.1
Bhutan	2.5	Cape Verde	4.5
Bolivia	90.7		
Bosnia and Herzegovina 5/	121.1		

*As amended by Decision Nos. 8542-(87/36), SAF, March 2, 1987 and 9986-(92/48) SAF, April 7, 1992.

Member	Quota (*In SDR millions*)	Member	Quota (*In SDR millions*)
Central African Republic	30.4	Madagascar	66.4
		Malawi	37.2
Chad	30.6	Maldives	2.0
Comoros	4.5	Mali	50.8
Congo 4/	57.9	Mauritania	33.9
Djibouti	8.0	Moldova*	123.2
Dominica	4.0	Mozambique	61.0
Equatorial Guinea	18.4	Myanmar	137.0
Eritrea 3/	11.5	Nepal	37.3
Ethiopia	70.6	Niger	33.7
Gambia, The	17.1	Pakistan	546.3
Georgia 1/	111.0	Rwanda	43.8
Ghana	204.5	St. Lucia	7.5
Grenada	6.0	St. Vincent	4.0
Guinea	57.9	São Tomé and Principe	4.0
Guinea-Bissau	7.5	Senegal	85.1
Guyana	49.2	Sierra Leone	57.9
Haiti	44.1	Solomon Islands	5.0
Kenya	142.0	Somalia	44.2
Kiribati	2.5	Sri Lanka	223.1
Kyrgyz Republic 1/	64.5	Sudan	169.7
Lao People's Democratic Republic	29.3	Tajikistan 1/	60.0
		Tanzania	107.0
Lesotho	15.1	Togo	38.4
Liberia	71.3	Tonga	3.25
Macedonia- Former Yugoslav Rep. of 2/	49.6	Uganda	99.6

*Added by Decision No. 11924-(99/31), March 23, 1999.

Member	Quota (In SDR millions)	Member	Quota (In SDR millions)
Vanuatu	9.0	Yemen People's Democratic Republic	77.2
Vietnam	176.8	Zaire	291.0
Western Samoa	6.0	Zambia	270.3
Yemen Arab Republic	43.3		

1/ Added by Decision No. 10535-(93/170) SAF, December 15, 1993.
2/ Added by Decision No. 10598-(94/14) SAF, February 23, 1994.
3/ Added by Decision No. 10873-(95/1), January 5, 1995.
4/ Added by Decision No. 10989-(95/53) SAF, May 30, 1995.
5/ Added by Decision No. 11325-(96/77) SAF, August 19, 1996.

Member	Quota (In SDR Millions)	Member	Quota (In SDR Millions)
Albania [2]	25.0	Mongolia [2]	25.0
Angola [2]	145.0	Nicaragua [2]	68.2
Côte d'Ivoire [2]	165.5	Nigeria [2]	849.5
Egypt [2]	463.4	Zimbabwe [2]	191.0
Honduras [2]	67.8		

2/ These members were added to the list by Decision No. 9986-(92/48) SAF, April 7, 1992, and have indicated that they do not intend to make use of the resources of the Structural Adjustment Facility.

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
March 26, 1986

The Chairman's Summing Up at the Conclusion of the Discussion on Special Disbursement Account Executive Board Meeting 86/56—March 26, 1986

Most Directors wished the new facility to be called the Structural Adjustment Facility and found the general thrust of the staff paper to be acceptable, the staff having on the whole fairly reflected in its paper the spirit of the Board's February discussion.

1. *Eligibility*

Members eligible to use the facility will be the low-income countries that are currently eligible to receive IDA loans. Later changes in the list of IDA countries will not have an automatic effect on their eligibility, but will be a matter for decision by the Board. Commitments made will be honored, even if a particular member were to cease to be eligible in the course of a three-year arrangement.

2. *Qualification*

The resources shall be made available to eligible countries that are facing protracted balance of payments problems and that enter into annual arrangements with the Fund in support of a medium-term pro-gram of structural adjustment. In the assessment of a protracted balance of payments problem, the member's situation will be reviewed against a wide range of indicators, including, as a number of Directors suggested, the recent and the prospective behavior of the current account, reserves, indebtedness, arrears, and growth performance. The assessment should be made on a case-by-case basis, and avoid the mechanical application of statistical indicators. In addition, there will be the assessment of balance of payments need at the time of approval of annual arrangements.

3. *Policy framework paper and collaboration with the World Bank*

It was agreed, although with a certain reluctance by some Directors, that it would be useful to prepare a policy framework paper which will describe the major economic problems and challenges facing a country; the objectives of a three-year medium-term program; the priorities and the broad thrust of macroeconomic and structural adjustment policies; and references to the likely external financing requirements and, as far as possible, the available sources of such financing.

The framework paper is to be developed in close collaboration with the authorities—who are after all responsible for policy formulation—and the staffs of the Fund and the World Bank, who will work closely on these matters, including through joint missions. It is the expectation of the Fund that these framework papers will be reviewed by the Boards of the two institutions at an early stage before commitments are made on use of the resources of the Structural Adjustment Facility by eligible countries.

The policy framework paper will have to be updated as the program is implemented and normally reviewed by the two Boards, at the time of presentation of the second and the third annual programs, as far as the Fund is concerned.

The suggestions by . . . [an Executive Director] would go a long way toward making the procedures as practical and as flexible as possible. I will take two illustrative cases. When discussions on the formulation of medium-term structural policies with a member country are well advanced, as they are in a number of cases, it may well be possible to present a medium-term framework paper and the program for the first year of an arrangement to the Board at the same time. In such cases the Board of the Bank would be expected to take up the policy framework paper first which would be followed by appropriate agreements on structural adjustment or sectoral loans. Quite often, when the two institutions are already collaborating deeply on medium-term structural policies in some countries, the joint mission could be extremely short; the essence

of the work could even perhaps be conducted at headquarters. The modalities must be kept flexible, not with the intention of bringing the jointness of the operation into question, but to avoid unnecessary delays and to reduce costs and travel.

In the second case . . . , of a country that was less advanced in the formulation of medium-term structural policies, a separate set of talks would probably have to be conducted with the country by the two staffs in order to arrive at a common understanding that would lead to a framework paper for review by the two Boards. Later on, the Fund would take up the specific program according to its own schedule and procedures, as hopefully would the World Bank.

These procedures will have to be introduced at the outset . . . in an experimental fashion with considerable pragmatism and with a view to avoiding rigidities, complications, and undue delays. Of course, each institution will have to be very vigilant to help the other. For instance, to take again the case of a country that has had a series of Fund-supported programs, so that the Fund is well acquainted with its medium-term structural programs and is ready to move quickly forward with a framework paper and a first program. The jointness of the operation . . . would necessitate prior review by the World Bank of the framework paper; the Board of the Bank must be able to have an input based on its review of the country's framework paper. In such a case, the Fund would hope that the World Bank Board would act in a way that would not delay action by the Fund. The deeper and closer the collaboration, the more each institution will have to be receptive to the schedule, procedures, and constraints of the other, and in particular of the one that happens to be the most advanced in its work.

While closer Fund/Bank collaboration is of the essence, it is fair to say that Directors have stressed that the competence, mandate, and expertise of each of the two institutions must be respected. The Fund would pay particular attention to what it was most well equipped to look at: macroeconomic developments and policies, fiscal policies, monetary policies, exchange rates, exchange systems, tax reforms, and price realignments, but in

conjunction with the World Bank, which has particular expertise and competence in development and sectoral policies, investment priorities, microeconomic reforms, and the like.

Cooperation is of the essence, but it will be conducted in a manner that will not give rise to cross conditionality. I also want to stress that these framework paper procedures will apply only in the case of the Structural Adjustment Facility. There is no intention to set a precedent and extend them to other facilities and arrangements or to countries not using the Structural Adjustment Facility. . . .

4. *Conditionality*

The first annual program will have to be described in a written document from the authorities to the management, which will contain a request for a commitment of resources from the Structural Adjustment Facility for a three-year period.

The document will describe in general terms the policies to be followed over the medium term, making reference to the policy framework paper, and will delineate more precisely the objectives of the authorities and the policies they will implement during the first year. Subsequent documents will review and update the medium-term policy plans and describe, also in specific terms, the policies to be implemented during the subsequent one-year periods.

We have no intention of overloading this conditionality with prior measures, but it needs to be understood that, especially in some cases where there is much to be done and where performance has been somewhat unsatisfactory, an annual program can be credible and can work only if the country is ready to take some measures that will be consistent with the unfolding of the program.

The question takes on added importance beyond the first year. As there will be no performance criteria governing disbursements and no phasing within a year, it will be necessary to make sure, after the first year, to capture correctly the progress that has been

made under the structural program. The whole exercise is designed precisely to help a country to move toward that progress.

If after the first year, the Fund believes that the program has not worked and that corrective policies are necessary to make the second year consistent, at least with the general architecture of the medium-term framework, stock will have to be taken of those observations in the negotiation with the member country of the second program year.

Benchmarks or indicators will have to be constructed in a flexible way; they will not necessarily all be quantified and will essentially be devised to help monitor progress in policy implementation and in reaching the objectives of the program that have been described in the authorities' document. I want to make it very clear that these benchmarks or indicators will not be associated with disbursements.

Deviations from benchmarks will of course be noted, and an effort will be made to understand why they have happened. If the reasons are such that they could derail the direction of a program, policy adjustments may well be necessary, and they will be taken up in discussions leading to the arrangement in support of the next annual program.

5. *Disbursements*

Upon endorsement of the overall policy framework and approval of the program for the first year, the Fund will disburse to the member an amount of resources equivalent to 20 percent of the member's quota in the Fund and will make a commitment to the member to disburse additional resources in two additional tranches on approval of subsequent programs. Given the flexibility inherent in the procedure, an initial calculation has been made of each of the two additional tranches, at the equivalent of 13½ percent of the member's quota. These amounts will be recalculated as the program unfolds; in light of the resources available to the facility, the amounts may be enlarged under the procedures described in EBS/86/53. Because of the uncertainties associated

with Trust Fund reflows, commitments will have to be made contingent on the availability of resources. . . .

The Chairman's Summing Up at the Conclusion of the Discussion on the Structural Adjustment Facility—Review of Experience
Executive Board Meeting 87/93, June 19, 1987

The discussion today concludes the first review by Executive Directors of the operation of the Structural Adjustment Facility (SAF). In summing up, I will begin with a few general comments and then turn to some conceptual and more specific operational issues.

1. *General observations*

Directors expressed strong support for the facility and indicated that they considered it to be an important channel for Fund assistance to low-income developing countries. The explicit orientation of the facility toward the alleviation of structural imbalances and rigidities was considered to be particularly important for these countries, many of which have suffered for many years from low rates of economic growth and declining per capita incomes. Recognizing that the modest amount of assistance available under the facility has been one of the important impediments to its wider utilization, most Directors supported the proposal to raise the amount of second-year disburse-ments to 30 percent of quota.

Directors expressed concern that the catalytic role that had been envisaged for the facility in mobilizing resource flows from other sources had thus far not materialized. That role remained a crucial one, and they therefore welcomed the indications by the leaders of the major industrial countries at the recent Venice Summit that they strongly supported our initiative to triple the resources available for lending in association with SAF arrangements. Directors urged management to explore all possible options to secure truly additional resources for the SAF. It was emphasized

that the role that had been envisaged for the facility would not be fully realized unless the amounts of assistance that countries could obtain under SAF-supported programs were increased to levels that would be more commensurate with the problems that the facility was intended to address. Directors indicated that members who have made use of the facility or are currently negotiating arrangements should not be disadvantaged by prompt use of the SAF, in the event that its enhancement was realized. I am grateful for the indications received from a number of Directors that their authorities stood ready to contribute to the enhanced SAF. I am also pleased to hear that the suggestions which we have made regarding the modalities of financing are in the right direction.

2. *Role and content of policy framework papers*

Most, but not all, Directors thought that the content of policy framework papers (PFPs) should be further developed and strengthened. Many also stressed that the authorities should play a much greater role than they had so far in the formulation of PFPs. It was noted that policy framework papers should include a more pointed and forward-looking analysis and identification of macroeconomic and structural problems and of the sources of economic growth; a more focused discussion of the authorities' strategy and the priority to be attached to key structural reforms to be sought over the next three years; a fuller description and assessment of public investment programs; and a discussion of financing requirements and the role of major aid agencies. Most Directors felt that specific policy undertakings in the initial period and general indications of policies to be pursued in the second and the third years should be spelled out in PFPs. Some Directors expressed concern that prior announcement of policy intentions could lead to speculative activities or involve sociopolitical sensitivities. In these cases, it was suggested that the precise timing and exact magnitude of intended changes could be left out of the PFP and could be included in the staff paper on the SAF program.

Directors were of the view that PFPs should contribute to the decision-making process of multilateral aid agencies, with many

calling for a more central role for the PFP in guiding the World Bank's lending strategy. Directors indicated that PFPs should be designed in such a way as to help ensure consistency of policy advice and other activities of aid agencies and to direct aid resources to countries undertaking strong policy reform in amounts that would make such reform efforts viable and sustainable. I took note of the differing views of Executive Directors on the role to be played by bilateral donors in the PFP process. These views will be taken into account in our emerging relations with these donors. The suggestion that the Fund should hold a conference for representatives of aid agencies to familiarize these institutions with the PFP process and discuss the coordination of objectives will also be examined.

Most Directors agreed that PFPs should be revised each year to cover policies and objectives to be pursued by the authorities during the following three-year period. Such a rolling framework would provide for a continuity of policy, which was useful for both the authorities and those supporting the member's adjustment effort. Other Directors, however, stressed that an updating of the PFP would suffice; in their view a wholesale redesign of the PFP each year would be burdensome for both the staff and the authorities but might be warranted if the facility's resources were enhanced.

Most Directors agreed that a wide circulation of PFPs was desirable, consistent with the objective of a fuller role for PFPs in the aid coordination process; however, in view of concerns expressed by some Directors, circulation of PFPs has to be subject to the consent of the authorities of the member concerned. Directors encouraged the staff to develop circulation procedures along the lines suggested in EBS/87/46, Supplement 1 (6/9/87).

3. *Issues related to the PFP/SAF process*

a. *Fund-Bank collaboration*

Directors emphasized the importance that they attached to the members' requests for SAF arrangements. They urged the staffs of

the two institutions to work closely together to expedite the process and to avoid undue delays. Closer collaboration between the two institutions should not be allowed to lead to cross conditionality. However, for a very limited number of cases in which the Bank was not in a position to contribute to the preparation of a possible SAF operation within a reasonable time period, I take it that Directors would not regard it as an absolute requirement that the Bank be involved in the preparation of the PFP.

A number of Directors were disappointed that the PFP had not been utilized more fully for World Bank policy-based lending. Speakers welcomed the conclusion of IDA-8 negotiations and were pleased in particular that $3.0–3.5 billion was to be used for structural adjustment lending in conjunction, to the extent possible, with the SAF. Several Directors hoped that policies governing use of IDA-8 would be finalized soon and in such a way that would enable IDA to lend in parallel with the SAF, drawing upon the policy undertakings stipulated in the PFP.

b. *Staged approach*

Directors emphasized that SAF-supported programs should continue to be based on comprehensive and detailed analysis and focused around comprehensive structural reform. However, some Directors indicated that in a limited number of exceptional cases where this was not practicable in the initial stages but where there may be assurance that macroeconomic policies would adequately address the immediate problems and thus improve the environment for structural reform, it would be useful to allow some flexibility and to experiment with a staged approach.

c. *Two-step procedure*

Most Directors expressed doubts as to whether the additional staff and Board time required by the two-step negotiation process—involving separate Board discussion of the PFP before presentation of the SAF loan request—was worthwhile. They encouraged the staff to present the PFP and the SAF request

simultaneously to the Board and to limit use of the two-step procedure to cases in which there were outstanding arrears to the Fund or in which there were major difficulties in the negotiating process or significant doubts about the eventual endorsement by the Board of the policy strategy contained in the PFP. Where a two-step procedure was to be used, staff was encouraged to hold PFP discussions to the extent feasible in the context of Article IV or other discussions with the authorities.

4. *SAF-related issues*

a. *Conditionality*

The nature and form of conditionality underlying the request for SAF arrangements that have been brought to the Board thus far was considered by most Directors to be broadly appropriate. Directors reiterated that SAF resources should be provided in support of strong macroeconomic and structural adjustment programs that would remove obstacles to growth and make, as a minimum, substantial progress toward the achievement of a viable balance of payments position during the three-year program period; the programs must provide reasonable assurance of timely repayments of loans from the SAF. A number of Directors, however, urged that conditionality should be more flexible and adapted in light of the objectives, particularly for growth, of the facility.

Because balance of payments viability cannot be attained by many SAF-eligible countries in the absence of increased concessional assistance, SAF programs for these countries would have to be strong so as to provide creditor governments and aid agencies with the assurance of satisfactory macroeconomic policies and the monitoring that they require in order to move forward with their operations in support of policy reform, several Directors stressed. In this connection, the decision of the Paris Club to undertake a debt rescheduling in certain cases on the basis of a SAF arrangement was welcomed.

b. *Benchmarks and prior actions*

Directors noted that the use of benchmarks was necessary to delineate the expected path of structural reform and to facilitate the evaluation of progress under SAF arrangements. They emphasized that benchmarks should be limited to those few variables that are considered most important for purposes of monitoring the program. Structural benchmarks should be formulated in specific terms so as to provide a clear understanding of the expected path of program implementation. A number of Directors considered that it would be useful to provide a more explicit framework of structural reform in the three-year program by including structural benchmarks that extend beyond the annual program in a few critical areas. While some Directors considered that the use of prior actions in SAF arrangements continued to be appropriate in those cases where much remained to be done and where past performance had been somewhat unsatisfactory, other Directors noted that such use should be exceptional.

c. *Protracted balance of payments criterion*

While the existence of protracted balance of payments problems should remain a criterion for use of the facility, most Directors emphasized that, a priori, a low-income country satisfied this criterion. They reiterated that the assessment should involve considerable flexibility and should not be based on the mechanical application of statistical indicators.

d. *Coincidence between arrangement and program periods*

Directors stressed that a significant divergence between the program and the arrangement period generally should be avoided and that there should be an interval of about 12 months between the two disbursements. However, they recognized that there was a need for flexibility in the timing of presentation to the Board of annual SAF arrangements; a normal delay of about three months between the initiation of the annual policy program and its presentation to the Board was acceptable. They indicated that approval of a longer delay should be granted only in exceptional

cases. In those cases in which considerable delay had been experienced in the presentation of a first-year program, Directors considered that some shortening of the period between annual disbursements would be appropriate so as to minimize the difference in timing between the approval of the subsequent annual programs and the associated disbursements.

Directors noted that the preparation of PFPs and SAF programs has absorbed a substantial amount of the staff resources of borrowing countries, the Bank, and the Fund, and they directed the staff to look for ways to simplify procedures.

I have noted the call for generalized access to Fund resources by developing countries on a concessional basis, a matter to which we will return in the context of our consideration of the recommendations of the Group of Twenty-Four on the role of the Fund.

The discussion of the first review of the operation of the structural adjustment facility has been most helpful and should contribute to a more effective and efficient operation of the facility. This will be extremely important as we advance our efforts to increase the amount of resources that can be made available to the low-income countries under the facility. The next review of the structural adjustment facility will be held not later than May 31, 1988.

Let me reiterate that I am really grateful for the many expressions of support for the initiative to increase the resources available through the SAF. I intend to report to you frequently on the progress that we are able to make. That progress will depend crucially upon your continuing support.

Special Disbursement Account: Review of Structural Adjustment Facility and Establishment of the Enhanced Structural Adjustment Facility

1. The Executive Board has reviewed the operation of the Structural Adjustment Facility within the Special Disbursement Account, as provided in Decision No. 8241-(86/56) SAF, adopted March 26, 1986.

2. (a) The Executive Board decides to establish a Facility to be known as the Enhanced Structural Adjustment Facility. Loans under that Facility shall be provided by the Enhanced Structural Adjustment Facility Trust, normally in conjunction with loans under the Structural Adjustment Facility, on concessional terms, to low-income developing members that qualify for assistance.

Assistance under that Facility may also be provided from loans by the Enhanced Structural Adjustment Facility Trust not made in conjunction with loans from the Structural Adjustment Facility to members that are eligible for assistance from the Structural Adjustment Facility and have notified the Fund of their intention not to make use of the resources of the Structural Adjustment Facility.

(b) The use of resources provided by the Structural Adjustment Facility shall be subject to the Regulations for the Administration of the Structural Adjustment Facility, as amended by Decision No. 8758-(87/176) SAF, adopted December 18, 1987.

(c) The use of resources provided by the Enhanced Structural Adjustment Facility Trust shall be subject to the provisions of the Enhanced Structural Adjustment Facility Trust Instrument adopted by Decision No. 8759-(87/176) ESAF, adopted December 18, 1987.*

3. Resources provided by lenders that agree to support arrangements under the Enhanced Structural Adjustment Facility through

*See page 30.

loans to qualifying members shall be used in association with loans under the Enhanced Structural Adjustment Facility and in accordance with the arrangements between the Fund and the lenders.

4. The Fund shall review the operation of the Enhanced Structural Adjustment Facility, of the Structural Adjustment Facility, and of the Enhanced Structural Adjustment Facility Trust, not later than March 31, 1989.

Decision No. 8757-(87/176) SAF/ESAF
December 18, 1987, as amended by
Decision No. 9987-(92/48) SAF/ESAF
April 7, 1992

Pursuant to paragraph 4 of Decision No. 8757-(87/176) SAF/ESAF, adopted December 18, 1987, the Fund has reviewed the operation of the Enhanced Structural Adjustment Facility, of the Structural Adjustment Facility, and of the Enhanced Structural Adjustment Facility Trust. The operation of these facilities shall be further reviewed before June 30, 1990.

Decision No. 9114-(89/40) SAF/ESAF
March 29, 1989

Pursuant to Decision No. 9114-(89/40) SAF/ESAF, adopted March 29, 1989, the Fund has reviewed the operation of the Structural Adjustment Facility, of the Enhanced Structural Adjustment Facility, and of the Enhanced Structural Adjustment Facility Trust. The operation of these facilities and of the Enhanced Structural Adjustment Facility Trust shall be further reviewed before September 30, 1991.

Decision No. 9487-(90/106) SAF/ESAF
July 2, 1990, as amended by
Decision No. 9776-(91/96) SAF/ESAF
July 19, 1991

Pursuant to Decision No. 9487-(90/106) SAF/ESAF, adopted July 2, 1990, the Fund has reviewed the operation of the Structural Adjustment Facility, of the Enhanced Structural Adjustment Facility, and of the Enhanced Structural Adjustment Facility Trust. The operation of these facilities and of the Enhanced Structural Adjustment Facility Trust shall be further reviewed not later than July 31, 1992.

Decision No. 9808-(91/114) SAF/ESAF
September 4, 1991

Pursuant to Decision No. 9808-(91/114) SAF/ESAF, adopted September 4, 1991, the Fund has reviewed the operation of the Structural Adjustment Facility, of the Enhanced Structural Adjustment Facility and of the Enhanced Structural Adjustment Facility Trust. The operation of these facilities and of the Enhanced Structural Adjustment Facility Trust shall be further reviewed not later than July 10, 1993.

Decision No. 10089-(92/94) SAF/ESAF
July 23, 1992

SPECIAL DISBURSEMENT ACCOUNT: STRUCTURAL ADJUSTMENT FACILITY—POTENTIAL ACCESS

Pursuant to paragraph 4(1) of the Regulations for the Administration of the Structural Adjustment Facility within the Special Disbursement Account (Annex to Decision No. 8238-(86/56) SAF, as amended), the Fund determines that the potential access of each eligible member to the resources of the facility established by Decision No. 8240-(86/56) SAF, adopted March 26, 1986, as amended, continues to be adequate. The potential access under the facility shall be reviewed again before the increase in quotas under the Ninth General Review becomes effective in accordance with

paragraph 3 of Board of Governors Resolution No. 45-2, adopted effective June 28, 1990, but in any event not later than July 31, 1992.

Decision No. 9809-(91/114) SAF
September 4, 1991

Pursuant to paragraph 4(1) of the Regulations for the Administration of the Structural Adjustment Facility within the Special Disbursement Account (Annex to Decision No. 8238-(86/56) SAF, as amended), the Fund determines that the potential access of each eligible member to the resources of the facility established by Decision No. 8240-(86/56) SAF, adopted March 26, 1986, as amended, continues to be adequate. The potential access under the facility shall be further reviewed before the increase in quotas under the Ninth General Review becomes effective in accordance with paragraph 3 of Board of Governors Resolution No. 45-2, adopted effective June 28, 1990, and in any event not later than July 10, 1993.

Decision No. 10090-(92/94) SAF
July 23, 1992

Special Disbursement Account: Enhanced Structural Adjustment Facility—Extension of Commitment and Disbursement Periods for Agreements

The Managing Director is authorized to conclude agreements on the extension of commitment and disbursement periods for agreements pursuant to paragraph 3 of Decision No. 8757-(87/176) SAF/ESAF, adopted December 18, 1987, on behalf of the Fund.

Decision No. 9116-(89/40) ESAF
March 29, 1989

Special Disbursement Account: Transfer of Resources from the Special Disbursement Account to the Enhanced Structural Adjustment Facility Trust and Retransfer to the Special Disbursement Account

1. The following resources held in, or to be received by, the Special Disbursement Account shall be transferred to the Enhanced Structural Adjustment Facility Trust ("the Trust")* for its Reserve Account upon the establishment of the Trust or upon receipt of these resources by the Special Disbursement Account, whichever is later:

(i) all income already received or to be received from the investment of resources available for the Structural Adjustment Facility within the Special Disbursement Account;

(ii) all interest already received or to be received, including from special charges, on loans under the Structural Adjustment Facility;

(iii) all repayments of loans under the Structural Adjustment Facility; and

(iv) all the resources held in the Special Disbursement Account that are derived from the termination of the 1976 Trust Fund and that can no longer be used under the Structural Adjustment Facility, and that have not been transferred to the Subsidy Account of the ESAF Trust in accordance with Decision No. 10531-(93/170) SAF;

provided that the above resources shall be retransferred to the Special Disbursement Account when and to the extent that they are needed for the reimbursement of the expenses incurred by the General Resources Account in the administration of the Structural Adjustment Facility and the Trust, which must be reimbursed in

*On the Instrument to Establish the Enhanced Structural Adjustment Facility Trust, see Decision No. 8759-(87/176) ESAF on page 30.

accordance with paragraph 10 of the Regulations for the Administration of the Structural Adjustment Facility and paragraph 3 of this decision.

2. Whenever the Trustee determines that amounts in the Reserve Account of the Trust exceed the amount that may be needed to cover the total liabilities of the Trust to lenders that are authorized to be discharged by the Reserve Account, the Trustee shall retransfer such excess amounts to the Special Disbursement Account. Upon liquidation of the Trust, all amounts in the Reserve Account remaining after discharge of liabilities authorized to be discharged by the Reserve Account shall be transferred to the Special Disbursement Account.

3. The Special Disbursement Account shall reimburse the General Resources Account annually in respect of the expenses of conducting the business of the Enhanced Structural Adjustment Facility Trust.

4. Resources transferred under this decision shall be available to cover liabilities that are authorized to be discharged by the Reserve Account with respect to members that are eligible for assistance from the Structural Adjustment Facility and have notified the Fund of their intention not to make use of the resources of the Structural Adjustment Facility.

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

Decision No. 8760-(87/176)
December 18, 1987, as amended by
Decision No. 9989-(92/48)
April 7, 1992, and
Decision No. 10531-(93/170) SAF
December 15, 1993

Special Disbursement Account: Review of Structural Adjustment Facility (SAF), Termination of Authority to Make Commitments to Provide Assistance from SAF in Conjunction with Loans from ESAF Trust, and Transfer of Resources from SDA to ESAF Trust

1. The Fund has reviewed the operation of the Structural Adjustment Facility (SAF) within the Special Disbursement Account (SDA) and decides that from the date this decision becomes effective it will no longer approve commitments to provide assistance from the SAF in conjunction with loans from the Enhanced Structural Adjustment Facility Trust (ESAF Trust).

2. With the exception of the resources that have been or are to be transferred to the Reserve Account of the ESAF Trust pursuant to subparagraphs 1(i), 1(ii), or 1(iii) of Decision No. 8760-(87/176), as amended, (i) SDR 260 million of the resources held in the SDA derived from the termination of the 1976 Trust Fund shall be maintained in that account for further use under the SAF, and (ii) SDR 400 million of the resources held or to be received by the SDA that are derived from the termination of the 1976 Trust Fund shall be transferred promptly after the effectiveness of this decision to the Subsidy Account of the ESAF Trust for the subsidization of ESAF Trust loans. Accordingly, Decision No. 8760-(87/176), as amended, is further amended by adding at the end of subparagraph 1(iv) the following: "and that have not been transferred to the Subsidy Account of the ESAF Trust in accordance with Decision No. 10531-(93/170) SAF."

Decision No. 10531-(93/170) SAF
December 15, 1993

Modalities of Gold Pledge for use of ESAF Trust Resources under Rights Approach

1. As long as loans from the Enhanced Structural Adjustment Facility Trust (hereinafter the "ESAF Trust") to members for the financing of "rights" as defined in the Managing Director's

Summing Up at EBM/90/97 of June 20, 1990 are outstanding, the Fund shall review the adequacy of the Reserve Account of the ESAF Trust (hereinafter the "Reserve Account") shortly before June 30 and December 31 of each year.

2. The Fund shall determine whether the amounts held in the Reserve Account, plus other available means of financing that would effectively restore the resources of the Trust, are sufficient to meet all obligations which could give rise to a payment from the Reserve Account to lenders to the Loan Account of the ESAF Trust in the six months following a review under paragraph 1. To the extent that it is determined by the Fund that these resources are insufficient to meet all such obligations (the "potential shortfall"), then the Managing Director is hereby authorized and instructed to sell gold held in the General Resources Account of the Fund in an amount that would generate proceeds available for transfer to the Special Disbursement Account under Article V, Section 12(f), up to the equivalent of the potential shortfall in the Reserve Account provided that

(i) these proceeds shall not exceed the equivalent of the previous drawings on the Reserve Account attributable to overdue obligations under loans from the ESAF Trust to members for the financing of rights as described above, plus foregone interest earnings on amounts equivalent to these drawings, and less any amounts corresponding to these drawings that have been subsequently paid by such members or for which the Reserve Account has previously been replenished from the proceeds of a gold sale under this decision; and

(ii) the total amount of gold available for sale under this decision shall not exceed the amount specified in paragraph 4.

3. The proceeds of any sale of gold under this decision in excess of an amount equivalent at the time of the sale to one special drawing right per 0.888 671 gram of fine gold shall be

placed in the Special Disbursement Account and shall be transferred immediately thereupon to the Reserve Account.

4. Subject to Paragraphs 5, 6 and 7, the Fund shall retain full ownership of holdings of gold of 3 million ounces in the General Resources Account, less any amounts sold pursuant to this decision, as long as loans from the ESAF Trust to members for the financing of rights as described above remain outstanding.

5. The need to maintain the full amount specified in paragraph 4 available for sale shall be reassessed on the occasion of the reviews under paragraph 1. This amount shall not be reduced without the consent of all lenders to the Loan Account of the ESAF Trust.

6. This decision shall not be amended by the Fund except with the consent of all lenders to the Loan Account of the ESAF Trust.

7. This decision shall be terminated (i) when after all loans that may be made from the ESAF Trust have been fully disbursed, the resources held in the Reserve Account exceed the amounts outstanding under ESAF Trust loans, or (ii) when after all loans that may be made from the ESAF Trust for the financing of rights as described above have been fully disbursed, there are no outstanding obligations under such ESAF Trust loans, with respect to which a gold sale can be made under this decision, whichever is earlier.

Decision No. 10286-(93/23) ESAF
February 22, 1993

ESAF TRUST—RESERVE ACCOUNT—REVIEW

Pursuant to Decision No. 10286-(93/23) ESAF, the Fund has reviewed the adequacy of the Reserve Account of the ESAF Trust, and determines that amounts held in the account are sufficient to meet all obligations which could give rise to a payment from the

Reserve Account to lenders to the Loan Account of the ESAF Trust in the six months from January 1 to June 30, 1997.

Decision No. 11409-(97/1) ESAF,
December 31, 1996

Pursuant to Executive Board Decision No. 10286-(93/23) ESAF, the Fund has reviewed the adequacy of the Reserve Account of the ESAF Trust, and determines that amounts held in the account are sufficient to meet all obligations which could give rise to a payment from the Reserve Account to lenders to the Loan Account of the ESAF Trust in the six months from January 1 to June 30, 1998.

Decision No. 11648-(98/1) ESAF,
December 30, 1997

Pursuant to Decision No. 10286-(93/23) ESAF, the Fund has reviewed the adequacy of the Reserve Account of the ESAF Trust, and determines that amounts held in the account are sufficient to meet all obligations which could give rise to a payment from the Reserve Account to lenders to the Loan Account of the ESAF Trust in the six months from January 1 to June 30, 1999.

Decision No. 11864-(99/1) ESAF,
December 30, 1998

Use of Fund's Resources for Capital Transfers

[See Interpretation Pursuant to Decision No. 71-2, adopted September 26, 1946 and Decision No. 1238-(61/43), adopted July 28, 1961.*]

*See page 99.

Controls on Capital Transfers

The report of the Committee on Interpretation on controls on capital transfers (EBD/56/71, 7/11/56) is approved and the following conclusions are adopted:

Subject to the provisions of Article VI, Section 3 concerning payments for current transactions and undue delay in transfers of funds in settlement of commitments:

(a) Members are free to adopt a policy of regulating capital movements for any reason, due regard being paid to the general purposes of the Fund and without prejudice to the provisions of Article VI, Section 1.

(b) They may, for that purpose, exercise such controls as are necessary, including making such arrangements as may be reasonably needed with other countries, without approval of the Fund.

Decision No. 541-(56/39)
July 25, 1956

ARTICLE VII

Borrowing

GENERAL ARRANGEMENTS TO BORROW

Preamble

In order to enable the International Monetary Fund to fulfill more effectively its role in the international monetary system, the main industrial countries have agreed that they will, in a spirit of broad and willing cooperation, strengthen the Fund by general arrangements under which they will stand ready to make loans to the Fund up to specified amounts under Article VII, Section 1 of the Articles of Agreement when supplementary resources are needed to forestall or cope with an impairment of the international monetary system. In order to give effect to these intentions, the following terms and conditions are adopted under Article VII, Section 1 of the Articles of Agreement.

Paragraph 1. *Definitions*

As used in this decision the term:

(i) "Articles" means the Articles of Agreement of the International Monetary Fund;

(ii) "credit arrangement" means an undertaking to lend to the Fund on the terms and conditions of this decision;

(iii) "participant" means a participating member or a participating institution;

(iv) "participating institution" means an official institution of a member that has entered into a credit arrangement with the Fund with the consent of the member;

(v) "participating member" means a member of the Fund that has entered into a credit arrangement with the Fund;

(vi) "amount of a credit arrangement" means the maximum amount expressed in special drawing rights that a participant undertakes to lend to the Fund under a credit arrangement;

(vii) "call" means a notice by the Fund to a participant to make a transfer under its credit arrangement to the Fund's account;

(viii) "borrowed currency" means currency transferred to the Fund's account under a credit arrangement;

(ix) "drawer" means a member that purchases borrowed currency from the Fund in an exchange transaction or in an exchange transaction under a stand-by or extended arrangement;

(x) "indebtedness" of the Fund means the amount it is committed to repay under a credit arrangement.

Paragraph 2. *Credit Arrangements*

A member or institution that adheres to this decision undertakes to lend its currency to the Fund on the terms and conditions of this decision up to the amount in special drawing rights set forth in the Annex to this decision or established in accordance with paragraph 3(b).

Paragraph 3. *Adherence*

(a) Any member or institution specified in the Annex may adhere to this decision in accordance with paragraph 3(c).

(b) Any member or institution not specified in the Annex that wishes to become a participant may at any time, after consultation with the Fund, give notice of its willingness to adhere to this decision, and, if the Fund shall so agree and no participant object,

the member or institution may adhere in accordance with paragraph 3(c). When giving notice of its willingness to adhere under this paragraph 3(b) a member or institution shall specify the amount, expressed in terms of the special drawing right, of the credit arrangement which it is willing to enter into, provided that the amount shall not be less than the credit arrangement of the participant with the smallest credit arrangement.

(c) A member or institution shall adhere to this decision by depositing with the Fund an instrument setting forth that it has adhered in accordance with its law and has taken all steps necessary to enable it to carry out the terms and conditions of this decision. On the deposit of the instrument the member or institution shall be a participant as of the date of the deposit or of the effective date of this decision, whichever shall be later.

Paragraph 4. *Entry into Force*

This decision shall become effective when it has been adhered to by at least seven of the members or institutions included in the Annex with credit arrangements amounting in all to not less than the equivalent of five and one half billion United States dollars of the weight and fineness in effect on July 1, 1944.

Paragraph 5. *Changes in Amounts of Credit Arrangements*

The amounts of participants' credit arrangements may be reviewed from time to time in the light of developing circumstances and changed with the agreement of the Fund and all participants.

Paragraph 6. *Initial Procedure*

When a participating member or a member whose institution is a participant approaches the Fund on an exchange transaction or stand-by or extended arrangement and the Managing Director, after consultation, considers that the exchange transaction or stand-by or extended arrangement is necessary in order to forestall or cope with an impairment of the international monetary system,

and that the Fund's resources need to be supplemented for this purpose, he shall initiate the procedure for making calls under paragraph 7.

Paragraph 7. *Calls*

(a) The Managing Director shall make a proposal for calls for an exchange transaction or for future calls for exchange transactions under a stand-by or extended arrangement only after consultation with Executive Directors and participants. A proposal shall become effective only if it is accepted by participants and the proposal is then approved by the Executive Board. Each participant shall notify the Fund of the acceptance of a proposal involving a call under its credit arrangement.

(b) The currencies and amounts to be called under one or more of the credit arrangements shall be based on the present and prospective balance of payments and reserve position of participating members or members whose institutions are participants and on the Fund's holdings of currencies.

(c) Unless otherwise provided in a proposal for future calls approved under paragraph 7(a), purchases of borrowed currency under a stand-by or extended arrangement shall be made in the currencies of participants in proportion to the amounts in the proposal.

(d) If a participant on which calls may be made pursuant to paragraph 7(a) for a drawer's purchases under a stand-by or extended arrangement gives notice to the Fund that in the participant's opinion, based on the present and prospective balance of payments and reserve position, calls should no longer be made on the participant or that calls should be for a smaller amount, the Managing Director may propose to other participants that substitute amounts be made available under their credit arrangements, and this proposal shall be subject to the procedure of paragraph 7(a). The proposal as originally approved under paragraph 7(a) shall remain effective unless and until a proposal for substitute amounts is approved in accordance with paragraph 7(a).

(e) When the Fund makes a call pursuant to this paragraph 7, the participant shall promptly make the transfer in accordance with the call.

Paragraph 8. *Evidence of Indebtedness*

(a) The Fund shall issue to a participant, on its request, non-negotiable instruments evidencing the Fund's indebtedness to the participant. The form of the instruments shall be agreed between the Fund and the participant.

(b) Upon repayment of the amount of any instrument issued under paragraph 8(a) and all accrued interest, the instrument shall be returned to the Fund for cancellation. If less than the amount of any such instrument is repaid, the instrument shall be returned to the Fund and a new instrument for the remainder of the amount shall be substituted with the same maturity date as in the old instrument.

Paragraph 9. *Interest*

(a) The Fund shall pay interest on its indebtedness at a rate equal to the combined market interest rate computed by the Fund from time to time for the purpose of determining the rate at which it pays interest on holdings of special drawing rights. A change in the method of calculating the combined market interest rate shall apply only if the Fund and at least two thirds of the participants having three fifths of the total amount of the credit arrangements so agree; provided that if a participant so requests at the time this agreement is reached, the change shall not apply to the Fund's indebtedness to that participant outstanding at the date the change becomes effective.

(b) Interest shall accrue daily and shall be paid as soon as possible after each July 31, October 31, January 31, and April 30.

(c) Interest due to a participant shall be paid, as determined by the Fund, in special drawing rights, or in the participant's currency, or in other currencies that are actually convertible.

Paragraph 10. *Use of Borrowed Currency*

The Fund's policies and practices under Article V, Sections 3 and 7 on the use of its general resources and stand-by and extended arrangements, including those relating to the period of use, shall apply to purchases of currency borrowed by the Fund. Nothing in this decision shall affect the authority of the Fund with respect to requests for the use of its resources by individual members, and access to these resources by members shall be determined by the Fund's policies and practices, and shall not depend on whether the Fund can borrow under this decision.

Paragraph 11. *Repayment by the Fund*

(a) Subject to the other provisions of this paragraph 11, the Fund, five years after a transfer by a participant, shall repay the participant an amount equivalent to the transfer calculated in accordance with paragraph 12. If the drawer for whose purchase participants make transfers is committed to repurchase at a fixed date earlier than five years after its purchase, the Fund shall repay the participants at that date. Repayment under this paragraph 11(a) or under paragraph 11(c) shall be, as determined by the Fund, in the participant's currency whenever feasible, or in special drawing rights, or, after consultation with the participant, in other currencies that are actually convertible. Repayments to a participant under paragraph 11(b) and (e) shall be credited against transfers by the participant for a drawer's purchases in the order in which repayment must be made under this paragraph 11(a).

(b) Before the date prescribed in paragraph 11(a), the Fund, after consultation with a participant, may make repayment to the participant in part or in full. The Fund shall have the option to make repayment under this paragraph 11(b) in the participant's currency, or in special drawing rights in an amount that does not increase the participant's holdings of special drawing rights above the limit under Article XIX, Section 4, of the Articles of Agreement unless the participant agrees to accept special drawing rights above that limit in such repayment, or, with the agreement of the participant, in other currencies that are actually convertible.

(c) Whenever a reduction in the Fund's holdings of a drawer's currency is attributed to a purchase of borrowed currency, the

Fund shall promptly repay an equivalent amount. If the Fund is indebted to a participant as a result of transfers to finance a reserve tranche purchase by a drawer and the Fund's holdings of the drawer's currency that are not subject to repurchase are reduced as a result of net sales of that currency during a quarterly period covered by an operational budget, the Fund shall repay at the beginning of the next quarterly period an amount equivalent to that reduction, up to the amount of the indebtedness to the participant.

(d) Repayment under paragraph 11(c) shall be made in proportion to the Fund's indebtedness to the participants that made transfers in respect of which repayment is being made.

(e) Before the date prescribed in paragraph 11(a) a participant may give notice representing that there is a balance of payments need for repayment of part or all of the Fund's indebtedness and requesting such repayment. The Fund shall give the overwhelming benefit of any doubt to the participant's representation. Repayment shall be made after consultation with the participant in the currencies of other members that are actually convertible, or made in special drawing rights, as determined by the Fund. If the Fund's holdings of currencies in which repayment should be made are not wholly adequate, individual participants shall be requested, and will be expected, to provide the necessary balance under their credit arrangements. If, notwithstanding the expectation that the participants will provide the necessary balance, they fail to do so, repayment shall be made to the extent necessary in the currency of the drawer for whose purchases the participant requesting repayment made transfers. For all of the purposes of this paragraph 11 transfers under this paragraph 11(e) shall be deemed to have been made at the same time and for the same purchases as the transfers by the participant obtaining repayment under this paragraph 11(e).

(f) All repayments to a participant in a currency other than its own shall be guided, to the maximum extent practicable, by the present and prospective balance of payments and reserve position of the members whose currencies are to be used in repayment.

(g) The Fund shall at no time reduce its holdings of a drawer's currency below an amount equal to the Fund's indebtedness to the participants resulting from transfers for the drawer's purchases.

(h) When any repayment is made to a participant, the amount that can be called for under its credit arrangement in accordance with this decision shall be restored *pro tanto*.

(i) The Fund shall be deemed to have discharged its obligations to a participating institution to make repayment in accordance with the provisions of this paragraph or to pay interest in accordance with the provisions of paragraph 9 if the Fund transfers an equivalent amount in special drawing rights to the member in which the institution is established.

Paragraph 12. *Rates of Exchange*

(a) The value of any transfer shall be calculated as of the date of the dispatch of the instructions for the transfer. The calculation shall be made in terms of the special drawing right in accordance with Article XIX, Section 7(*a*) of the Articles, and the Fund shall be obliged to repay an equivalent value.

(b) For all of the purposes of this decision, the value of a currency in terms of the special drawing right shall be calculated by the Fund in accordance with Rule O-2 of the Fund's Rules and Regulations.

Paragraph 13. *Transferability*

A participant may not transfer all or part of its claim to repayment under a credit arrangement except with the prior consent of the Fund and on such terms and conditions as the Fund may approve.

Paragraph 14. *Notices*

Notice to or by a participating member under this decision shall be in writing or by rapid means of communication and shall be given to or by the fiscal agency of the participating member

designated in accordance with Article V, Section 1 of the Articles and Rule G-1 of the Rules and Regulations of the Fund. Notice to or by a participating institution shall be in writing or by rapid means of communication and shall be given to or by the participating institution.

Paragraph 15. *Amendment*

This decision may be amended during the period prescribed in paragraph 19(a) only by a decision of the Fund and with the concurrence of all participants. Such concurrence shall not be necessary for the modification of the decision on its renewal pursuant to paragraph 19(b).

Paragraph 16. *Withdrawal of Adherence*

A participant may withdraw its adherence to this decision in accordance with paragraph 19(b) but may not withdraw within the period prescribed in paragraph 19(a) except with the agreement of the Fund and all participants.

Paragraph 17. *Withdrawal from Membership*

If a participating member or a member whose institution is a participant withdraws from membership in the Fund, the participant's credit arrangement shall cease at the same time as the withdrawal takes effect. The Fund's indebtedness under the credit arrangement shall be treated as an amount due from the Fund for the purpose of Article XXVI, Section 3, and Schedule J of the Articles.

Paragraph 18. *Suspension of Exchange Transactions and Liquidation*

(a) The right of the Fund to make calls under paragraph 7 and the obligation to make repayments under paragraph 11 shall be suspended during any suspension of exchange transactions under Article XXVII of the Articles.

(b) In the event of liquidation of the Fund, credit arrangements shall cease and the Fund's indebtedness shall constitute liabilities under Schedule K of the Articles. For the purpose of paragraph 1(*a*) of Schedule K, the currency in which the liability of the Fund shall be payable shall be first the participant's currency and then the currency of the drawer for whose purchases transfers were made by the participants.

Paragraph 19. *Period and Renewal*

(a) This decision shall continue in existence for four years from its effective date. A new period of five years shall begin on the effective date of Decision No. 7337-(83/37), adopted February 24, 1983. References in paragraph 19(b) to the period prescribed in paragraph 19(a) shall refer to this new period and to any subsequent renewal periods that may be decided pursuant to paragraph 19(b). When considering a renewal of this decision for the period following the five-year period referred to in this paragraph 19(a), the Fund and the participants shall review the functioning of this decision, including the provisions of paragraph 21.

(b) This decision may be renewed for such period or periods and with such modifications, subject to paragraph 5, as the Fund may decide. The Fund shall adopt a decision on renewal and modification, if any, not later than twelve months before the end of the period prescribed in paragraph 19(a). Any participant may advise the Fund not less than six months before the end of the period prescribed in paragraph 19(a) that it will withdraw its adherence to the decision as renewed. In the absence of such notice, a participant shall be deemed to continue to adhere to the decision as renewed. Withdrawal of adherence in accordance with this paragraph 19(b) by a participant, whether or not included in the Annex, shall not preclude its subsequent adherence in accordance with paragraph 3(b).

(c) If this decision is terminated or not renewed, paragraphs 8 through 14, 17 and 18(b) shall nevertheless continue to apply in connection with any indebtedness of the Fund under credit

arrangements in existence at the date of the termination or expiration of the decision until repayment is completed. If a participant withdraws its adherence to this decision in accordance with paragraph 16 or paragraph 19(b), it shall cease to be a participant under the decision, but paragraphs 8 through 14, 17 and 18(b) of the decision as of the date of the withdrawal shall nevertheless continue to apply to any indebtedness of the Fund under the former credit arrangement until repayment has been completed.

Paragraph 20. *Interpretation*

Any question of interpretation raised in connection with this decision which does not fall within the purview of Article XXIX of the Articles shall be settled to the mutual satisfaction of the Fund, the participant raising the question, and all other participants. For the purpose of this paragraph 20 participants shall be deemed to include those former participants to which paragraphs 8 through 14, 17 and 18(b) continue to apply pursuant to paragraph 19(c) to the extent that any such former participant is affected by a question of interpretation that is raised.

Paragraph 21. *Use of Credit Arrangements for Nonparticipants*

(a) The Fund may make calls in accordance with paragraphs 6 and 7 for exchange transactions requested by members that are not participants if the exchange transactions are (i) transactions in the upper credit tranches, (ii) transactions under stand-by arrangements extending beyond the first credit tranche, (iii) transactions under extended arrangements, or (iv) transactions in the first credit tranche in conjunction with a stand-by or an extended arrangement. All the provisions of this decision relating to calls shall apply, except as otherwise provided in paragraph 21(b).

(b) The Managing Director may initiate the procedure for making calls under paragraph 7 in connection with requests referred to in paragraph 21(a) if, after consultation, he considers that the Fund faces an inadequacy of resources to meet actual and expected requests for financing that reflect the existence of an

exceptional situation associated with balance of payments problems of members of a character or aggregate size that could threaten the stability of the international monetary system. In making proposals for calls pursuant to paragraph 21(a) and (b), the Managing Director shall pay due regard to potential calls pursuant to other provisions of this decision.

Paragraph 22. (Abrogated) *

Paragraph 23. *Associated Borrowing Arrangements*

(a) A borrowing arrangement between the Fund and a member that is not a participant, or an official institution of such a member, under which the member or the official institution undertakes to make loans to the Fund for the same purposes as, and on terms comparable to, those made by participants under this decision, may, with the concurrence of all participants, authorize the Fund to make calls on participants in accordance with paragraphs 6 and 7 for exchange transactions with that member, or to make requests under paragraph 11(e) in connection with an early repayment of a claim under the borrowing arrangement, or both. For the purposes of this decision such calls or requests shall be treated as if they were calls or requests in respect of a participant.

(b) Nothing in this decision shall preclude the Fund from entering into any other types of borrowing arrangements, including an arrangement between the Fund and a lender, involving an association with participants, that does not contain the authorizations referred to in paragraph 23(a).

*Decision No. 10175-(92/129), October 28, 1992.

ANNEX

Participants and Amounts of Credit Arrangements

	Amount in Special Drawing Rights
1. United States of America	4,250,000,000
2. Deutsche Bundesbank	2,380,000,000
3. Japan	2,125,000,000
4. France	1,700,000,000
5. United Kingdom	1,700,000,000
6. Italy	1,105,000,000
7. Canada	892,500,000
8. Netherlands	850,000,000
9. Belgium	595,000,000
10. Sveriges Riksbank	382,500,000
11. Swiss National Bank	1,020,000,000
	17,000,000,000

Decision No. 1289-(62/1)
January 5, 1962, as amended by
Decision Nos. 1362-(62/32), July 9, 1962,
effective October 12, 1962,
1415-(62/47), September 19, 1962,
4421-(74/132), October 23, 1974,
5792-(78/79), June 2, 1978,
6241-(79/144), August 24, 1979,
7337-(83/37), February 24, 1983, and
*10175-(92/129), October 28, 1992**

*Renewed for a period of five years from December 26, 1988 (*Decision No. 8733-(87/159), effective December 26, 1988*). This was again renewed for a period of five years from December 26, 1993 (*Decision No. 10176-(92/129), October 28, 1992*). This was renewed again for a period of five years from December 26, 1998 (*Decision No. 11609-(97/112), November 19, 1997*).

The revised text of the GAB Decision, which incorporates amendments in a number of provisions and provides for the increases in participants' credit arrangements, was approved by the Executive Board on February 24, 1983 (Decision No. 7337-(83/37)). It became effective on December 26, 1983 when all ten participants notified the Fund that they concurred in these amendments and increases. The text was further amended by deleting paragraph 22 in light of Switzerland's membership (Decision No. 10175-(92/129), October 28, 1992) and the amendment became effective on December 22, 1992 when all eleven participants notified the Fund that they concurred in the amendment.

Letter from Mr. Baumgartner, Minister of Finance, France, to Mr. Dillon, Secretary of the Treasury, United States

December 15, 1961

Dear Mr. Secretary:

The purpose of this letter is to set forth the understandings reached during the recent discussions in Paris with respect to the procedure to be followed by the Participating Countries and Institutions (hereinafter referred to as "the participants") in connection with borrowings by the International Monetary Fund of Supplementary Resources under credit arrangements which we expect will be established pursuant to a decision of the Executive Directors of the Fund.

This procedure, which would apply after the entry into force of that decision with respect to the participants which adhere to it in accordance with their laws, and which would remain in effect during the period of the decision, is as follows:

A. A participating country which has need to draw currencies from the International Monetary Fund or to seek a stand-by agreement with the Fund in circumstances indicating that the Supplementary Resources might be used, shall consult with the Managing Director of the Fund first and then with the other participants.

B. If the Managing Director makes a proposal for Supplementary Resources to be lent to the Fund, the participants shall consult on this proposal and inform the Managing Director of the amounts of their currencies which they consider appropriate to lend to the Fund, taking into account the recommendations of the Managing Director and their present and prospective balance of payments and reserve positions. The participants shall aim at reaching unanimous agreement.

C. If it is not possible to reach unanimous agreement, the question whether the participants are prepared to facilitate, by

lending their currencies, an exchange transaction or stand-by arrangement of the kind covered by the special borrowing arrangements and requiring the Fund's resources to be supplemented in the general order of magnitude proposed by the Managing Director, will be decided by a poll of the participants.

The prospective drawer will not be entitled to vote. A favorable decision shall require the following majorities of the participants which take part in the vote, it being understood that abstentions may be justified only for balance of payments reasons as stated in paragraph D:

(1) a two-thirds majority of the number of participants voting; and

(2) a three-fifths majority of the weighted votes of the participants voting, weighted on the basis of the commitments to the Supplementary Resources.

D. If the decision in paragraph C is favorable, there shall be further consultations among the participants, and with the Managing Director, concerning the amounts of the currencies of the respective participants which will be loaned to the Fund in order to attain a total in the general order of magnitude agreed under paragraph C. If during the consultations a participant gives notice that in its opinion, based on its present and prospective balance of payments and reserve position, calls should not be made on it, or that calls should be for a smaller amount than that proposed, the participants shall consult among themselves and with the Managing Director as to the additional amounts of their currencies which they could provide so as to reach the general order of magnitude agreed under paragraph C.

E. When agreement is reached under paragraph D, each participant shall inform the Managing Director of the calls which it is prepared to meet under its credit arrangement with the Fund.

F. If a participant which has loaned its currency to the Fund under its credit arrangement with the Fund subsequently requests

a reversal of its loan which leads to further loans to the Fund by other participants, the participant seeking such reversal shall consult with the Managing Director and with the other participants.

For the purpose of the consultative procedures described above, participants will designate representatives who shall be empowered to act with respect to proposals for use of the Supplementary Resources.

It is understood that in the event of any proposals for calls under the credit arrangements or if other matters should arise under the Fund decision requiring consultations among the participants, a consultative meeting will be held among all the participants. The representative of France shall be responsible for calling the first meeting, and at that time the participants will determine who shall be the Chairman. The Managing Director of the Fund or his representative shall be invited to participate in these consultative meetings.

It is understood that in order to further the consultations envisaged, participants should, to the fullest extent practicable, use the facilities of the international organizations to which they belong in keeping each other informed of the developments in their balances of payments that could give rise to the use of the Supplementary Resources.

These consultative arrangements, undertaken in a spirit of international cooperation, are designed to insure the stability of the international payments system.

I shall appreciate a reply confirming that the aforegoing represents the understandings which have been reached with respect to the procedure to be followed in connection with borrowings by the International Monetary Fund under the credit arrangements to which I have referred.

I am sending identical letters to the other participants—that is, Belgium, Canada, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom. Attached is a verbatim text of this

letter in English. The French and English texts and the replies of the participants in both languages shall be equally authentic. I shall notify all of the participants of the confirmations received in response to this letter.

GENERAL ARRANGEMENTS TO BORROW: TRANSFERABILITY OF CLAIMS

Pursuant to paragraph 13 of the revised General Arrangements to Borrow (GAB) which became effective on December 26, 1983, the Fund consents in advance to the transfer of outstanding claims to repayment under the GAB on the terms and conditions set out below:

1. All or part of any claim under the GAB may be transferred at any time to a participant in the GAB.

2. As from the value date of the transfer, the transferred claim shall be held by the transferee on the same terms and conditions as claims originating under its credit arrangement, except that the transferee shall acquire the right to request early repayment of the transferred claim on balance of payments grounds pursuant to para-graph 11(e) of the GAB only if, at the time of the transfer, (i) the transferee is a member, or the institution of a member, whose balance of payments and reserve position is considered sufficiently strong for its currency to be usable in net sales in the Fund's operational budget; or (ii) the transferee is the Swiss National Bank,* and the balance of payments and reserve position of the Swiss Confederation is, in the opinion of the Fund, sufficiently strong to justify such acquisition.

3. The price for the claim transferred shall be as agreed between the transferee and the transferor.

*Became a participant in the GAB with effect from April 10, 1984.

4. The transferor of a claim shall inform the Fund promptly of the claim that is being transferred, the name of the transferee, the amount of the claim that is being transferred, the agreed price for transfer of the claim, and the value date of the transfer.

5. The transfer shall be registered by the Fund if it is in accordance with the terms and conditions of this decision. The transfer shall be effective as of the value date agreed between the transferee and the transferor.

6. If all or part of a claim is transferred during a quarterly period as described in paragraph 9(b) of the GAB, the Fund shall pay interest to the transferee on the amount of the claim transferred for the whole of that period.

7. If requested, the Fund shall assist in seeking to arrange transfers.

Decision No. 7628-(84/25)
February 15, 1984, effective April 10, 1984

General Arrangements to Borrow: Transferability of Claims Under Saudi Arabia's Borrowing Agreement

Pursuant to paragraph 9 of the Borrowing Agreement with Saudi Arabia under which Saudi Arabia has agreed to provide supplementary resources in association with the GAB, and which became effective on December 26, 1983 (the Agreement),* the Fund consents in advance to the transfer of outstanding claims to repayment under the Agreement on the terms and conditions set out below:

1. All or part of any claim may be transferred at any time to any member of the Fund, the central bank or other agency of any member, or any official entity that has been prescribed as a holder of

* See Decision No. 7403-(83/73) on page 443.

SDRs pursuant to Article XVII, Section 3 of the Articles of Agreement.

2. On the value date of the transfer, all the rights and obligations of Saudi Arabia provided in the Agreement with respect to the claim that is the subject of the transfer shall vest in the transferee, except that

(a) the transferee shall acquire the right to request early repayment on balance of payments grounds provided in paragraph 6(d) of the Agreement only if, at the time of the transfer, (i) the transferee is a member, or the agency of a member, whose balance of payments and reserve position is considered sufficiently strong for its currency to be usable in net sales in the Fund's operational budget, or (ii) the transferee is the Swiss National Bank,* and the balance of payments and reserve position of the Swiss Confederation is, in the opinion of the Fund, sufficiently strong to justify such acquisition;

(b) if the transferee is a member or the agency of a member, references in the Agreement to payment in Saudi riyals shall be deemed to be references to payment in the member's currency, and if the transferee is not a member or the agency of a member such references shall not apply; and

(c) the right to repayment on withdrawal provided in paragraph 10 of the Agreement shall apply only if the transferee is a member or the agency of a member, and that member withdraws from the Fund.

3. The price for the claim transferred shall be as agreed between the transferor and the transferee.

4. The transferor shall inform the Fund promptly of the claim that is being transferred, the name of the transferee, the amount of

*Became a participant in the GAB with effect from April 10, 1984.

the claim that is being transferred, the agreed price for the transfer of the claim, and the value date of the transfer.

5. The transfer shall be registered by the Fund if it is in accordance with the terms and conditions of this decision. The transfer shall be effective as of the value date agreed between the transferor and the transferee.

6. If all or part of a claim is transferred during the quarterly period ending on a date specified in paragraph 5(b) of the Agreement, the Fund shall pay interest to the transferee on the amount of the claim transferred for the whole of that period.

7. If requested by the holder of a claim under the Agreement, the Fund shall assist in seeking to arrange a transfer pursuant to this decision.

Decision No. 7629-(84/25)
February 15, 1984
effective April 10, 1984

General Arrangements to Borrow: Borrowing Agreement with Saudi Arabia*

Pursuant to Article VII, Section 1 of the Articles of Agreement, the Managing Director is authorized to send to the Minister of Finance of Saudi Arabia a letter proposing a borrowing agreement with Saudi Arabia, as set forth in the attachment to EBS/83/89. When a reply is received from the Minister accepting the proposal, the Managing Director's letter and the reply shall constitute an agreement between Saudi Arabia and the Fund, which shall enter into force on the date on which the revised and enlarged General

*The Agreement with Saudi Arabia entered into force on December 26, 1983.

Arrangements to Borrow authorized by Decision No. 7337-(83/37) become effective.

Decision No. 7403-(83/73)
May 20, 1983

Attachment

Letter Proposing an Agreement Between Saudi Arabia and the Fund

Your Excellency:

I refer to Decision No. 7337-(83/37) of the Executive Board of the International Monetary Fund (the Fund), providing for a revision and enlargement of the General Arrangements to Borrow (the GAB), and to the desire of Saudi Arabia to strengthen the Fund by providing supplementary resources, in association with and for the same purposes as the GAB. Accordingly, pursuant to Article VII of the Articles of Agreement of the Fund (the Articles) and Executive Board Decision No. 7403-(83/73), adopted May 20, 1983, I have been authorized to propose on behalf of the Fund that Saudi Arabia enter into an Agreement with the Fund as set forth below:

Paragraph 1. *The Credit Arrangement*

During the period specified in Paragraph 2 and any renewal thereof, Saudi Arabia will stand ready to lend Saudi riyals to the Fund up to a maximum amount equivalent to one thousand five hundred million SDRs (SDR 1,500,000,000), on the terms and conditions set forth in this Agreement, to assist the Fund in the financing of purchases by members for the same purposes and in the same circumstances as are prescribed in the GAB. This amount may be changed by agreement between Saudi Arabia and the Fund.

Paragraph 2. *Period of Credit Arrangement and Renewal*

(a) Amounts of resources may be called by the Fund hereunder during a period of five years from the date this Agreement enters into force, unless the Fund's right to make calls is terminated earlier in accordance with this Agreement.

(b) When a renewal of the GAB decision is under consideration, the Fund and Saudi Arabia shall consult regarding the renewal of the credit arrangement under this Agreement or the conclusion of such other credit arrangement as may be found appropriate at that time.

(c) Notwithstanding the termination of the credit arrangement under this Agreement, the provisions of paragraphs 4 through 13 shall continue to apply until all the obligations of the Fund under this Agreement have been discharged.

Paragraph 3. *Calls*

(a) Calls may be made only pursuant to a proposal of the Managing Director that has become effective in accordance with (d) below.

(b) The Managing Director may make a proposal for calls for purchases, including future calls for purchases under stand-by or extended arrangements, (i) if he considers that a proposal for calls or future calls for the same purchases could be made under the GAB and (ii) after consultation with Saudi Arabia at the same time and in the same manner as he consults GAB participants.

(c) In deciding whether to make a proposal and the amount to be called thereunder, the Managing Director shall take into account the present and prospective balance of payments and reserve position of Saudi Arabia and the Fund's holdings of Saudi riyals.

(d) A proposal for calls shall become effective only when Saudi Arabia has notified the Fund that it accepts the proposal and the proposal has been approved by the Executive Board of the Fund. Calls shall be made as and when amounts of Saudi riyals are needed by the Fund to finance purchases covered by the proposal.

(e) When the Fund makes a call, Saudi Arabia shall transfer to the account of the Fund, free of any charge or commission, an amount of Saudi riyals equivalent to the amount of the call. The transfer shall be made on the date specified in the call. Saudi Arabia shall exchange the riyals for a freely usable currency of its choice in accordance with Article V, Section 3 of the Articles.

(f) If Saudi Arabia represents to the Fund that, in view of the present and prospective balance of payments and reserve position of Saudi Arabia, future calls under a proposal that has become effective as provided in (d) above should no longer be made or be made for a smaller amount and the Fund, after giving the overwhelming benefit of any doubt to the representation, determines that it is justified, the Fund shall comply with Saudi Arabia's representation.

Paragraph 4. *Evidence of Indebtedness*

The Fund shall issue to Saudi Arabia, at its request, a non-negotiable instrument or instruments in a form to be agreed with Saudi Arabia, evidencing the Fund's outstanding indebtedness to Saudi Arabia under this Agreement. Upon repayment of an amount of indebtedness evidenced by an instrument and all accrued interest thereon, the instrument shall be returned to the Fund for cancellation, and if any balance of the indebtedness remains outstanding, the Fund shall issue a new instrument for the remainder of the amount, with the same maturity date.

Paragraph 5. *Interest*

(a) The Fund shall pay interest on its outstanding indebtedness at a rate equal to the combined market interest rate computed by

the Fund from time to time under its Rules and Regulations for the purpose of determining the rate at which it pays interest on holdings of SDRs. If the Fund changes the method of computing the combined market interest rate, the new method will apply to amounts borrowed hereunder only if it is applied to borrowing by the Fund under the GAB, and Saudi Arabia agrees.

(b) Interest shall accrue daily and shall be paid as soon as possible after each July 31, October 31, January 31, and April 30.

Paragraph 6. *Repayment by the Fund*

(a) Subject to other provisions of this Agreement, the Fund shall repay an amount equal to each amount transferred by Saudi Arabia hereunder five years after the date the transfer was made. To the extent the member whose purchase the amount was used to finance is committed to repurchase by installments on fixed dates falling earlier than five years after that date, the Fund shall repay the amount in corresponding installments on those fixed dates.

(b) Whenever a reduction in the Fund's holdings of currency of a purchasing member is attributed to a purchase financed with an amount transferred by Saudi Arabia hereunder, the Fund shall promptly make a corresponding repayment to Saudi Arabia. If the amount was used to finance a reserve tranche purchase, and the Fund's holdings of the purchasing member's currency not subject to repurchase are reduced as a result of net sales of the currency during a quarterly period covered by an operational budget, the Fund shall make a corresponding repayment to Saudi Arabia at the beginning of the next quarterly period. The amount repaid under this subparagraph (b) shall bear the same proportion to the amount of the reduction as the amount transferred under this Agreement bears to the amount of the purchase.

(c) Before the date repayment is due under (a) or (b) above, the Fund, after consultation with Saudi Arabia, may repay all or part of its outstanding indebtedness hereunder.

(d) If Saudi Arabia represents to the Fund that it has a balance of payments need for repayment before the due date of all or part

of such outstanding indebtedness and requests such repayment, and the Fund after giving Saudi Arabia's representation the overwhelming benefit of any doubt determines that there is such a need, the Fund shall make early repayment as requested by Saudi Arabia.

(e) Amounts repaid under (c) and (d) shall be credited against outstanding indebtedness in the order in which such indebtedness would fall due under (a) above.

(f) The Fund shall at no time reduce its holdings of the currency of a member whose purchases were financed by borrowing hereunder below an amount equal to the outstanding amount of such borrowing plus any outstanding amount borrowed under the GAB to finance purchases by the same member.

(g) When any repayment is made to Saudi Arabia, the amount that the Fund may call for under the credit arrangement shall be restored *pro tanto*.

Paragraph 7. *Media of Payment*

(a) Payments of interest and repayments of principal shall be made, as determined by the Fund after consultation with Saudi Arabia, in Saudi riyals, in SDRs or in currencies that are actually convertible; provided that (i) unless Saudi Arabia agrees, SDRs shall not be used in early repayment under paragraph 6(c) if the effect would be to increase Saudi Arabia's holdings of SDRs above the limit specified in Article XIX, Section 4 of the Articles, and (ii) Saudi riyals shall not be used in early repayment on balance of payments grounds under paragraph 6(d).

(b) Currencies other than Saudi riyals to be used in payment of interest and repayment of principal shall be selected by the Fund from those that can be used in net sales under the operational budget of the Fund in effect at the time the payment is made.

Paragraph 8. *Rates of Exchange*

All amounts under this Agreement shall be denominated in SDRs, as valued by the Fund from time to time. The value in terms of SDRs of Saudi riyals to be transferred by Saudi Arabia to the Fund and of payments to be made by the Fund to Saudi Arabia in currencies shall be determined in accordance with Rule O-2 of the Rules and Regulations of the Fund.

Paragraph 9. *Transferability*

Saudi Arabia may transfer all or part of its claims under this Agreement only with the prior consent of the Fund and on such terms and conditions as the Fund may approve.

Paragraph 10. *Withdrawal from Membership*

If Saudi Arabia withdraws from membership in the Fund, no further calls shall be made hereunder. The Fund's outstanding indebtedness hereunder shall be treated as an amount due from the Fund for purposes of Article XXVI, Section 3, and Schedule J of the Articles.

Paragraph 11. *Suspension of Exchange Transactions and Liquidation*

(a) The right of the Fund to make calls and its obligation to make repayment hereunder shall be suspended during any suspension of exchange transactions under Article XXVII of the Articles.

(b) In the event of liquidation of the Fund, no further calls shall be made by the Fund hereunder. The Fund's outstanding indebtedness shall constitute a liability under Schedule K of the Articles. For the purpose of paragraph 1(*a*) of Schedule K, the currency in which each amount of the Fund's indebtedness is payable shall be first Saudi riyals and then any currency that is actually convertible.

Paragraph 12. *Amendment*

(a) This Agreement may be amended at any time, by agreement between Saudi Arabia and the Fund.

(b) If the revised and enlarged GAB is modified while this Agreement is in effect, Saudi Arabia and the Fund will consult with each other with a view to determining whether consequential modifications should be made in the provisions of this Agreement.

(c) If, after consultation with the Fund and the GAB participants, Saudi Arabia proposes that the credit arrangement under this Agreement be converted into or replaced by an arrangement of the type referred to in paragraph 23(a) or paragraph 23(b) of the revised GAB Decision, as the case may be, the Fund will consider the steps to be taken, subject to the concurrence of the GAB participants as necessary, to effect such conversion or replacement.

Paragraph 13. *Interpretation; Settlement of Disputes*

Any question of interpretation arising in connection with this Agreement that does not fall within the purview of Article XXIX of the Articles, and any dispute arising hereunder, shall be settled to the mutual satisfaction of Saudi Arabia and the Fund.

If the foregoing proposal is acceptable to Saudi Arabia, this communication and your reply indicating Saudi Arabia's acceptance shall constitute an Agreement between Saudi Arabia and the Fund, which shall enter into force on the date on which the revised and enlarged GAB authorized by Decision No. 7337-(83/37) of the Executive Board of the Fund becomes effective.

Very truly yours,

/s/

J. DE LAROSIÈRE

Note: The reply indicating Saudi Arabia's acceptance was received by the Fund on July 18, 1983.

GENERAL ARRANGEMENTS TO BORROW: BORROWING AGREEMENT WITH SAUDI ARABIA—RENEWAL

Pursuant to Article VII, Section 1 of the Articles of Agreement, the Managing Director is authorized to send to the Minister of Finance of Saudi Arabia a letter as set forth in the attachment to EBS/88/109, proposing a renewal, for a period of five years from December 26, 1988, of the 1983 borrowing agreement with Saudi Arabia in association with the General Arrangements to Borrow. When a reply is received from the Minister accepting the proposal, the Managing Director's letter and the reply shall constitute an agreement on the renewal of the 1983 borrowing agreement between Saudi Arabia and the Fund, which shall enter into force on December 26, 1988.

Decision No. 8897-(88/93)
June 15, 1988, effective
December 26, 1988

Attachment

Letter as set forth in EBS/88/109

Your Excellency:

I refer to the borrowing agreement between the International Monetary Fund (the Fund) and Saudi Arabia in association with the General Arrangements to Borrow (GAB), which entered into force on December 26, 1983 (henceforth referred to as the 1983 Borrowing Agreement). Pursuant to Executive Board Decision No. 8897-(88/93), adopted June 15, 1988, I have been authorized to propose on behalf of the Fund that Saudi Arabia agree to a renewal of the 1983 Borrowing Agreement on the same terms and conditions as set forth therein, for a period of five years from December 26, 1988.

If the foregoing proposal is acceptable to Saudi Arabia, this communication and your reply indicating Saudi Arabia's acceptance shall constitute an agreement between Saudi Arabia and the Fund on the renewal of the 1983 borrowing agreement, which shall enter into force on December 26, 1988.*

With kind regards,

Yours sincerely,

Michel Camdessus

H.E. Mohammed Abalkhail
Minister of Finance and National Economy
Minister's Office
Riyadh 11177
Kingdom of Saudi Arabia

Pursuant to Article VII, Section 1 of the Articles of Agreement, the Managing Director is authorized to send to the Minister of Finance of Saudi Arabia a letter as set forth in the attachment to EBS/92/204, proposing a further renewal, for a period of five years from December 26, 1993, of the 1983 borrowing agreement with Saudi Arabia in association with the General Arrangements to Borrow. When a reply is received from the Minister accepting the proposal, the Managing Director's letter and the reply shall constitute an agreement on the further renewal of the 1983 borrowing agreement between Saudi Arabia and the Fund, which shall enter into force on December 26, 1993.

Decision No. 10235-(92/149)
December 10, 1992

*The reply was received from the Minister accepting the proposed renewal for a period of five years from December 26, 1988.

Attachment
Letter as set forth in EBS/92/204

Your Excellency:

I refer to the borrowing agreement between the International Monetary Fund (the Fund) and Saudi Arabia in association with the General Agreements to Borrow (GAB), which entered into force on December 26, 1983, and was renewed for a period of five years from December 26, 1988 (henceforth referred to as the 1983 borrowing agreement). Pursuant to Executive Board Decision No. 10235-(92/149), adopted December 10, 1992, I have been authorized to propose on behalf of the Fund that Saudi Arabia agree to a further renewal of the 1983 borrowing agreement on the same terms and conditions as set forth therein, for a period of five years from December 26, 1993.

If the foregoing proposal is acceptable to Saudi Arabia, this communication and your reply indicating Saudi Arabia's acceptance shall constitute an agreement between Saudi Arabia and the Fund on a further renewal of the 1983 borrowing agreement, which shall enter into force on December 26, 1993.*

With kind regards,

Yours sincerely,

Michel Camdessus

H.E. Sheikh Mohammad Abalkhail
Minister of Finance and National Economy
Ministry of Finance and National Economy
P.O. Box 6099
Riyadh 11177
Saudi Arabia

*The reply was received from the Minister accepting the proposed renewal for a period of five years from December 26, 1993.

Pursuant to Article VII, Section 1 of the Articles of Agreement, the Managing Director is authorized to send to the Minister of Finance of Saudi Arabia a letter as set forth in the attachment to EBS/97/232, proposing a further renewal, for a period of five years from December 26, 1998, of the 1983 borrowing agreement with Saudi Arabia in association with the General Arrangements to Borrow. When a reply is received from the Minister accepting the proposal, the Managing Director's letter and the reply shall constitute an agreement on the further renewal of the 1983 borrowing agreement between Saudi Arabia and the Fund, which shall enter into force on December 26, 1998.

Decision No. 11626-(97/122),
December 15, 1997

Attachment

Letter as set forth in EBS/97/232

Dear Mr. Minister:

I refer to the borrowing agreement between the International Monetary Fund (the Fund) and Saudi Arabia in association with the General Arrangements to Borrow (GAB), which entered into force on December 26, 1983, and was renewed for successive five-year periods from December 26, 1988 and December 26, 1993 (henceforth referred to as the 1983 borrowing agreement). Pursuant to Executive Board Decision No. 11626-(97/122), adopted December 15, 1997, I have been authorized to propose on behalf of the Fund that Saudi Arabia agree to a further renewal of the 1983 borrowing agreement on the same terms and conditions as set forth therein, for a period of five years from December 26, 1998.

If the foregoing proposal is acceptable to Saudi Arabia, this communication and your reply indicating Saudi Arabia's

acceptance shall constitute an agreement between Saudi Arabia and the Fund on a further renewal of the 1983 borrowing agreement, which shall enter into force on December 26, 1998.*

Sincerely yours,

Michel Camdessus

H.E. Ibrahim A. Al-Assaf
Minister of Finance and National Economy
Ministry of Finance and National Economy
Riyadh 11177
Saudi Arabia

NEW ARRANGEMENTS TO BORROW

Preamble

In order to enable the International Monetary Fund to fulfill more effectively its role in the international monetary system, a number of countries with the financial capacity to support the international monetary system have agreed to make available to the Fund resources in the form of loans up to specified amounts when supplementary resources are needed to forestall or cope with an impairment of the international monetary system or to deal with an exceptional situation that poses a threat to the stability of that system. In order to give effect to these intentions, the following terms and conditions are adopted under Article VII, Section 1 of the Articles of Agreement.

* The reply was received from the Minister accepting the proposed renewal for a period of five years from December 26, 1998.

Paragraph 1. *Definitions*

(a) As used in this decision the term:

(i) "amount of a credit arrangement" means the maximum amount expressed in special drawing rights that a participant undertakes to lend to the Fund under a credit arrangement;

(ii) "Articles" means the Articles of Agreement of the International Monetary Fund;

(iii) "available commitment" means a participant's credit arrangement less any committed or drawn balances;

(iv) "borrowed currency" or "currency borrowed" means currency transferred to the Fund's account under a credit arrangement;

(v) "call" means a notice by the Fund to a participant to make a transfer under its credit arrangement to the Fund's account;

(vi) "credit arrangement" means an undertaking to lend to the Fund on the terms and conditions of this decision;

(vii) "currency actually convertible" means currency included in the Fund's quarterly operational budget for transfers;

(viii) "drawer" means a member that purchases borrowed currency from the Fund in an exchange transaction, including an exchange transaction under a stand-by or extended arrangement;

(ix) "indebtedness" of the Fund means the amount it is committed to repay under a credit arrangement;

(x) "member" means a member of the Fund;

(xi) "participant" means a participating member or a participating institution;

(xii) "participating institution" means an official institution of a member that has entered into a credit arrangement with the Fund with the consent of the member, or an official institution of a nonmember that has entered into a credit arrangement with the Fund;

(xiii) "participating member" means a member that has entered into a credit arrangement with the Fund.

(b) For the purposes of this decision, the Hong Kong Monetary Authority (HKMA) shall be regarded as an official institution of the member whose territories include Hong Kong, provided that:

(i) loans by the HKMA and payments by the Fund to the HKMA under this decision shall be made in principle in the currency of the United States of America, unless the currency of another member is agreed between the Fund and the HKMA;

(ii) the participation of the HKMA shall not give rise to the application of paragraph 6 A to the member whose territories include Hong Kong; and

(iii) the references to the balance of payments and reserve position in paragraphs 7 A(c), 7 B(b) and 11(e) shall be understood to refer to the balance of payments and reserve position of Hong Kong.

Paragraph 2. *Credit Arrangements*

(a) A member or institution that adheres to this decision undertakes to make loans to the Fund on the terms and conditions of this decision up to the amount in special drawing rights set forth in the Annex to this decision or established in accordance with paragraph 3(b).

(b) Unless otherwise agreed with the Fund, loans under this decision shall be made in the currency of the participant. If the participant is an institution of a nonmember, the Fund and the participant shall agree on which member's currency or members' currencies shall be used for the loans. Agreements under this paragraph shall be subject to the concurrence of any member whose currency shall be used in the loans.

Paragraph 3. *Adherence*

(a) Any member or institution specified in the Annex may adhere to this decision in accordance with paragraph 3(c).

(b) Any member or institution not specified in the Annex, including an institution of a nonmember, may apply to become a participant at the time of renewal of this decision in accordance with paragraph 19. Any such member or institution that wishes to become a participant shall, after consultation with the Fund, give notice of its willingness to adhere to this decision, and, if the Fund and participants representing 80 percent of total credit arrangements under the renewed decision shall so agree, the member or institution may adhere in accordance with paragraph 3(c). When giving notice of its willingness to adhere under this paragraph 3(b), a member or institution shall specify the amount, expressed in special drawing rights, of the credit arrangement which it is willing to enter into, provided that the amount shall not be less than the credit arrangement of the participant with the smallest credit arrangement. The admission of a new participant shall lead to a proportional reduction in the credit arrangements of all existing participants whose credit arrangements are above that of the participant with the smallest

credit arrangement: such proportional reduction in the credit arrangements of participants shall be in an aggregate amount equal to the amount of the new participant's credit arrangement less any increase in total credit arrangements decided in accordance with paragraph 5(a), provided that no participant's credit arrangement shall be reduced below the minimum amount set out in the Annex.

(c) A member or institution shall adhere to this decision by depositing with the Fund an instrument setting forth that it has adhered in accordance with its law and has taken all steps necessary to enable it to carry out the terms and conditions of this decision. On the deposit of the instrument the member or institution shall be a participant as of the date of the deposit or of the effective date of this decision, whichever is later.

Paragraph 4. *Entry into Force*

This decision shall become effective when it has been adhered to by members or institutions included in the Annex with credit arrangements amounting to not less than SDR 28.9 billion, including the five members or institutions with the largest credit arrangements specified in the Annex.

Paragraph 5. *Changes in Amounts of Credit Arrangements*

(a) When a member or institution is authorized under paragraph 3(b) to adhere to this decision, the total amount of credit arrangements may be increased by the Fund with the agreement of participants representing 85 percent of total credit arrangements; the increase shall not exceed the amount of the new participant's credit arrangement.

(b) The amounts of participants' individual credit arrangements may be reviewed from time to time in the light of developing circumstances and changed with the agreement of the Fund and of participants representing 85 percent of total credit arrangements, including each participant whose credit arrangement is changed. This provision may be amended only with the consent of all participants.

Paragraph 6. *Initiation of Procedure*

A. *Participants*

When a participating member or a member whose institution is a participant approaches the Fund on an exchange transaction or a stand-by or extended arrangement and the Managing Director, after consultation, considers that the exchange transaction or stand-by or extended arrangement is necessary in order to forestall or cope with an impairment of the international monetary system, and that the Fund's resources need to be supplemented for this purpose, the Managing Director may initiate the procedure set out in paragraph 7A.

B. *Nonparticipants*

The Managing Director may initiate the procedure set out in paragraph 7A for exchange transactions requested by members that are not participants if (a), the exchange transactions are (i) transactions in the upper credit tranches, (ii) transactions under stand-by arrangements extending beyond the first credit tranche, (iii) transactions under extended arrangements, or (iv) transactions in the first credit tranche in conjunction with a stand-by arrangement or an extended arrangement, and (b), after consultation, the Managing Director considers that the Fund's resources need to be supplemented to meet actual and expected requests for financing that reflect the existence of an exceptional situation associated with balance of payments problems of members of a character or aggregate size that could threaten the stability of the international monetary system. In making proposals for calls pursuant to paragraph 6B, the Managing Director shall pay due regard to potential calls pursuant to paragraph 6A.

Paragraph 7. *Proposals and Calls*

A. *Proposals*

(a) The Managing Director shall make a proposal for calls under this decision only after consultation with Executive Directors and participants.

(b) In making a proposal for resources to be lent to the Fund, the Managing Director shall identify the prospective drawer, the amount, and the period during which the resources requested in the proposal may be called.

(c) If a participant determines that it will not be able to meet calls under a proposal because of its present and prospective balance of payments and reserve position, which would normally be reflected in the member's exclusion from the list of countries that are included in the Fund's quarterly operational budget for transfers of their currencies, it shall so notify the Fund and the other participants. If the participant is an institution of a nonmember, the participant shall consult with the Fund on that nonmember's balance of payments and reserve position before making a determination under this provision. A participant shall exercise restraint and shall take into account the views of the Fund and other participants in making such a determination.

(d) Unless otherwise specified under paragraph 7A(e), a proposal shall be for calls proportional to the amount of each participant's credit arrangement.

(e) The Managing Director may make a proposal for calls that are not proportional to the amount of each participant's credit arrangement under the following circumstances:

(i) If proportional calls sufficient to provide the total amount sought from participants to finance the proposed exchange transactions cannot be made because at least one participant's available commitment is insufficient to meet such a

proportional call, the Managing Director may ask every participant whose available commitment would have been sufficient to meet fully such a proportional call to provide the amount under such a proportional call; provided that, if the Managing Director asks every such participant to provide such amount, the Managing Director shall also ask every participant whose available commitment would have been insufficient to meet such a proportional call to provide an amount to the extent of its available commitment. If necessary, the Managing Director may also ask for an amount in addition to that provided under the prior sentence from a participant whose available commitment exceeds the amount it would provide under such a proportional call.

(ii) If proportional calls sufficient to provide the total amount sought from participants to finance the proposed exchange transactions cannot be made because at least one participant lacks sufficient amounts of the type of currency or currencies needed for the proposed exchange transactions, the Managing Director may ask every participant that is in a position to provide the currency or currencies needed to provide the amount under such a proportional call, up to the amount of its available commitment or the amount that it is in a position to provide, whichever is less. If necessary, the Managing Director may also ask a participant whose available commitment exceeds the resources it would provide under such a proportional call and that remains in a position to provide the type of currency or currencies needed to provide an amount of the currency or currencies needed in addition to that provided under the prior sentence.

(f) The concurrence of every participant that would undertake to provide proportionately more resources than at

least one other participant shall be required before the proposal can be accepted under Paragraph 7A(g).

(g) If there is not unanimity among the participants, the question whether the participants are prepared to facilitate, by making loans to the Fund, the exchange transactions or stand-by or extended arrangement specified in the proposal will be decided by a poll of the participants. A favorable decision shall require an 80 percent majority of total credit arrangements of participants eligible to vote. The decision shall be notified to the Fund.

(h) Neither the prospective drawer nor its participating institution nor participants that have notified that they will not meet calls under a proposal shall be eligible to vote on the proposal.

(i) A proposal shall become effective only if it is accepted by participants pursuant to paragraph 7A(g) and is then approved by the Executive Board.

(j) After a proposal has been accepted, commitments and drawings shall not be affected by a subsequent change in the amounts of the credit arrangements.

B. *Calls*

(a) Unless otherwise provided in a proposal for future calls approved under paragraph 7A, each call shall be made in proportion to the amounts in the proposal.

(b) Except with the participant's consent, calls may not be made on a participant, on which calls could otherwise be made pursuant to this paragraph, when, based on its present and prospective balance of payments and reserve position, the member is not included and is not being proposed by the Managing Director to be included in the list of countries in the quarterly operational budget for transfers of its currency. If the participant is an institution of a nonmember, its ability to meet calls under this decision shall be determined by the Fund, after consultation with the participant, on the basis of that nonmember's present and

prospective balance of payments and reserve position. In the event that a call is not made on a participant, the Managing Director may propose to the other participants that substitute amounts be made available under their credit arrangements, and this proposal shall be subject to the procedure of paragraph 7A.

(c) When the Fund makes a call pursuant to this paragraph, the participant shall promptly make the transfer in accordance with the call.

Paragraph 8. *Evidence of Indebtedness*

(a) The Fund shall issue to a participant, on its request, nonnegotiable instruments evidencing the Fund's indebtedness to the participant. The form of the instruments shall be agreed between the Fund and the participant.

(b) Upon repayment of the amount of any instrument issued under paragraph 8(a) and all accrued interest, the instrument shall be returned to the Fund for cancellation. If less than the amount of any such instrument is repaid, the instrument shall be returned to the Fund and a new instrument for the remainder of the amount shall be substituted with the same maturity date as in the old instrument.

Paragraph 9. *Interest*

(a) The Fund shall pay interest on its indebtedness under this decision at a rate equal to the combined market interest rate computed by the Fund from time to time for the purpose of determining the rate at which it pays interest on holdings of special drawing rights or any such higher rate as may be agreed between the Fund and participants representing 80 percent of the total credit arrangements.

(b) A change in the method of calculating the combined market interest rate shall apply to the Fund's indebtedness under this decision only if the Fund and participants representing 80 percent of the total credit arrangements so agree; provided that, if a participant so requests at the time this agreement is reached, the

change shall not apply to the Fund's indebtedness to that participant outstanding at the date the change becomes effective.

(c) Interest shall accrue daily and shall be paid as soon as possible after each July 31, October 31, January 31, and April 30.

(d) Interest due to a participant shall be paid, as determined by the Fund in consultation with the participant, in special drawing rights, in the participant's currency, in the currency borrowed, or in other currencies that are actually convertible.

Paragraph 10. *Use of Borrowed Currency*

The Fund's policies and practices under Article V, Sections 3 and 7 on the use of its general resources and stand-by arrangements and extended arrangements, including those relating to the period of use, shall apply to purchases of currency borrowed by the Fund. Nothing in this decision shall affect the authority of the Fund with respect to requests for the use of its resources by individual members, and access to these resources by members shall be determined by the Fund's policies and practices, and shall not depend on whether the Fund can borrow under this decision.

Paragraph 11. *Repayment by the Fund*

(a) Subject to the other provisions of this paragraph 11, the Fund, five years after a transfer by a participant, shall repay the participant an amount equivalent to the transfer calculated in accordance with paragraph 12. If the drawer for whose purchase participants make transfers is committed to repurchase at a fixed date earlier than five years after its purchase, the Fund shall repay the participants at that date. Repayment under this paragraph 11(a) or under paragraph 11(c) shall be, as determined by the Fund, in the currency borrowed whenever feasible, in the currency of the participant, in special drawing rights in an amount that does not increase the participant's holdings of special drawing rights above the limit under Article XIX, Section 4, of the Articles of Agreement unless the participant agrees to accept special drawing rights above that limit in such repayment, or, after consultation with the participant, in other currencies that are actually

convertible. Repayments to a participant under paragraph 11(b) and 11(e) shall be credited against transfers by the participant for a drawer's purchases in the order in which repayment must be made under this paragraph 11(a).

(b) Before the date prescribed in paragraph 11(a), the Fund, after consultation with the participants, may make repayment in part or in full to one or several participants. The Fund shall have the option to make repayment under this paragraph 11(b) in the participant's currency, in the currency borrowed, in special drawing rights in an amount that does not increase the participant's holdings of special drawing rights above the limit under Article XIX, Section 4, of the Articles of Agreement unless the participant agrees to accept special drawing rights above that limit in such repayment, or, with the agreement of the participant, in other currencies that are actually convertible.

(c) Whenever a reduction in the Fund's holdings of a drawer's currency is attributed to a purchase of currency borrowed under this decision, the Fund shall promptly repay an equivalent amount. If the Fund is indebted to a participant as a result of transfers to finance a reserve tranche purchase by a drawer and the Fund's holdings of the drawer's currency that are not subject to repurchase are reduced as a result of net sales of that currency during a quarterly period covered by an operational budget, the Fund shall repay at the beginning of the next quarterly period an amount equivalent to that reduction, up to the amount of the indebtedness to the participant.

(d) Repayment under paragraph 11(c) shall be made in proportion to the Fund's indebtedness to the participants that made transfers in respect of which repayment is being made.

(e) Before the date prescribed in paragraph 11(a), a participant may give notice representing that there is a balance of payments need for repayment of part or all of the Fund's indebtedness and requesting such repayment. If a reversal of its loan may lead to further loans to the Fund by other participants, the participant seeking such reversal shall consult with the Managing Director and

with the other participants before giving notice. The Fund shall give the overwhelming benefit of any doubt to the participant's representation. Repayment shall be made after consultation with the participant in the currencies of other members that are actually convertible, or in special drawing rights, as determined by the Fund. If the Fund's holdings of currencies in which repayment should be made are not wholly adequate, individual participants may be requested to provide the necessary balance under their credit arrangements subject to the limit of their available commitments. For all of the purposes of this paragraph 11, transfers under this paragraph 11(e) shall be deemed to have been made at the same time and for the same purchases as the transfers by the participant obtaining repayment under this paragraph 11(e).

(f) When a repayment is made to a participant, the amount that can be called for under its credit arrangement in accordance with this decision shall be restored pro tanto.

(g) The Fund shall be deemed to have discharged its obligations to a participating institution to make repayment in accordance with the provisions of this paragraph or to pay interest in accordance with the provisions of paragraph 9 if the Fund transfers an equivalent amount in special drawing rights to the member in which the institution is established.

Paragraph 12. *Rates of Exchange*

(a) The value of any transfer shall be calculated as of the date of the dispatch of the instructions for the transfer. The calculation shall be made in terms of the special drawing right in accordance with Article XIX, Section *7(a)* of the Articles, and the Fund shall be obliged to repay an equivalent value.

(b) For all of the purposes of this decision, the value of a currency in terms of the special drawing right shall be calculated by the Fund in accordance with Rule 0-2 of the Fund's Rules and Regulations.

Paragraph 13. *Transferability*

A participant may not transfer all or part of its claim to repayment under a credit arrangement except with the prior

consent of the Fund and on such terms and conditions as the Fund may approve.

Paragraph 14. *Notices*

Notice to or by a participating member under this decision shall be in writing or by rapid means of communication and shall be given to or by the fiscal agency of the participating member designated in accordance with Article V, Section 1 of the Articles and Rule G-1 of the Rules and Regulations of the Fund. Notice to or by a participating institution shall be in writing or by rapid means of communication and shall be given to or by the participating institution.

Paragraph 15. *Amendment*

(a) Except as provided in paragraphs 5(b), 15(b) and 16, this decision may be amended during the period prescribed in paragraph 19(a) and any subsequent renewal periods that may be decided pursuant to paragraph 19(b) only by a decision of the Fund and with the concurrence of participants representing 85 percent of total credit arrangements. Such concurrence shall not be necessary for the modification of the decision on its renewal pursuant to paragraph 19(b).

(b) If in its view an amendment materially affects the interest of a participant that voted against the amendment, the participant shall have the right to withdraw its adherence to this decision by giving notice to the Fund and the other participants within 90 days from the date the amendment was adopted. This provision may be amended only with the consent of all participants.

Paragraph 16. *Withdrawal of Adherence*

Without prejudice to paragraph 15(b), a participant may withdraw its adherence to this decision in accordance with paragraph 19(b) but may not withdraw within the period

prescribed in paragraph 19(a) except with the agreement of the Fund and all participants. This provision may be amended only with the consent of all participants.

Paragraph 17. *Withdrawal from Membership*

If a participating member or a member whose institution is a participant withdraws from membership in the Fund, the participant's credit arrangement shall cease at the same time as the withdrawal takes effect. The Fund's indebtedness under the credit arrangement shall be treated as an amount due from the Fund for the purpose of Article XXVI, Section 3, and Schedule J of the Articles.

Paragraph 18. *Suspension of Exchange Transactions and Liquidation*

(a) The right of the Fund to make calls under paragraph 7 and the obligation to make repayments under paragraph 11 shall be suspended during any suspension of exchange transactions under Article XXVII of the Articles.

(b) In the event of liquidation of the Fund, credit arrangements shall cease and the Fund's indebtedness shall constitute liabilities under Schedule K of the Articles. For the purpose of paragraph 1(a) of Schedule K, the currency in which the liability of the Fund shall be payable shall be first the currency borrowed, then the participant's currency and finally the currency of the drawer for whose purchases transfers were made by the participants.

Paragraph 19. *Period and Renewal*

(a) This decision shall continue in existence for five years from its effective date. When considering a renewal of this decision for the period following the five-year period referred to in this paragraph 19(a), the Fund and the participants shall review the functioning of this decision and shall consult on any possible modifications.

(b) This decision may be renewed for such period or periods and with such modifications, subject to paragraphs 5(b), 15(b) and 16, as the Fund may decide. The Fund shall adopt a decision on renewal and modification, if any, not later than twelve months before the end of the period prescribed in paragraph 19(a). Any participant may advise the Fund not less than six months before the end of the period prescribed in paragraph 19(a) that it will withdraw its adherence to the decision as renewed. In the absence of such notice, a participant shall be deemed to continue to adhere to the decision as renewed. Withdrawal of adherence in accordance with this paragraph 19(b) by a participant, whether or not included in the Annex, shall not preclude its subsequent adherence in accordance with paragraph 3(b).

(c) If this decision is terminated or not renewed, paragraphs 8 through 14, 17 and 18(b) shall nevertheless continue to apply in connection with any indebtedness of the Fund under credit arrangements in existence at the date of the termination or expiration of the decision until repayment is completed. If a participant withdraws its adherence to this decision in accordance with paragraph 15(b), paragraph 16, or paragraph 19(b), it shall cease to be a participant under the decision, but paragraphs 8 through 14, 17 and 18(b) of the decision as of the date of the withdrawal shall nevertheless continue to apply to any indebtedness of the Fund under the former credit arrangement until repayment has been completed.

Paragraph 20. *Interpretation*

Any question of interpretation raised in connection with this decision which does not fall within the purview of Article XXIX of the Articles shall be settled to the mutual satisfaction of the Fund, the participant raising the question, and all other participants. For the purpose of this paragraph 20 participants shall be deemed to include those former participants to which paragraphs 8 through 14, 17 and 18(b) continue to apply pursuant to paragraph 19(c) to the extent that any such former participant is affected by a question of interpretation that is raised.

Paragraph 21. *Relationship with the General Arrangements to Borrow and Associated Borrowing Arrangements*

(a) When considering whether to activate the New Arrangements to Borrow or the General Arrangements to Borrow, the Fund shall be guided by the following principles: The New Arrangements to Borrow shall be the facility of first and principal recourse except that:

(i) in the event of a request for a drawing on the Fund by a participating member, or a member whose institution is a participant, in both the General Arrangements to Borrow and the New Arrangements to Borrow, a proposal for calls may be made under either of the arrangements; and

(ii) in the event that a proposal for calls under the New Arrangements to Borrow is not accepted under paragraph 7A, a proposal for calls may be made under the General Arrangements to Borrow.

(b) Outstanding drawings and commitments under the New Arrangements to Borrow and the General Arrangements to Borrow shall not exceed SDR 34 billion, or such other amount of total credit arrangements as may be in effect in accordance with this decision. The available commitment of a participant under the New Arrangements to Borrow shall be reduced pro tanto by any outstanding drawings on, and commitments of, the participant under the General Arrangements to Borrow. The available commitment of a participant under the General Arrangements to Borrow shall be reduced pro tanto by the extent to which its credit arrangement under the General Arrangements to Borrow exceeds its available commitment under the New Arrangements to Borrow.

(c) References to drawings and commitments under the General Arrangements to Borrow shall include drawings and commitments under the Associated Borrowing Arrangements referred to in paragraph 23 of the General Arrangements to Borrow.

Paragraph 22. *Other Borrowing Arrangements*

Nothing in this decision shall preclude the Fund from entering into any other types of borrowing arrangements.

ANNEX

PARTICIPANTS AND AMOUNT OF CREDIT ARRANGEMENTS

The size of each participant's credit arrangement listed below has initially been based in principle on its relative economic strength as reflected in its quota in the Fund. Credit arrangements are subject to a minimum of SDR 340 million. Amounts have been adjusted between some participants subject to the condition that the total for the participants involved in an adjustment does not change and the minimum is observed. The amounts, in terms of SDRs of the individual credit arrangements and their total will remain in effect unless and until changed in accordance with this decision.

The size of the Hong Kong Monetary Authority's (HKMA) credit arrangement has not been calculated on the basis of the quota of the member whose territories include Hong Kong. The same principle explains the special provision on activation of the New Arrangements to Borrow to meet requests from such member.

Participant	*Amount in Millions of Special Drawing Rights*
Australia	810
Austria	412
Belgium	967
Canada	1396
Denmark	371
Deutsche Bundesbank	3557
Finland	340
France	2577
Hong Kong Monetary Authority	340
Italy	1772
Japan	3557
Korea	340
Kuwait	345
Luxembourg	340
Malaysia	340
Netherlands	1316
Norway	383
Saudi Arabia	1780
Singapore	340
Spain	672
Sveriges Riksbank	859
Swiss National Bank	1557
Thailand	340
United Kingdom of Great Britain and Northern Ireland	2577
United States of America	6712

Decision No. 11428-(97/6) *
January 27, 1997

*Became effective as of November 17, 1998.

Attachment
to
SM/96/307

NAB Meetings

In the course of establishing the new arrangements to borrow (NAB), understandings were reached on procedures and administrative arrangements for meetings of participants. These understandings are intended to complement, but do not supersede or modify, the provisions related to the activation of the new arrangements to borrow, as specified in the Fund decision.

Frequency, timing, subject matter and level of representation

Participants agreed that, in addition to any meetings needed for activation, renewal, or amendment of the NAB, it would be appropriate for participants to meet once a year at the time of the annual Fund/Bank meetings to discuss matters pertaining to the NAB. The objective of these meetings would be to review and discuss macroeconomic and financial markets developments, especially those that could have an impact on the stability of the financial system and lead to a possible need for the Fund to seek supplementary resources for the purposes set out in the preamble of the NAB. Participants would be represented by a minister or central bank governor or both. The principal representative could appoint deputies to meet in their stead. The level of the meeting (Ministerial or Deputy) would be determined each year in light of the issues at hand.

Chairmanship

The Chairmanship of the NAB grouping would rotate annually in the English alphabetical order of the participants, as listed in the

Annex to the decision, beginning with the first name on that list.* The Chair would, in consultation with participants, be responsible for determining the agenda of the meeting, which will be devoted to the matters set out above. These consultations would also serve to determine the level of representation (Ministerial or Deputy) that would be most appropriate for the meeting in question.

Support

IMF headquarters staff would, under the direction of the Chair, provide secretariat support for the group. This would entail providing logistic support and maintaining an archive of documents concerning the deliberations and decisions taken under the new arrangements to borrow.

New Arrangements to Borrow—Transferability of Claims

Pursuant to paragraph 13 of the New Arrangements to Borrow (NAB), the Fund consents in advance to the transfer of outstanding claims to repayments under the NAB on the terms and conditions set out below:

1. All or part of any claim under the NAB may be transferred at any time to a participant in the NAB.

2. As from the value date of the transfer, the transferred claim shall be held by the transferee on the same terms and conditions as claims originating under its credit arrangement, except that the transferee shall acquire the right to request early repayment of the transferred claim on balance of payments grounds pursuant to paragraph 11(e) of the NAB only if, at the time of the transfer, (i) the transferee is a member, or the institution of a member, whose

*In the event that the Chair was unable to perform its functions, a substitute would be provided by the participant immediately above the Chair on the list of participants in the Annex, or, if that substitute were not available, by the participant immediately below the Chair in that list.

balance of payment and reserve position is considered sufficiently strong for its currency to be usable in net transfers in the Fund's operational budget; or (ii) the transferee is the institution of a nonmember, and the balance of payments and reserve position of the nonmember is, in the opinion of the Fund, sufficiently strong to justify such acquisition.

3. The price for the claim transferred shall be as agreed between the transferee and the transferor.

4. The transferor of a claim shall inform the Fund promptly of the claim that is being transferred, the name of the transferee, the amount of the claim that is being transferred, the agreed price for transfer of the claim, and the value date of the transfer.

5. The transfer shall be registered by the Fund if it is in accordance with the terms and conditions of this decision. The transfer shall be effective as of the value date agreed between the transferee and the transferor.

6. If all or part of a claim is transferred during a quarterly period as described in paragraph 9(c) of the NAB, the Fund shall pay interest to the transferee on the amount of the claim transferred for the whole of that period.

7. If requested, the Fund shall assist in seeking to arrange transfers.

8. This decision shall become effective on the date of effectiveness of the NAB.

Decision No. 11429-(97/6)
January 27, 1997

Replenishment in Connection with Supplementary Financing Facility

1. The International Monetary Fund deems it appropriate in accordance with Article VII of the Articles of Agreement to replenish its holdings of currencies to the extent that purchases are to be made with supplementary financing under Executive Board Decision No. 5508-(77/127), adopted August 29, 1977.

2. A number of members and institutions have expressed their intention to make resources available to the Fund for the purpose stated in paragraph 1 above. In order to enable the Fund to replenish its resources in accordance with these intentions, the draft letter set out in the Annex to this decision is adopted as the basis for terms and conditions to be incorporated in the agreement with each contracting party under Article VII of the Articles of Agreement. The terms and conditions will be uniform to the maximum extent possible. Each letter setting forth the terms and conditions to be proposed will be submitted to the Executive Directors for their approval.

3. At any time within the period in which the Fund can replenish its resources in order to provide supplementary financing, it may enter into agreements for this purpose with the contracting parties referred to in paragraph 2 above and with any other member or with its national official financial institutions, provided that the member is in a sufficiently strong balance of payments and reserve position, or with any institution that performs functions of a central bank for more than one member. The Fund will consider a member to be in the position referred to above if it is in a net creditor position in the Fund and if its currency could be used in net sales in the Fund's currency budgets for the foreseeable future, but the Fund may take other circumstances into account in deciding whether to enter into an agreement with a member or with its national official financial institutions.

4. The amounts to be called by the Fund will be in broad proportion to the unutilized balance under each agreement to the total of unutilized balances under all agreements, subject to such operational flexibility as the Fund may find necessary.

5. The Fund will use its best efforts to ensure that the currencies it receives in accordance with this decision will be transferred on the same day to purchasers under Executive Board Decision No. 5508-(77/127), adopted August 29, 1977, and that amounts corresponding to repurchases attributed in accordance with paragraph 5(b)(i) of the draft letter set out in the Annex to this decision will be repaid to contracting parties on the same day as the repurchase is completed, provided, however, that the Fund will not make such repayment, unless it decides otherwise, if the repurchase entitles the purchaser to augmented rights under its stand-by or extended arrangement.* If such repayment has not been made, the Fund will repay promptly on the expiration of the arrangement an amount equivalent to the amount of the augmented rights that have not been exercised.

Decision No. 5509-(77/127)
August 29, 1977

*See Decision No. 5706-(78/39), reproduced on page 150.

ANNEX

[Your Excellency] [Dear Sir]:

In accordance with Article VII of the Articles of Agreement of the International Monetary Fund, hereinafter referred to as "the Articles," and pursuant to Executive Board Decision No. 5509-(77/127), adopted August 29, 1977, and Executive Board Decision No. ______ [authorizing agreement with individual contracting party, X] adopted ______, I have been authorized to propose on behalf of the International Monetary Fund, hereinafter referred to as "the Fund," that [X] agree to make available to the Fund at call during the period of five years from the effective date of Executive Board Decision No. 5508-(77/127), adopted August 29, 1977, [currency of X] [specified currency or currencies deemed by the Fund to be freely usable] in amounts that in total do not exceed the equivalent of ______ million special drawing rights (SDR ______) in exchange for readily repayable claims on the following terms and conditions:

1. All amounts under this agreement shall be expressed in terms of the special drawing right. For all purposes of this agreement, the value of a currency in terms of the special drawing right shall be calculated at the rate for the currency as determined by the Fund in accordance with the Fund's Rules and Regulations in effect when the calculation is made, subject to Paragraph 7(a).

2. (a) Calls under this agreement shall be made only (i) in respect of purchases to be made with supplementary financing under the facility established by Executive Board Decision No. 5508-(77/127) adopted August 29, 1977, which is hereinafter referred to as "the facility," or (ii) by agreement with [X], in order to enable the Fund to repay a claim under another agreement connected with the facility when repayment is made under that agreement because of a balance of payments need.

(b) The Fund shall give [X] as much advance notice as possible of the Fund's intention to make calls.

(c) [X] may represent that its balance of payments and reserve position does not justify calls or further calls under this agreement. The Fund, in considering the representation, shall give [X] the overwhelming benefit of any doubt. After consultation with [X], in which the Fund shall give [X] the overwhelming benefit of any doubt, the Fund may make calls or further calls at a later date when in the opinion of the Fund the balance of payments and reserve position of [X] improves sufficiently to justify calls or further calls.

(d) When a call is made, [X] shall deposit to the Fund's account with [X] [the Fund's depository for the currency of [X]] [the Fund's depository for the currency of ____________] within three business days after the call an amount of [its currency] [the currency or currencies specified in the preamble] equivalent to the amount of the call at the rate for the currency as determined by the Fund in accordance with the Fund's Rules and Regulations. On request, [X] shall exchange its currency [if not deemed by the Fund to be freely usable] when sold by the Fund for a freely usable currency at the rates for the two currencies as determined by the Fund in accordance with its Rules and Regulations.

3. The Fund shall issue to [X] on its request an instrument evidencing the amount, expressed in special drawing rights, that the Fund is committed to repay under this agreement. Upon repayment of the amount of any instrument and all accrued interest, the instrument shall be cancelled. If less than the amount of any such instrument is repaid, the instrument shall be cancelled and a new instrument for the remainder of the amount shall be substituted with the same maturity dates as in the old instrument. If all or part of the amount of a claim is transferred under 8 below, a new instrument or instruments shall be substituted on request for the old instrument with the same maturity dates as in that instrument.

4. (a) The Fund shall pay interest on the amount that the Fund is committed to repay under this agreement in accordance with the following provisions:

(i) The initial rate of interest on all outstanding claims shall be seven percent per annum. This rate shall apply until June 30, 1978.

(ii) Six months after June 30, 1978, and at intervals of six months thereafter, the Fund shall calculate, in the manner set forth in (iii) below, the rate of interest to be paid on outstanding claims for the period of six months prior to the calculation.

(iii) The interest rate on outstanding claims for a period of six months shall be the average of the daily yields during that period on actively traded U.S. Government securities, determined on the basis of a constant maturity of five years, as published each week by the Federal Reserve Board, Washington, D.C. in statistical release H-15 or any substitute publication, or if such publication shall cease as certified by the U.S. Treasury, provided that this average shall be rounded up to the nearest one eighth of one percent.

(iv) Interest shall be paid promptly after June 30 and December 31 of each year on the average daily balances outstanding during the preceding six months of the amounts the Fund is committed to repay under this agreement.

(b) No other fee, charge, or commission shall be imposed by [X] with respect to a deposit or an exchange pursuant to a call under paragraph 2(d) or with respect to any other aspect of a call.

5. (a) Subject to the other provisions of this paragraph 5, the Fund shall repay [X] an amount equivalent to any deposit pursuant to a call under paragraph 2 in eight equal semiannual installments to commence three and one half years, and to be completed not later than seven years, after the date of the deposit.

(b) The Fund may repay [X] in advance of the repayments required by paragraph 5(a) to the extent that: (i) a repurchase is attributed, in accordance with the Fund's practice, to a purchase under the facility for which the Fund has received resources from [X] under this agreement, or (ii) [X] agrees to receive repayment.

(c) If at any time [X] represents that there is a balance of payments need for repayment of part or all of the amount the Fund is committed to repay under this agreement and requests such repayment, the Fund, in considering the representation and deciding whether to make repayment, shall give [X] the overwhelming benefit of any doubt.

(d) Repayments under paragraph 5(b) and (c) shall discharge the installments prescribed by paragraph 5(a) in the order in which they become due.

6. The Fund shall consult [X] in order to agree with it on the means in which payments of interest and repayment shall be made, but, if agreement is not reached, the Fund shall [have the option to] make payment or repayment in [the currency of [X], or] the currency received by the Fund from [X], [or] [special drawing rights] [or any currency deemed by the Fund to be freely usable or any currency that can be exchanged at the time of the payment or repayment for a freely usable currency at a rate of exchange that would yield value equal in terms of the special drawing right to payment or repayment in a freely usable currency,] [or any combination of these means of payment or repayment].

7. (a) If the Fund decides to make a change in the method of valuation of the special drawing right, [X] shall have the option to require immediate repayment of all outstanding claims on the basis of the method of valuation in effect before the change.

(b) If [X] exercises its option under paragraph 7(a), it shall have the further option to cancel this agreement.

8. (a) For value agreed between transferor and transferee, transfers may be made at any time of all or part of a claim to repayment under this agreement in accordance with the following provisions:

(i) Transfers may be made to any contracting party, any member, a member's national official financial institution (hereinafter referred to as a member's "institution"), or any

institution that performs functions of a central bank for more than one member.

(ii) Transfers may be made to transferees other than those referred to in (i) above with the prior consent of the Fund and on such terms and conditions as it may prescribe.

(b) The transferor of a claim shall inform the Fund promptly of the claim that is being transferred, the transferee, the amount of the transfer, the agreed value for the transfer, and the value date. The transfer will be registered by the Fund if it is in accordance with this agreement. The transfer shall be effective for the purposes of this agreement as of the value date agreed between the transferor and transferee.

(c) If all or part of a claim is transferred during a period of six months as described in paragraph 4, the Fund shall pay interest on the amount of the claim transferred for the whole of that period to the transferee.

(d) Subject to (c) and to any terms and conditions prescribed under (a)(ii), the claim of a transferee shall be the same in all respects as the claim of the transferor, except that paragraph 5(c) shall apply only if, at the time of the transfer, the transferee is a member, or the institution of a member, that is in a net creditor position in the Fund and in the opinion of the Fund the member's currency could be used in net sales in the Fund's currency budgets for the foreseeable future.

(e) If requested, the Fund shall assist in arranging transfers.

9. [If [X] withdraws from the Fund, this agreement shall terminate and the amount that the Fund is committed to repay under this agreement shall be repaid in accordance with the terms of this agreement, provided that repayment shall be made, at the option of the Fund, in the currency of [X] [or in a currency deemed by the Fund to be freely usable], or in such other currency as may be agreed with [X].] [If the member country of which [X] is an insti-

tution withdraws from the Fund, [X's] agreement shall terminate, and the amount that the Fund is committed to repay under this agreement shall be repaid in accordance with the terms of this agreement, provided that repayment shall be made, at the option of the Fund, in the currency of that member [or in a currency deemed by the Fund to be freely usable], or in such other currency as may be agreed with [X].]

10. In the event of liquidation of the Fund the amounts the Fund is committed to repay to [X] shall be immediately due and payable as liabilities of the Fund under the provisions of the Articles on liquidation of the Fund. For the purposes of these provisions the currency in which the liability is payable shall be, at the option of the Fund, [the currency received by the Fund under this agreement] [the currency of [X] if it differs from that currency], [a currency deemed by the Fund to be freely usable], or any other currency agreed with [X].

11. Any question of interpretation that arises under this agreement that does not fall within the purview of the provisions of the Articles on interpretation shall be settled to the mutual satisfaction of [X] and the Fund.

If the foregoing proposal is acceptable to [X], this communication and your duly authenticated reply shall constitute an agreement between [X] and the Fund, which shall enter into force on the date on which the Fund receives your reply.

Very truly yours,

/s/

H. JOHANNES WITTEVEEN
Managing Director

Borrowing in Connection with Supplementary Financing Facility: Authorization to Make Calls

1. The Managing Director is authorized to make calls under the agreements to borrow entered into pursuant to Executive Board Decision No. 5509-(77/127), adopted August 29, 1977, in accordance with paragraph 4 of that decision to replenish the Fund's holdings of currencies in respect of purchases that are to be made with supplementary financing under Executive Board Decision No. 5508-(77/127), adopted August 29, 1977.

2. In implementing paragraph 4 of Decision No. 5509-(77/127), the amounts to be called under each borrowing agreement on which calls can be made, the Managing Director shall take into account, as described in EBS/79/1, the size of the purchase to be financed by borrowing, and the balance of payments and reserve position of the lenders or the members whose financial institutions are the lenders.

3. The Managing Director shall inform the Executive Board promptly of calls that he has made.

Decision No. 6006-(79/3)
January 5, 1979

Transferability of Claims on Fund Under Oil Facility and Supplementary Financing Facility: Meaning of "Net Creditor Position in Fund"

For the purposes of paragraph 3 of Executive Board Decision No. 5509-(77/127) of August 29, 1977, paragraph 8(d) of the letter annexed to that decision, and paragraph 2(a)(iv)a of Executive Board Decision No. 5974-(78/190) of December 4, 1978, a member shall be considered to have a "net creditor position in the Fund" if the member has a reserve tranche position on which it receives remuneration and the Fund's holdings of the member's currency do not include any balances subject to repurchase under

Schedule B or any balances subject to charges under Article V, Section 8(*b*) of the Articles of Agreement.

Decision No. 6008-(79/3)
January 5, 1979

BORROWING ARRANGEMENTS IN CONNECTION WITH SUPPLEMENTARY FINANCING FACILITY: PAYMENT OF INTEREST

The Managing Director shall make arrangements for consultations with lenders in order to agree with them on the means of payment of interest under the borrowing agreements concluded in accordance with Executive Board Decision No. 5509-(77/127), adopted August 29, 1977. Payments of interest shall be made in accordance with the procedure set forth [below]. Executive Directors shall be informed promptly of the interest paid and the assets used.

Decision No. 6163-(79/96)
June 21, 1979

Procedure

Paragraph 6 of each of the borrowing agreements in connection with the supplementary financing facility provides that the Fund shall consult the lender in order to agree on the means with which interest will be paid. If agreement is not reached the Fund has the option to pay with the means indicated in the individual borrowing agreements. Interest payments shall be made promptly after June 30 and December 31 of each year on the average daily balances which were outstanding during the preceding six months and which the Fund is obliged to repay; the first payments will be made at the beginning of July 1979.

This paper deals with the procedure that is to be followed when consulting with lenders regarding the means that would be offered by the Fund for the payment of interest.

The rate of interest on amounts of outstanding claims under the supplementary financing facility for a period of six months is the average of the daily yields during these six months on actively traded U.S. Government securities, determined on the basis of a constant maturity of five years, as published by the Federal Reserve Board, Washington, D.C. This average rate is rounded up to the nearest one eighth of one percent.

In accordance with the policy guiding the selection of means for the payment of interest on borrowing for the financing of transactions under the oil facility, which was approved by the Executive Board, the lender has been offered its own currency, if the Fund's holdings of this currency were sufficient for this purpose, one or more currencies from the operational budget or SDRs, or a combination of these means . . . . the means most generally used in the payment of interest on borrowing by the Fund has been the U.S. dollar. Although U.S. dollars were not included for use in payments by the Fund in the last three operational budgets, the Executive Directors agreed, for the convenience of lenders, to the use of this currency in the payment of interest on borrowings. It seems reasonable to follow the same procedures regarding the payment of interest under the supplementary financing facility.

It is proposed that the Managing Director be instructed to make arrangements, as necessary, for consultations with lenders in order to agree on the means for the payment of interest and to effect these payments in accordance with this procedure. Executive Directors would be informed promptly of the interest payments made and the means used.

Establishment of the Borrowed Resources Suspense Accounts

1. The Managing Director is authorized (i) to establish Borrowed Resources Suspense Accounts within the General Department, (ii) to transfer to these Accounts balances of currencies borrowed before these can be used in transactions or received in repurchases made before repayment can be made, and (iii) to invest these balances until they can be transferred to the

General Resources Account for immediate use in a transaction or an operation.

2. A Borrowed Resources Suspense Account for each currency shall be opened, as needed, with the depository designated pursuant to Article XIII, Section 2, by a member whose currency is to be borrowed, used for investment, or used in repayment or the payment of interest and shall be operated in accordance with the standard procedures for the operation of the Fund's No. 1 and Securities Accounts with the depository.

Decision No. 6844-(81/75)
May 5, 1981

INVESTMENT BY THE FUND OF THE CURRENCIES HELD IN THE BORROWED RESOURCES SUSPENSE ACCOUNTS

1. The Managing Director is authorized to invest currencies held in the Borrowed Resources Suspense Accounts in one or more of the following ways: (a) deposits with a national official financial institution of a member, or an international financial institution, that are denominated in special drawing rights; (b) marketable obligations issued by a member or by a national official institution of a member and denominated in special drawing rights; and (c) marketable obligations issued by an international financial institution and denominated in special drawing rights.

2. The policy on the investment of the undisbursed amounts held in the Borrowed Resources Suspense Accounts shall take into account the operational needs of the General Resources Account, including the dates on which members are expected to make purchases from the Fund under its Policy on Enlarged Access.

3. (a) The Managing Director, when making arrangements for the placement of investments in accordance with paragraphs 1 and 2 above, shall consider the terms offered by a national official financial institution of the member issuing the currency borrowed, or to which the borrowed funds may be transferred, that will accept investments denominated in special drawing rights, and the terms

offered by the Bank for International Settlements, for all or part of the intended investment in SDR-denominated deposits.

(b) In the event the Managing Director considers that none of the offers made by the central banks and by the BIS is sufficiently attractive, he shall inform the Executive Board promptly and make other proposals to it for investment in SDR-denominated obligations.

4. The Managing Director is authorized to transfer borrowed funds at the time of the original receipt from the Borrowed Resources Suspense Account in the depository designated by the member whose currency was borrowed to the Borrowed Resources Suspense Account in the depository designated by the member whose currency is to be used in an investment when this transfer is necessary to effect an investment denominated in special drawing rights, and when this transfer has been concurred in by the two members whose currencies will be involved.

Decision No. 6845-(81/75)
May 5, 1981

GUIDELINES FOR BORROWING BY THE FUND

Quota subscriptions are and should remain the basic source of the Fund's financing. However, on a temporary basis, borrowing by the Fund can provide an important supplement to its resources.

The confidence of present and potential creditors in the Fund will depend not only on the prudence and soundness of its financial policies but also on the effective performance of its various responsibilities, including, in particular, its success in promoting adjustment.

Against this background the Executive Board approves the following guidelines on borrowing by the Fund.

1. Fund borrowing shall remain subject to a process of continuous monitoring by the Executive Board in the light of the above considerations. For this purpose, the Executive Board will regularly review the Fund's liquidity and financial position, taking into account all relevant factors of a quantitative and qualitative nature.

2. In advance of any further borrowing undertaken by the Fund, except in the case of borrowing under the General Arrangements to Borrow, the Executive Board shall establish in the context of circumstances prevailing at that time, limits expressed in terms of the total of Fund quotas above which the total of outstanding borrowing plus unused credit lines would not be permitted to rise.

3. Any limits that may be adopted as a result of a review pursuant to paragraph 2 above are not to be understood, at any time, as targets for borrowing by the Fund.

*Decision No. 9862-(91/156)**
November 15, 1991

*This decision replaced Decision No. 7040-(82/7), as amended by Decision No. 7589-(83/181).

Unenforceability of Exchange Contracts

UNENFORCEABILITY OF EXCHANGE CONTRACTS: FUND'S INTERPRETATION OF ARTICLE VIII, SECTION 2(*b*)

The following letter shall be sent to all members:

The Board of Executive Directors of the International Monetary Fund has interpreted, under Article XVIII* of the Articles of Agreement, the first sentence of Article VIII, Section 2(*b*), which provision reads as follows:

> Exchange contracts which involve the currency of any member and which are contrary to the exchange control regulations of that member maintained or imposed consistently with this Agreement shall be unenforceable in the territories of any member.
>
> The meaning and effect of this provision are as follows:
>
> 1. Parties entering into exchange contracts involving the currency of any member of the Fund and contrary to exchange control regulations of that member which are maintained or imposed consistently with the Fund Agreement will not receive the assistance of the judicial or administrative authorities of other members in obtaining the performance of such contracts. That is to say, the obligations of such contracts will not be implemented by the judicial or administrative authorities of member countries, for example by decreeing performance of the contracts or by awarding damages for their nonperformance.

*Corresponds to Article XXIX of the Articles of Agreement after the Second Amendment.

2. By accepting the Fund Agreement members have undertaken to make the principle mentioned above effectively part of their national law. This applied to all members, whether or not they have availed themselves of the transitional arrangements of Article XIV, Section 2.

An obvious result of the foregoing undertaking is that if a party to an exchange contract of the kind referred to in Article VIII, Section 2(*b*) seeks to enforce such a contract, the tribunal of the member country before which the proceedings are brought will not, on the ground that they are contrary to the public policy (*ordre public*) of the forum, refuse recognition of the exchange control regulations of the other member which are maintained or imposed consistently with the Fund Agreement. It also follows that such contracts will be treated as unenforceable notwithstanding that under the private international law of the forum, the law under which the foreign exchange control regulations are maintained or imposed is not the law which governs the exchange contract or its performance.

The Fund will be pleased to lend its assistance in connection with any problem which may arise in relation to the foregoing interpretation or any other aspect of Article VIII, Section 2(*b*). In addition, the Fund is prepared to advise whether particular exchange control regulations are maintained or imposed consistently with the Fund Agreement.

Decision No. 446-4
June 10, 1949

Payments Restrictions

PAYMENTS RESTRICTIONS FOR SECURITY REASONS: FUND JURISDICTION

Article VIII, Section 2(*a*), in conformity with its language, applies to all restrictions on current payments and transfers, irrespective of their motivation and the circumstances in which they are imposed. Sometimes members impose such restrictions solely for the preservation of national or international security. The Fund does not, however, provide a suitable forum for discussion of the political and military considerations leading to actions of this kind. In view of the fact that it is not possible to draw a precise line between cases involving only considerations of this nature and cases involving, in whole or in part, economic motivations and effects for which the Fund does provide the appropriate forum for discussion, and the further fact that the Fund must exercise the jurisdiction conferred by the Fund Agreement in order to perform its duties and protect the legitimate interests of its members, the following policy decision is taken:

1. A member intending to impose restrictions on payments and transfers for current international transactions that are not authorized by Article VII, Section 3(*b*) or Article XIV, Section 2 of the Fund Agreement and that, in the judgment of the member, are solely related to the preservation of national or international security, should, whenever possible, notify the Fund before imposing such restrictions. Any member may obtain a decision of the Fund prior to the imposition of such restrictions by so indicating in its notice, and the Fund will act promptly on its request. If any member intending to impose such restrictions finds that circumstances preclude advance notice to the Fund, it should notify the Fund as promptly as circumstances permit, but ordinarily not later than 30 days after imposing such restrictions. Each notice received in accordance with this decision will be circulated immediately to the

Executive Directors. Unless the Fund informs the member within 30 days after receiving notice from the member that it is not satisfied that such restrictions are proposed solely to preserve such security, the member may assume that the Fund has no objection to the imposition of the restrictions.

2. The Fund will review the operation of this decision periodically and reserves the right to modify or revoke, at any time, the decision or the effect of the decision on any restrictions that may have been imposed pursuant to it.

Decision No. 144-(52/51)
August 14, 1952

Bilateralism and Convertibility

1. This decision records the Fund's views on the use of bilateral arrangements.

2. Fund policies and attitude on bilateral arrangements which involve the use of exchange restrictions and represent limitations on a multilateral system of payments are an integral part of its policy on restrictions. This policy aims at the elimination of foreign exchange restrictions and the earliest possible establishment of a multilateral system of payments in respect of current transactions between members. The Fund's policies and procedures on such restrictions rest on Articles I, VIII and XIV of the Fund Agreement.

3. Certain members have already taken steps to reduce their dependence on bilateral arrangements, but many members still use them. The Fund welcomes the reduced reliance on these arrangements and believes that the improvement in the international payments situation makes it less necessary for members to rely on such arrangements. The Fund urges the full collaboration of all its members to reduce and to eliminate as rapidly as practicable reliance on bilateralism. In this respect the Fund recommends close cooperation of those who plan to make their currencies

convertible in the near future. Unless this policy is energetically pursued by all countries, both convertible and inconvertible, there is serious risk that widespread restrictions, particularly of a discriminatory character, will persist. Moreover, the persistence of bilateralism may impede the attainment and maintenance of convertibility. This whole problem is one not only for countries which maintain bilateral arrangements but also for other countries whose domestic and foreign economic policies may adversely affect the balance of payments of other members.

4. The Fund will have discussions with its members on their need to retain existing bilateral arrangements or their ability to facilitate the reduction of bilateral arrangements by other countries. During the coming year, the Fund will explore with all countries which are parties to bilateral arrangements which involve the use of exchange restrictions the need for the continuation of these arrangements, the possibilities of their early removal, and ways and means, including the use of the Fund's resources, by which the Fund can assist in this process. In its examination of the justification for reliance on such bilateral arrangements the Fund will, without excluding other considerations, have particular regard to the payments position and prospects of the members concerned.

Decision No. 433-(55/42)
June 22, 1955

Official Clearing and Payments Arrangements— Temporary Exemption from Three-Month Rule

Pending completion of the forthcoming review of the jurisdictional aspects of official clearing and payments arrangements, the Fund shall not object to the maintenance in existing official clearing or payments arrangements of settlement provisions that do not require the settlement of balances at least as

frequently as every three months if such provisions were in force before July 1, 1994.

Decision No. 10749-(94/67)
July 20, 1994

Retention Quotas: Decision and Letter of Transmittal

In concluding consultations on restrictions on current payments and transfers as required under Article XIV of the Fund Agreement, the Fund postponed consideration of retention quotas and similar practices through which some members have sought to improve their earnings of specific currencies. The Fund has now examined these practices more fully than was possible at the consultations referred to above. The Fund has extended this examination to cover the terms of reference of the resolution adopted on September 9, 1952, by the Board of Governors and has come to the following conclusions:

1. Members should work toward and achieve as soon as feasible the removal of these retention quotas and similar practices, particularly where they lead to abnormal shifts in trade which cause unnecessary damage to other countries. Members should endeavor to replace these practices by more appropriate measures leading to currency convertibility.

2. The Fund will enter into consultation with each of the members concerned with a view to agreeing on a program for the implementation of 1 above, including appropriate attention to timing of any action which may be decided upon.

3. The Fund does not object to those practices which, by their nature, can be regarded as devices designed solely to simplify the administration of official exchange allocations.

The Managing Director is asked to send the following letter to all members in transmitting the foregoing decision on retention quotas and similar practices:

The Fund has made a detailed study concerning retention quotas and other similar practices pursuant to the resolution passed at the Seventh Session of the Board of Governors in Mexico in September 1952. I am pleased to transmit herewith a decision of the Executive Board of the Fund based on this study.

The Fund has concluded that these practices stem from widespread difficulties presently existing in the international payments position of many countries. The Fund's consideration of this subject has shown that what is referred to as "retention quotas and similar practices" covers a wide range of exchange measures. Certain practices under this heading may be unobjectionable from the point of view of Fund policies. Other practices in this category, however, appear to result in adverse effects on exchange stability and to cause unnecessary damage to member countries. They also may lead to the adoption of retaliatory measures. The interest of the Fund in these matters clearly follows from the terms of Article VIII containing the general obligations of members with respect to the avoidance of exchange restrictions, discriminatory currency arrangements, and multiple currency practices, and Article XIV dealing with these exchange measures during the transitional period.

In dealing with retention quotas and similar practices, the Board has not intended to change existing Fund standards and procedures with respect to exchange restrictions, discriminatory currency arrangements, and multiple currency practices. Specifically, there was no intention to affect the existing requirements of prior consultation and approval with respect to measures of this character. Those requirements, so far as they concern multiple currency practices, were communicated to members in the Fund's letter of December 19, 1947 (Appendix II of the Fund's *Annual Report* of 1948). Accordingly, it is expected that members intended to maintain, introduce, or enlarge those retention quotas and similar practices which constitute exchange restrictions, multiple currency practices, or discriminatory currency arrangements will act in accordance with existing Fund requirements.

The decision recognizes that it is not practicable to deal with all of these practices on a general basis. The Fund, therefore, wishes to deal with these arrangements on a case-to-case basis. We shall communicate as quickly as practicable with members using these practices. We are confident that members will cooperate in these individual discussions in order to enable the Fund to reach appropriate conclusions.

Decision No. 201-(53/29)
May 4, 1953

Discrimination for Balance of Payments Reasons

The following decision deals exclusively with discriminatory restrictions imposed for balance of payments reasons.

In some countries, considerable progress has already been made towards the elimination of discriminatory restrictions; in others, much remains to be done. Recent international financial developments have established an environment favorable to the elimination of discrimination for balance of payments reasons. There has been a substantial improvement in the reserve positions of the industrial countries in particular and widespread moves to external convertibility have taken place.

Under these circumstances, the Fund considers that there is no longer any balance of payments justification for discrimination by members whose current receipts are largely in externally convertible currencies. However, the Fund recognizes that where such discriminatory restrictions have been long maintained, a reasonable amount of time may be needed fully to eliminate them. But this time should be short and members will be expected to proceed with all feasible speed in eliminating discrimination against member countries, including that arising from bilateralism.

Notwithstanding the extensive moves toward convertibility, a substantial portion of the current receipts of some countries is still

subject to limitations on convertibility, particularly in payments relations with state-trading countries. In the case of these countries the Fund will be prepared to consider whether balance of payments considerations would justify the maintenance of some degree of discrimination, although not as between countries having externally convertible currencies. In this connection the Fund wishes to reaffirm its basic policy on bilateralism as stated in its decision of June 22, 1955.

Decision No. 955-(59/45)
October 23, 1959

ARTICLE VIII AND ARTICLE XIV

There has been in recent years a substantial improvement in the balance of payments and the reserve positions of a number of Fund members which has led to important and widespread moves to the external convertibility of many currencies. Most international transactions are now carried on with convertible currencies, and many countries have progressed far with the removal of restrictions on payments. In consequence of these developments, it seems likely that a number of members of the Fund either have reached or are nearing a position in which they can consider the feasibility of formally accepting the obligations of Article VIII, Sections 2, 3, and 4. Previous decisions taken by the Fund, such as those on multiple currency practices, bilateral arrangements, discriminatory restrictions maintained for balance of payments purposes, and payments restrictions for security reasons, indicate the Fund's attitude on these matters. The present decision has been adopted as an additional guide to members in pursuance of the purposes of the Fund as set forth in Article I of the Articles of Agreement.

1. Article VIII provides in Sections 2 and 3 that members shall not impose or engage in certain measures, namely restrictions on the making of payments and transfers for current international transactions, discriminatory currency arrangements, or multiple currency practices, without the approval of the Fund. The guiding

principle in ascertaining whether a measure is a restriction on payments and transfers for current transactions under Article VIII, Section 2, is whether it involves a direct governmental limitation on the availability or use of exchange as such. Members in doubt as to whether any of their measures do or do not fall under Article VIII may wish to consult the Fund thereon.

2. In accordance with Article XIV, Section 3,* members may at any time notify the Fund that they accept the obligations of Article VIII, Sections 2, 3, and 4, and no longer avail themselves of the transitional provisions of Article XIV. Before members give notice that they are accepting the obligations of Article VIII, Sections 2, 3, and 4, it would be desirable that, as far as possible, they eliminate measures which would require the approval of the Fund, and that they satisfy themselves that they are not likely to need recourse to such measures in the foreseeable future. If members, for balance of payments reasons, propose to maintain or introduce measures which require approval under Article VIII, the Fund will grant approval only where it is satisfied that the measures are necessary and that their use will be temporary while the member is seeking to eliminate the need for them. As regards measures requiring approval under Article VIII and maintained or introduced for nonbalance of payments reasons, the Fund believes that the use of exchange systems for nonbalance of payments reasons should be avoided to the greatest possible extent, and is prepared to consider with members the ways and means of achieving the elimination of such measures as soon as possible. Members having measures needing approval under Article VIII should find it useful to consult with the Fund before accepting the obligations of Article VIII, Sections 2, 3, and 4.

3. If members at any time maintain measures which are subject to Sections 2 and 3 of Article VIII, they shall consult with the Fund with respect to the further maintenance of such measures. Consultations with the Fund under Article VIII are not otherwise required or mandatory. However, the Fund is able to provide

*Corresponds to Article XIV, Section 1 of the Articles of Agreement after the Second Amendment.

technical facilities and advice, and to this end, or as a means of exchanging views on monetary and financial developments, there is great merit in periodic discussions between the Fund and its members even though no questions arise involving action under Article VIII. Such discussions would be planned between the Fund and the member, including agreement on place and timing, and would ordinarily take place at intervals of about one year.

4. Fund members which are contracting parties to the GATT and which impose import restrictions for balance of payments reasons will facilitate the work of the Fund by continuing to send information concerning such restrictions to the Fund. This will enable the Fund and the member to join in an examination of the balance of payments situation in order to assist the Fund in its collaboration with the GATT. The Fund, by agreement with members which are not contracting parties to the GATT and which impose import restrictions for balance of payments reasons, will seek to obtain information relating to such restrictions.

Decision No. 1034-(60/27)
June 1, 1960

Payments Arrears

The Executive Board has reviewed the Fund's policy with respect to payments arrears. The Fund shall be guided by the approach in the conclusions set forth [below].

Decision No. 3153-(70/95)
October 26, 1970

Conclusions

1. Undue delays in the availability or use of exchange for current international transactions that result from a governmental limitation give rise to payments arrears and are payments restrictions under Article VIII, Section 2(*a*), and Article XIV, Section 2.

The limitation may be formalized, as for instance compulsory waiting periods for exchange, or informal or ad hoc.

2. The need for the Fund to define its policy on payments arrears is emphasized by the fact that restrictions resulting in payments arrears arising from informal or ad hoc measures do particular harm to a country's international financial relationships because of the uncertainty they generate. This uncertainty is particularly harmful to the smooth functioning of the international payments system and has pronounced adverse effects on the creditworthiness of the debtor country which may extend beyond the period of the existence of the restrictions.

3. In the light of these considerations it is believed that the Fund should aim in consultation reports at a more systematic treatment of restrictions on payments and transfers for current international transactions that produce payments arrears. In all cases where payments arrears arise from a governmental limitation on, or interference with, the availability of foreign exchange at the time a payment for a current international transaction falls due, or with the timely transfer of the proceeds of such transactions, the payments arrears should be treated in the consultation papers as evidence of a payments restriction requiring approval in Article VIII or Article XIV consultation decisions. The staff, in the consultation discussions, will have to establish whether payments arrears exist by ascertaining whether there has been a substantial delay beyond that usually required for ascertaining the bona fides of exchange applications or the time that can be regarded as normally required for the administrative processing of applications for exchange. If payments arrears exist and approval of the restriction giving rise to them is requested by the member, the member should be expected to submit a satisfactory program for their elimination. Approval if given should be only for a temporary period and generally with a fixed terminal date. Because of the difficulty in surveillance, approval should be wherever feasible in terms of the level of arrears outstanding. The program for the elimination of the payments arrears should provide for a maximum permissible delay to which a payment or transfer could be

subjected, together with a phased reduction in the outstanding level.

4. . . . *

Payments Policies

CONSULTATIONS ON MEMBERS' POLICIES IN PRESENT CIRCUMSTANCES

1. The Committee on Reform of the International Monetary System and Related Issues on January 18, 1974 reviewed important recent developments and agreed that, in the present difficult circumstances, all members, in managing their international payments, must avoid the adoption of policies which would merely aggravate the problems of other members. Accordingly, the Committee stressed the importance of avoiding competitive depreciation and the escalation of restrictions on trade and payments; and emphasized the importance of pursuing policies that would sustain appropriate levels of economic activity and employment, while minimizing inflation. It was also recognized that recent developments would create serious payments difficulties for many developing countries. The Committee agreed that there should be the closest international cooperation and consultation in pursuit of these objectives.

2. The Executive Directors call on all members to collaborate with the Fund in accordance with Article IV, Section 4(*a*),** with a view to attaining these objectives. The consultations of the Fund on the policies that members are following in present circumstances will be conducted with a view to the attainment of these objectives.

Decision No. 4134-(74/4)
January 23, 1974

*See page 103.
**Refers to the Articles of Agreement in effect before the Second Amendment.

Multiple Currency Practices

STATEMENT TO MEMBERS TRANSMITTING FUND'S DECISIONS ON MULTIPLE CURRENCY PRACTICES

The letter to members concerning multiple currency practices and the accompanying statement of the Fund's decisions with respect to such practices are agreed as revised (Executive Board Document No. 235, Revision 2) and shall be sent without delay to all members. The texts of earlier decisions on the same subject are modified as necessary to correspond with the agreed statement.

Decision No. 237-2
December 18, 1947

Letter to Members

December 19, 1947

To All Members:

During the past several months the Fund has been giving special consideration to multiple currency practices. I am writing to all of the members today in order to acquaint them with the results of our considerations. Enclosed is a memorandum containing the pertinent decisions taken by the Executive Board. These set forth the general lines of the Fund's policies toward multiple currency practices which the Fund has adopted to date, together with the obligations of the members and the jurisdiction of the Fund upon which the development of Fund policy will necessarily be based.

We intend, as rapidly as may be possible under the circumstances, to discuss with each member now engaging in a multiple currency practice how this general policy will be applied to its individual problems. In the meantime, all of the members are

requested to be guided by the enclosed memorandum and to initiate with the Fund discussions of any pressing problems which may arise.

Sincerely yours,

GUTT

Managing Director

Multiple Currency Practices

This memorandum contains the decisions the Fund has so far taken concerning its policies toward multiple currency practices, and clarification of its jurisdiction with respect to such practices.

The exchange systems of the members who engage in multiple currency practices are frequently complex. For this reason various difficulties will be involved in the modification and removal of the practices, and the policy of the Fund in this regard must develop progressively as its consultations with the members concerned reveal problems which might otherwise be overlooked. The policies set forth below have been agreed as a basis for the initiation of discussions with the members affected:

I. *Policies*

A. *General*

1. *Consultation.* There should be continuing consultation on multiple currency practices between the Fund and the members concerned. Members should, as a minimum, consult the Fund before introducing a multiple currency practice, before making a change in any of the multiple rates of exchange, before reclassifying transactions subject to different rates, and before making any other type of significant change in their exchange systems.

2. *Stability and Restrictions.* In most cases multiple currency practices are both systems of exchange rates and restrictions on payments and transfers for current international transactions. Whenever it is inconvenient to deal with both aspects of such multiple currency practice simultaneously, priority should be given to those features which affect exchange stability and orderly exchange arrangements among members.

3. *Removal.* Early steps should be taken toward the removal of multiple currency practices which are clearly not necessary for balance of payments reasons. In such cases, ample time should be provided for members to take the necessary steps and to install appropriate substitutes where necessary.

The Fund will encourage members engaging in multiple currency practices for balance of payments reasons to establish as soon as possible conditions which would permit their removal, with the general objective of seeking removal not later than the end of the transitional period.

Where complete removal by the end of the transitional period proves impossible, the Fund will assist the members concerned to eliminate the most dangerous aspects of their multiple currency practices and to exercise reasonable control over those retained.

B. *Specific Practices*

1. *Fixed Exchange Rates.* When a multiple currency system includes fixed exchange rates, members should consult with the Fund on any changes in their practices, whether such changes concern the rates of exchange or the classification of transactions subject to particular practices. Should the step contemplated by a member be a part of a program made in agreement with the Fund, the member could, of course, act without prior consultation.

When a multiple rate system is used for restrictions on current and capital transactions, the elimination of the restriction on current transactions would be highly commendable even though restrictions on capital transactions might have to be retained.

2. *Taxes on Exchange Drafts.* The use by members of taxes on exchange drafts resulting in an unusually large difference between buying and selling rates for a currency is not in accord with the objectives of the Fund Agreement and the Fund shall, in consultation with members concerned, seek the elimination of such practices as rapidly as practicable.

3. *Fluctuating Rates of Exchange*

(a) *Free Markets.* When a multiple currency practice includes a free market with a fluctuating rate, the member should agree with the Fund on the scope of the transactions permitted to take place in that market. Any changes in the scope of these transactions should, of course, be subject to agreement with the Fund. The objective should be to eliminate the fluctuations in the free market as soon as such action is reasonably practicable. When it is not reasonably practicable to eliminate such fluctuations, the Fund will encourage members to exclude current transactions from the free market to the extent that this would be reasonable in the circumstances of each case.

(b) *The Auction System*

(i) The purpose for which an auction system is to be used should be agreed with the Fund and any change in its scope should be agreed with the Fund. The fewer the transactions subject to the auction rate, and the less essential the goods involved, the better.

(ii) Depending upon the circumstances, the monetary authorities should undertake to keep the auction rate stable,

or to maintain it within certain limits, or to make every effort to prevent brisk fluctuations.

(iii) Wherever auction rates exist or are proposed, circumstances should be examined in order to determine whether a fixed rate should be substituted for the auction rate.

(iv) If, as is usually the case where an auction system exists, a reduction of the money supply is desirable, the proceeds of the auction market should be directed toward this end.

II. *Jurisdiction of the Fund*

Multiple currency practices, besides being in most cases restrictive practices, also constitute systems of exchange rates. Since exchange stability depends on effective rates, the general purposes of the Fund and the members' undertakings of Article IV, Section 4(*a*)* "to collaborate with the Fund to promote exchange stability, to maintain orderly exchange arrangements with other members, and to avoid competitive exchange alterations" are fundamental considerations in an interpretation of the rights and obligations of members under Article XIV, Section 2 or Article VIII, Section 3, to maintain, introduce, or adapt multiple currency practices. Subject to these general principles, the following conclusions are agreed with respect to the Fund's jurisdiction and the obligations of members.

A. *Practices Subject to Article VIII, Section 3*

1. *Maintenance.* A member maintaining multiple currency practices at the time the Agreement entered into force, if it does not take advantage of Article XIV, is required by Article VIII, Section 3, to consult with the Fund for their progressive removal or obtain the Fund's approval for their maintenance.

*Refers to the Articles of Agreement in effect before the Second Amendment.

2. *Introduction.* Members that have not been occupied by the enemy, and former enemy-occupied members which have not taken advantage of the transitional arrangements, whether or not they have existing multiple rate practices, may introduce a new practice only under Article VIII, Section 3, which provides expressly for the necessity of approval by the Fund.

3. *Adaptation.* If a multiple currency practice is in force by virtue of Article VIII, Section 3, the member may change or adapt such practice only after consulting with the Fund and obtaining its approval.

4. *Reclassification.* Members maintaining multiple currency practices under Article VIII, Section 3, may reclassify commodities subject to the practices only after consultation with the Fund and Fund approval.

B. *Practices Subject to Article XIV, Section 2*

1. *Restrictive Nature.* Multiple currency practices, when applied to current international transactions, constitute a type of restriction on payments and transfers for current international transactions for the purposes of Article XIV, Section 2.

2. *Representations by the Fund.* The following language in Article XIV, Section 4* of the Fund Agreement:

"The Fund may, if it deems such action necessary in exceptional circumstances, make representations to any member that conditions are favorable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other article of this Agreement."

(a) applies at any time after the entry into force of the Fund Agreement and

*Corresponds to Article XIV, Section 3 of the Articles of Agreement after the Second Amendment.

(b) gives to the Fund the power to determine what is meant by "in exceptional circumstances."

3. *Maintenance.* Members may maintain multiple currency practices during the transitional period under the provisions of Article XIV, Section 2, but only if the maintenance of such practices is necessary for settling members' balance of payments in a manner which does not unduly encumber their access to the resources of the Fund. Members are under a duty to withdraw such practices as soon as they are able without them to settle their balance of payments in a manner which will not unduly encumber their access to the resources of the Fund. Moreover, under Section 4 of Article XIV,* the Fund has certain powers to make representations in exceptional circumstances, of which it is the judge, that conditions are favorable for the withdrawal of any particular restriction. The Fund may exercise this power even if a particular restriction is justified for balance of payments reasons, if the conditions are favorable for the substitution of some practice which is not inconsistent with the purposes of the Agreement.

4. *Introduction.* Only former enemy-occupied members, which are availing themselves of the transitional provisions, and then whether or not they have existing multiple currency practices, may introduce a new multiple currency practice under Article XIV, Section 2, provided the Fund agrees with the member that the practice is necessary and does not find that it is inconsistent with the purposes of the Fund Agreement or with Article IV, Section 4(*a*).*

5. *Adaptation.* A member maintaining multiple currency practices under Article XIV may adapt the existing restrictions, provided such action is consistent with the obligations of Article IV, Section 4(*a*)* and the Fund is satisfied that the adaptation is dictated by "changing circumstances." A duty to consult with and obtain the approval of the Fund before changing the practice is implicit in both Article IV, Section 4(*a*)* and in

*Refers to the Articles of Agreement in effect before the Second Amendment.

Article XIV, Section 2. The Fund has the power under Article XIV, Section 4,* to represent in exceptional circumstances that circumstances are favorable to withdrawal of a proposal to change an existing multiple currency practice.

6. *Reclassification.* A member maintaining multiple currency practices under Article XIV may reclassify commodities subject to such practices, under the power to adapt restrictions in Section 2 of Article XIV, and under the same conditions, provided, however, that under the existing restrictions the effective rates are other than parity.

C. *Exchange Taxes*

When a tax affects an obligation undertaken by the members of the Fund, the relationship between the tax and the obligation is of direct concern to the Fund and subject to its jurisdiction. Whenever exchange taxes are used to modify par values, create multiple currency practices, or introduce restrictive exchange controls, they are subject to the Fund's jurisdiction. The Fund has authority to deal with these exchange matters irrespective of the official device or procedure involved.

D. *Rates Differing from Parity by More than One Percent*

An effective buying or selling rate which, as the result of official action, e.g., the imposition of an exchange tax, differs from parity by more than 1 percent, constitutes a multiple currency practice.

MULTIPLE CURRENCY PRACTICES

1. The Executive Board has considered the staff paper on the "Review of Fund Policies on Multiple Currency Practices"

*Corresponds to Article XIV, Section 3 of the Articles of Agreement after the Second Amendment.

(SM/57/2, Rev. 1, 5/3/57)* and is in agreement with the general approach of the paper.

II. Unification of the exchange rates in multiple rate systems is a basic objective of the Fund, and it is satisfying to record that several of the members which had followed such practices have been successful in achieving this objective, and that others have made considerable progress in this direction.

III. In reviewing the experience of the past ten years as summarized in the staff report, the Fund draws special attention to the fact that complex multiple rate systems damage the economies of countries maintaining them and harm other countries. These complex systems are difficult to administer, and involve frequent changes, discrimination, export subsidization, a considerable spread between rates, and undue differentiation between classes of imports.

IV. The Executive Board concludes that it is necessary and feasible to make more rapid progress in simplifying complex multiple rate systems, to remove those aspects of existing systems which adversely affect the interests of other members, and to avoid existing systems becoming more complex. Accordingly the following decision is taken:

> 1. Early and substantial steps should be taken to simplify complex multiple rate systems. The Fund will not approve such systems unless the countries maintaining them are making reasonable progress toward simplification and ultimate elimination of such systems, or are taking measures or adopting programs which seem likely to result in such progress.
>
> 2. As opportunity arises the Fund will continue to press for simplification in all cases where there is clear evidence that the multiple currency system in question is damaging to other members. It will in addition be reluctant to approve changes in multiple rate systems which make them more complex.

*Not included in this publication.

3. To assist members to simplify and eliminate complex rate systems the Fund wishes to intensify its collaboration with them. The Fund stands ready to meet members' requests for technical assistance in the preparation of economic programs and measures directed toward exchange simplification. These may in some cases include arrangements in other directions, especially in the fiscal and trade fields. If the Fund considers the proposed exchange simplification and related economic programs or measures to be adequate and appropriate, it will give sympathetic consideration, if requested, to the use of its resources.

Decision No. 649-(57/33)
June 26, 1957

POLICY ON MULTIPLE CURRENCY PRACTICES

The Executive Board has reviewed the Fund's policy with respect to multiple currency practices. The Fund shall be guided by the approach outlined in the conclusions set forth below.

1. Official action should not cause exchange rate spreads and cross rate quotations to differ unreasonably from those that arise from the normal commercial costs and risks of exchange transactions.

a. (i) Action by a member or its fiscal agencies that of itself gives rise to a spread of more than 2 percent between buying and selling rates for spot exchange transactions between the member's currency and any other member's currency would be considered a multiple currency practice and would require the prior approval of the Fund.

(ii) An exchange spread that arises without official action would not give rise to a multiple currency practice.

(iii) Deviations between the buying and selling rates for spot transactions and for other transactions would not be con-

sidered multiple currency practices if they represent the additional costs and exchange risks for these other transactions.

b. Action by a member or its fiscal agencies which results in midpoint spot exchange rates of other members' currencies against its own currency in a relationship which differs by more than 1 percent from the midpoint spot exchange rates for these currencies in their principal markets would give rise to a multiple currency practice. If the differentials of more than 1 percent in these cross rates persist for more than one week, the resulting multiple currency practice would become subject to the approval of the Fund under Article VIII, Section 3.

When difficulties are encountered in the interpretation and application of these criteria in specific cases, particularly concerning the nature of official actions, the staff will present the relevant information to the Executive Board for its determination.

2. The policy of the Fund on the exercise of its approval jurisdiction over exchange measures subject to Article VIII, as set forth in paragraph 2 of Executive Board Decision No. 1034-(60/27), adopted June 1, 1960, remains broadly appropriate. In accordance with this policy, the Fund will be prepared to grant approval of multiple currency practices introduced or maintained for balance of payments reasons provided the member represents and the Fund is satisfied that the measures are temporary and are being applied while the member is endeavoring to eliminate its balance of payments problems, and provided they do not give the member an unfair competitive advantage over other members or discriminate among members. The Fund will continue to be very reluctant to grant approval for the maintenance of broken cross exchange rates.

3. In accordance with the Fund's policy on complex multiple currency practices, as stated in Executive Board Decision No. 649-(57/33), adopted June 26, 1957, the Fund will not approve multiple currency practices under complex multiple rate systems unless the countries maintaining them are making reasonable progress toward simplification and ultimate elimination of such systems, or

are taking measures or adopting programs which seem likely to result in such progress.

4. While urging members to apply alternative policies not connected with the exchange system, the Fund will be prepared to grant temporary approval of multiple currency practices introduced or maintained principally for nonbalance of payments reasons, provided that such practices do not materially impede the member's balance of payments adjustment, do not harm the interests of other members, and do not discriminate among members.

5. To assist the Executive Board in reaching a decision concerning approval or nonapproval of a multiple currency practice subject to approval under Article VIII, Section 3, the reasons underlying the practice and its effects will be analyzed in reports on Article IV consultations or in other staff papers dealing with exchange systems. In all cases, consistent with the cycle of consultations under Article IV, approval will be granted for periods of approximately one year, in order to provide for a continual review by the Executive Board, except where the practice is maintained only for existing arrangements and for a specified period of time.

Decision No. 6790-(81/43)
March 20, 1981,
as amended by
Decision No. 11728-(98/56)
May 21, 1998

Voluntary Declaration on Trade and Other Current Account Measures

1. The ad hoc Committee of the Board of Governors on Reform of the International Monetary System and Related Issues, in the detailed statement issued at the end of its sixth and final meeting in Washington on June 12–13, 1974, stressed the importance of avoiding the escalation of restrictions on trade and payments for

balance of payments purposes and invited members to subscribe on a voluntary basis to the Declaration concerning trade and other current account measures for balance of payments purposes annexed to its statement. The Executive Directors associate themselves with this invitation.

2. The letter from the Managing Director to members requesting them to inform the Fund whether they subscribe to the Declaration concerning trade and other current account measures for balance of payments purposes, as set forth [below] shall be sent without delay to all members.

Decision No. 4254-(74/75)
June 26, 1974

Letter to Members

Sir:

The ad hoc Committee of the Board of Governors of the International Monetary Fund on Reform of the International Monetary System and Related Issues, in a statement issued at the end of its sixth and final meeting in Washington on June 12–13, 1974, has stressed the importance of avoiding the escalation of restrictions on trade and payments for balance of payments purposes and has invited members of the Fund "to subscribe on a voluntary basis to the Declaration concerning trade and other current account measures for balance of payments purposes" annexed to the Committee's statement.

The Executive Directors of the Fund associate themselves with the invitation of the ad hoc Committee and have asked that I send the text of the Declaration for consideration by the authorities of all members.

The text of the Declaration is enclosed with this letter.

I shall be grateful if members will consider subscribing to this Declaration and will inform me whether they do subscribe to it.

Very truly yours,

H. JOHANNES WITTEVEEN
Managing Director

Declaration

A. A member of the Fund that subscribes to this Declaration represents thereby that, in addition to observing its obligations with respect to payments restrictions under the Articles of Agreement of the Fund, it will not on its own discretionary authority introduce or intensify trade or other current account measures for balance of payments purposes that are subject to the jurisdiction of the GATT, or recommend them to its legislature, without a prior finding by the Fund that there is a balance of payments justification for trade or other current account measures.

B. A member that subscribes to this Declaration will notify the Fund as far in advance as possible of its intention to impose such measures. If circumstances preclude the Fund from making the finding referred to in A above promptly after such notification, the member may nevertheless impose such measures, but will withdraw the measures, within such a period as may be fixed by the Fund in consultation with the member concerned, if the Fund finds that there is no balance of payments justification for trade or other current account measures.

C. In arriving at the findings referred to above, the Executive Directors are requested to take into account the special circumstances of developing countries.

D. In connection with this Declaration arrangements will be made for continuing close coordination between the Fund and the GATT.

E. This Declaration shall become effective among subscribing members when members having 65 percent of the total voting power of members of the Fund have accepted it, and shall expire two years from the date on which it becomes effective unless it is renewed.

Furnishing of Information

Concluding Remarks by the Acting Chairman
Military Expenditure and the Role of the Fund
Executive Board Meeting 91/138
October 2, 1991

During the discussions on the World Economic Outlook, Directors touched on the issue of military spending in the context of the need to raise global savings and to help meet new investment demands. The scale of global resources devoted to military spending—estimated at nearly 5 percent of world GDP—underscores its importance. In the more recent discussion on Military Expenditure and the Role of the Fund, most Directors indicated that as military expenditures can have an important bearing on a member's fiscal policy and external position, information about such expenditures may be necessary to permit a full and internally consistent assessment of the member's economic position and policies. At the same time, Directors emphasized that national security, and judgments regarding the appropriate level of military expenditures required to assure that security, were a sovereign prerogative of national governments and were not in the domain of the work of the Fund.

While many Directors saw a limited, albeit important, role for the Fund in the collection and analysis of data on military spending, a number questioned the role of the Fund in this area. Since the collection of data from all members in the context of Article IV consultations requires the cooperation of members, Directors felt it important, in light of the diverse views expressed during this meeting, to find a common ground that commands a wide degree of support. This common ground should be based on the Fund's mandate in the Articles.

In the context of the Fund's surveillance responsibilities, the staff needs to request of members certain data to provide the analytic basis for an effective assessment of members' macroeconomic policies. At a minimum and for all members, aggregate data which include fiscal expenditures (including off-budget accounts), international trade, and external assets and liabilities, must be reported fully to the Fund. These data should therefore encompass military transactions, even if not separately identified. It has been the policy and practice of the Fund staff to seek comprehensive macroeconomic data for this purpose. In those instances when inconsistencies in data suggested significant reporting gaps, Fund staff has informed the Board and supplemented data from the authorities to the extent possible with data from other sources. Most Directors agreed that the Fund staff should enhance its work to improve the comprehensiveness, comparability, and timeliness of such data reported by authorities.

As military spending is a highly sensitive area, however, several Directors expressed concern about the degree of data disaggregation that might be requested by the staff. In the past, the staff has generally requested, or been offered by authorities of members countries, more detailed information on the breakdown of government expenditures, either on a national or fiscal accounts basis, which have been part of the documentation in staff reports. Such disaggregation, say, as between consumption and capital items, may be necessary in order fully to assess growth prospects and external viability. The staff will continue to request a breakdown of government expenditures, but still at a highly aggregated level, in the context of the Article IV consultation process in order to assess the consistency and sustainability of a member's policies. The staff will continue to rely on the voluntary cooperation of the authorities in the submission of data. Data deficiencies, which were thought to impair the ability to assess a member's economic position and prospects and to conduct meaningful policy discussions, would be brought to the attention of the Board in the manner in which such data deficiencies are normally so reported. Directors agreed that data on military expenditures should not serve as a basis for establishing performance criteria or similar conditions associated with Fund-supported programs.

Countries, when contemplating downsizing their military establishments, may wish to be assisted by the staff in assessing the possible effects of such downsizing on macroeconomic performance. In such cases, the authorities may wish to provide such data as would permit more detailed economic analysis and facilitate economic policy discussions. The Fund staff would work closely with Bank staff in these cases on the structural issues associated with shifting domestic resources to other uses.

The macroeconomic effects of military spending could also be analyzed from a regional and global perspective in the WEO.

Summing Up by the Acting Chairman
Standards for the Dissemination of
Economic and Financial Statistics to the Public
by Member Countries and Implementation of the SDDS
Executive Board Meeting 96/36-April 12, 1996

Executive Directors noted that the Interim Committee, in its communiqué of October 8, 1995, had endorsed the establishment by the Fund of standards to guide members in the publication of their economic and financial data. Those standards would consist of two tiers: a general standard, and a more demanding standard, now designated as the Special Data Dissemination Standard (SDDS). They recalled that the Interim Committee had requested that Fund members have the opportunity to subscribe to the SDDS by the time of the April 1996 Interim Committee meeting and were gratified that this objective would be achieved. Directors also appreciated the speedy staff work that had gone into the data dissemination initiative and the widespread consultation with users and producers of statistics, national authorities, and other international organizations that had been undertaken in preparation of the specific staff proposals.

Directors recalled their earlier approval, at the meeting of March 29, 1996, of the SDDS and of its immediate opening for subscription on a voluntary basis. They recognized that the establishment of the SDDS was an important step for the Fund and

for its membership. Directors emphasized that in the initial phase the approach to its implementation would inevitably need to be both flexible and evolutionary.

Directors discussed the elaborations proposed by the staff regarding the timeliness of foreign trade data, the periodicity of foreign reserves data, some flexibility for release calendars, and procedures in case of possible non-observance of the SDDS. In light of the above considerations, the Executive Board approved those elaborations to the SDDS, whose scope and operational characteristics are set forth in the Annex to this summing up.

Executive Directors took note that a significant number of member countries had provided indications of their intention to subscribe to the SDDS and agreed that the electronic Data Standards Bulletin Board (DSBB) should be open to the public by the end of August 1996. Directors also welcomed the preparation by the staff of an operations manual that would soon become available.

Directors observed that the SDDS was ambitious. At the same time, they welcomed the several aspects of flexibility built into the standard. They also noted that reviews of the operation of, and experience with, the SDDS would provide the opportunity to make adjustments that might be called for as experience accumulated through the transition period that would end at the close of 1998.

Directors agreed that invitations for subscription should be sent by the Managing Director as soon as possible. The package of materials would comprise a communication from the Managing Director, and, to be sent separately, this summing up with its Annex, and a paper entitled the Special Data Dissemination Standard (SM/96/83, Sup. 2, 4/15/96, to be circulated).

Directors called for work to continue on the elaboration of the general data dissemination standard for Board consideration before the end of 1996. They also called for a review of the operation of the special and general data dissemination standards by the end of

1997, and another review before the completion of the transition period at the end of 1998.

ANNEX*

Scope and Operational Characteristics of the Special Data Dissemination Standard

I. Purpose and Framework

The purpose of the Special Data Dissemination Standard (SDDS) is to guide member countries in the provision to the public of comprehensive, timely, accessible, and reliable economic and financial statistics in a world of increasing economic and financial integration. The SDDS thus comprises four dimensions: (a) coverage, periodicity, and timeliness of data; (b) access by the public; (c) integrity of the disseminated data; and (d) quality of the disseminated data. For each of the four dimensions, the SDDS prescribes good practices that can be observed, or monitored, by users of statistics.

II. Dimensions of the SDDS

1. *Coverage, periodicity, and timeliness of data*

Comprehensive economic and financial data, disseminated on a timely basis, are essential to the transparency of macroeconomic performance and policy.

(A) *Definitions and general considerations*

(i) *Coverage*

In respect of coverage, the SDDS focuses on basic data that are

*This Annex incorporates amendments approved by the Executive Board on December 21, 1998 and March 23, 1999 (SM/99/65, Sup. 1).

most important in shedding light on economic performance and policy in four sectors across the economy--real, fiscal, financial, and external. The SDDS focuses on the minimum coverage necessary, but countries are encouraged to disseminate other data that may increase the transparency of economic performance and policy in general and for their own economic and financial situations in particular.

For each of the four sectors, the SDDS provides:

(a) a comprehensive statistical framework--national accounts for the real sector, government operations for fiscal data, analytical accounts of the banking system for financial data, and balance of payments accounts for external transactions;

(b) data that permit tracking of the principal measures in the comprehensive frameworks; and

(c) other data relevant to the sector.

These other data are often in the form of a price, including interest rates and exchange rates. The comprehensive frameworks and tracking categories are indicated in the attached Table 1.

(ii) *Periodicity and timeliness*

Periodicity refers to the frequency of compilation of the data. Timeliness refers to the speed of dissemination of the data--i.e., the lapse of time between a reference date (or close of a reference period) and dissemination of the data. Dissemination of statistics may take several forms, including: formal publications (including news releases); announcement of availability on request (but not necessarily without charge), including through electronic databases; diskettes, tapes, or CD-ROM of a formal publication or a database; and recorded telephone messages and facsimile services.

(B) *Specifications*

The SDDS specifications for coverage, periodicity, and timeliness are summarized in the attached Table 1. Further specifications which apply to international reserves, reserve liabilities and related items are set out in the attached Table 2. Where the coverage components, periodicity, or timeliness is to be provided on an "as relevant" basis, subscribing members would have the flexibility to take an approach that is the most relevant to their respective circumstances. Where the coverage components, periodicity, or timeliness is designated as "encouraged," that feature would not be binding under the SDDS, but countries are encouraged to develop and disseminate such data categories in the indicated periodicity and timeliness.

The prescribed comprehensive statistical framework for the real sector is the national accounts, consisting of nominal levels, real (price-adjusted) levels, and associated prices (deflators or price indices). The data category intended to track GDP on a more frequent basis is a single production index or a selection of production indices. For price statistics, consumer price indices and producer or wholesale price indices are prescribed.

For the fiscal sector, the prescribed comprehensive statistical framework covers the general (central plus state or provincial and local) government or the public sector, depending on which coverage is the focus of policy and analysis in a particular country. As more frequent and timely tracking indicators of fiscal stance, central government indicators are prescribed. Data for government debt are prescribed in terms of central government debt.

For the financial sector, the prescribed comprehensive statistical framework is the analytical accounts of the banking system. Data should cover all units of the system that are included in principal national measures of money aggregates (such as M2 or M3). The data category prescribed to track banking system data on a more timely basis is the central bank analytical accounts. Interest rates should include rates on short- and long-term government securities as appropriate to the country.

For the external sector, balance of payments data are the prescribed comprehensive statistical framework. On a more frequent and timely basis, international reserves, reserve liabilities and related items, and merchandise trade are called for as tracking categories. Dissemination of monthly total official reserve assets within one week is prescribed, and the dissemination of most of the reserves-related data required in Table 2 is prescribed with monthly periodicity and timeliness, with weekly periodicity and timeliness encouraged.* With respect to the international investment position, annual data (encompassing components consistent with the IMF Balance of Payments Manual (5th Ed.)) are to be disseminated within two quarters of the end of the reference year,** with quarterly periodicity and timeliness encouraged. There will also be a separate data category for external debt,*** with data for three main components: (1) the general government, (2) the monetary authorities and banks, and (3) nonfinancial public corporations and the private sector. These data are to be disseminated, with further breakdowns, including by maturity, with quarterly periodicity and timeliness. Exchange rates should be disseminated on a daily basis, as should forward exchange rates (three- and six-month rates) on an "as relevant" basis if a robust forward market exists.

(C) *Flexibility*

Under the SDDS, a member that does not produce or disseminate data categories/components designated "as relevant" would nevertheless be deemed to be in observance of the coverage specifications of the SDDS. In addition, a member may take either or both of two flexibility options in respect of periodicity and

*Subscribers have until March 31, 2000 to disseminate data in accordance with Table 2.

**Subscribers have until December 31, 2001 to observe this requirement.

***This separate data category for external debt will be introduced once the Fund determines a suitable transition period for the observance of this item by subscribers. At that time, the issue of whether to include indicators of debt service obligations will also be considered.

timeliness. First, for the national accounts and balance of payments, although the quarterly specification for periodicity must be met, the specified data may be issued on a less timely basis than prescribed in the event that the data category or categories indicated as tracking the principal measures in these comprehensive statistical frameworks are disseminated with the periodicity and timeliness prescribed for the tracking categories. Second, for any other two prescribed data categories, except international reserves, periodicity may be less frequent and/or the specified data may be issued on a less timely basis than prescribed. In addition, subscribers may also exercise temporary flexibility with respect to one additional data category, but subject to the same limitations as applicable to the two permanent flexibility options described above. This temporary flexibility expires on December 31, 1999.

2. *Access by the public*

Dissemination of official statistics is an essential feature of statistics as a public good. Ready and equal access is a principal requirement for the public, including market participants.

To support ready and equal access, the SDDS prescribes:

(a) Advance dissemination of release calendars, with flexibility for the distribution of the release dates for up to two data categories; and

(b) Simultaneous release to all interested parties.

3. *Integrity*

To fulfill the purpose of providing the public with information, official statistics must have the confidence of their users. In turn, confidence in the statistics ultimately becomes a matter of confidence in the objectivity and professionalism of the agency producing the statistics. Transparency of its practices and procedures is a key factor in creating this confidence.

To assist users of the data disseminated under the SDDS in assessing their integrity, the SDDS prescribes:

(a) the dissemination of the terms and conditions under which official statistics are produced, including those relating to the confidentiality of individually identifiable information;

(b) the identification of internal government access to data before release;

(c) the identification of ministerial commentary on the occasion of statistical release; and

(d) the provision of information about revision and advance notice of major changes in methodology.

4. *Quality*

A set of standards that deals with coverage, periodicity, and timeliness of data must also address the quality of statistics. Although quality is difficult to judge, monitorable proxies, designed to focus on information the user needs to judge quality, can be useful.

To assist users of the data disseminated under the SDDS in assessing their quality, the SDDS prescribes:

(a) the dissemination of documentation on methodology and sources used in preparing statistics; and

(b) the dissemination of component detail, reconciliations with related data, and statistical frameworks that support statistical cross-checks and provide assurance of reasonableness.

III. Implementation of the SDDS

1. *Subscription to the SDDS*

Subscription to the SDDS by members of the Fund is on a voluntary basis. Members that wish to subscribe to the SDDS should first communicate this intention to the staff of the Fund, with an undertaking to provide to the staff information describing its data dissemination practices, i.e. metadata, (other than the summary descriptions of methodology) as soon as possible.

Upon receipt of the necessary metadata from a member, the Fund's staff would work with the member to determine where its practices stood with respect to the SDDS as well as to identify any changes in practices that would be needed. If no changes were needed, the member may proceed to inform the Secretary of the Fund of its subscription to the SDDS. If changes to a member's practices are required, the member may, after the necessary changes have been discussed with the Fund's staff and implemented, proceed to inform the Secretary of the Fund of its subscription to the SDDS. In this regard, a member may make known publicly its intent to improve its data and dissemination practices with the goal of subscribing to the SDDS.

In all cases, the Fund's public identification of a member's subscription to the SDDS will be made through the posting of the member's metadata on the Dissemination Standard Bulletin Board ("DSBB"; see section III.2 below). Within three months of the posting of the member's metadata on the DSBB, the member would need to provide to the Fund's staff the summary descriptions of methodology called for under the SDDS.

2. *Dissemination Standard Bulletin Board*

As a cornerstone of the implementation of the SDDS, the Fund will, as a service to its members, establish and maintain an electronic Dissemination Standard Bulletin Board (DSBB) on the Internet. The DSBB will identify the members subscribing to the SDDS and provide wide and easy access to the members'

respective metadata. The responsibility for the accuracy of the metadata and of the economic and financial statistics underlying the metadata rests with member countries.

Subscribers to the SDDS are required to establish a national summary data page on the Internet which will be linked to the DSBB electronically through "hyperlinks" on the latter.* The national summary data page would contain, at a minimum, the most recent observation for the prescribed data category and the next most recent observation, and could also contain additional information. Responsibility for the data on the national summary data page rests with individual subscribers.

3. *Observance of the SDDS and Removal from the DSBB*

Subscribers to the SDDS are expected to observe the elements of its four dimensions described in section II above. Deviations of any kind from SDDS undertakings would be brought immediately to the attention of the subscriber. Subsequent steps for dealing with such deviations would follow a graduated approach that distinguishes between minor and serious deviations.

The Fund's staff would continuously monitor the observance by subscribers of the requirements of the data dimension (section II.1 above) and the advance release calendars element of the access dimension (section II.2.(a) above). In cases of nonobservance of the practices prescribed for these items, the Fund's staff would try to resolve the issue with the subscriber, at first directly, and then, if necessary, through the Executive Director representing the subscriber in the Fund. If these efforts failed to produce a satisfactory solution, the matter would be brought to the attention of the subscriber's Governor for the Fund. At the same time, the

*Subscribers have until December 31, 1999 to observe this requirement. Members that subscribe to the SDDS after December 31, 1999 must have established a national summary data page that will be electronically linked to the DSBB by the time of subscription.

Fund could post a note on the DSBB describing the problem, the subscriber's response to the problem and the efforts underway to remedy it. If the problem persisted thereafter, the matter would be referred to the Executive Board of the Fund, which could take a decision that the subscriber was not in observance of its undertakings under the SDDS, and that a notice to that effect would be posted on the DSBB. Following this, if no satisfactory corrective measures were taken by the subscriber, the Executive Board could decide to delete the metadata of that subscriber from the DSBB.

More generally, subscribers are required to certify, on a quarterly basis, the accuracy of the metadata posted on the DSBB. Under this process, subscribers will notify the Fund's staff, within three working days* of the end of each calendar quarter, that either: (1) all of the metadata posted on the DSBB are fully accurate; or (2) certain metadata are inaccurate. In the latter case, subscribers would need to provide the corrected metadata within a further five working days. The DSBB will post the date on which the metadata were last certified by the subscriber. If a subscriber failed to meet this certification requirement for two successive certification dates, the Executive Director representing the subscriber in the Fund would be approached to help resolve the issue. Thereafter, the steps described in the preceding paragraph for dealing with nonobservance of the requirements of the data dimension and the advance release calendars element of the access dimension of the SDDS would be followed in addressing a failure to observe the quarterly certification requirement.

There may be situations where a subscriber, during the period between certification dates for the metadata, makes changes to its practices that affect the accuracy of the metadata posted on the DSBB. In such situations, the subscriber should inform the Fund's staff of these changes, and they would work together to amend the affected metadata expeditiously. In any event, subscribers would

*Working days refer to days which are not weekends or official holidays for either the subscriber or the Fund.

be required to provide the revised metadata at the time of the next quarterly certification. Pending revision of the metadata on the DSBB, a note may be posted on the DSBB indicating that the metadata in question were in the process of being updated.

Finally, an annual report that assesses each subscribing member's observance of its undertakings under the SDDS will be posted on the DSBB.

4. *Review, Revisions, and Withdrawal*

Reviews of the SDDS will be conducted by the Fund by the end of 1997, the end of 1998 and around the end of 1999, respectively. At the completion of these reviews, revisions of the SDDS may be adopted.

A member may withdraw its subscription to the SDDS at any time by sending a notification to the Managing Director of the Fund. The relevant metadata would be removed promptly from the DSBB.

ANNEX

Table 1. The Special Data Dissemination Standard: Coverage, Periodicity, and Timeliness

Coverage			Periodicity	Timeliness
Prescribed		Encouraged categories and/or components		
Category	Components			
Real sector				
National accounts: nominal, real, and associated prices*	GDP by major expenditure category and/or by productive sector	Saving, gross national income	Q	Q
Production index/indices #	Industrial, primary commodity, or sector, as relevant		M (or as relevant)	6W (M encouraged, or as relevant)
		Forward-looking indicator(s), e.g., qualitative business surveys, orders, composite leading indicators index	M or Q	M or Q
Labor market	Employment, unemployment, and wages/earnings, as relevant		Q	Q
Price indices	Consumer prices and producer or wholesale prices		M	M
Fiscal sector				
General government or public sector operations, as relevant *	Revenue, expenditure, balance, and domestic (bank and nonbank) and foreign financing	Interest payments	A	2Q

Central government operations #	Budgetary accounts: revenue, expenditure, balance, and domestic (bank and nonbank) and foreign financing	Interest payments	M	M
Central government debt	Domestic and foreign, as relevant, with a breakdown by currency (including indexed), as relevant, and a breakdown by maturity; debt guaranteed by central government, as relevant	Debt service projections: interest and amortization on medium and long-term debt (Q for next 4 quarters and then A) and amortization on short-term debt (Q)		
Financial sector				
Analytical accounts of the banking sector *	Money aggregates, domestic credit by public and private sector, external position		M	M
Analytical accounts of the central bank #	Reserve money, domestic claims on public and private sector, external position		M (W encouraged)	2W (W encouraged)
Interest rates	Short-term and long-term government security rates, policy variable rate	Range of representative deposit and lending rates	D	1/
Stock market	Share price index, as relevant		D	1/
External sector				
Balance of payments *	Goods and services, net income flows, net current transfers, selected capital (or capital and financial) account items (including reserves)	Foreign direct investment and portfolio investment	Q	Q

International reserves, reserve liabilities, and related items #	Reserve assets (gold, foreign exchange, SDRs, and Fund position); other foreign currency assets; contingent short-term drains on foreign currency assets; and related items 2/	See the Pro Memoria component in Section III, item 4 of Table 2	M (W encouraged)	W for total official reserve assets; M for all other items (W encouraged)
Merchandise trade #	Exports and imports	Major commodity breakdowns with longer time lapse	M	8W (4-6W encouraged)
International investment position	See text of Annex		A (Q encouraged)	2Q (Q encouraged)
Exchange rates	Spot rates and 3- and 6-month forward market rates, as relevant		D	1/
Addendum: Population		Key distributions, e.g., by age and sex	A	...

Periodicity and timeliness: Daily ("D"); weekly or with lapse of no more than one week ("W") after the reference data or close of the reference week; monthly or with lapse of no more than one month ("M"); quarterly or with lapse of no more than one quarter ("Q"); annual ("A").

* Comprehensive statistical frameworks

Tracking categories

1/ Given that data are widely available from private sources, dissemination of official producers may be less time-sensitive. Although dissemination by recorded telephone messages or fax services is encouraged, dissemination of these data can be made part of other (preferably high-frequency) dissemination products.

2/ See Table 2. The data on total official reserve assets identified in Section I, item A of Table 2 are prescribed to be disseminated with monthly periodicity and weekly timeliness. The data on the currency composition of reserves identified in Section IV, Item (2)(a) of Table 2 are to be disseminated with quarterly periodicity and timeliness, and in two categories: (1) currencies included in the SDR basket, and (2) all other currencies. Unless otherwise further indicated, the dissemination of the other data specified in Table 2 is prescribed with monthly periodicity and timeliness.

Table 2. Data Template on International Reserves/Foreign Currency Liquidity

(Information to be disclosed by the monetary authorities and other central government, excluding social security) [1 2 3]

1. Official reserve assets and other foreign currency assets (approximate market value) [4]

A. Official reserve assets
- (1) Foreign currency reserves (in convertible foreign currencies)
  - (a) Securities of which:
    - issuer headquartered in reporting country
  - (b) total deposits with:
    - (i) other central banks and BIS
    - (ii) banks headquartered in the reporting country of which:
      - located abroad
    - (iii) banks headquartered outside the reporting country of which:
      - located in the reporting country
- (2) IMF reserve position
- (3) SDRs
- (4) gold (including gold on loan) [5]
- (5) other reserve assets (specify)

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[1] In principle, only instruments denominated and settled in foreign currency (or those whose valuation is directly dependent on the exchange rate and that are settled in foreign currency) are to be included in categories I, II, and III of the template. Financial instruments denominated in foreign currency and settled in other ways (e.g., in domestic currency or commodities) are included as memo items under Section IV.

[2] Netting of positions is allowed only if they have the same maturity, are against the same counterparty, and a master netting agreement is in place. Positions on organized exchanges could also be netted.

[3] Monetary authorities defined according to the IMF Balance of Payments Manual, Fifth Edition.

[4] In cases of large positions vis-a-vis institutions headquartered in the reporting country, in instruments other than deposits or securities, they should be reported as separate items.

[5] The valuation basis for gold assets should be disclosed; ideally this would be done by showing the volume and price.

B. Other foreign currency assets (specify)

II. Predetermined short-term net drains on foreign currency assets (nominal value)

	Total	Maturity breakdown (residual maturity)		
		Up to 1 month	More than 1 month and up to 3 months	More than 3 months and up to 1 year
1. Foreign currency loans and securities [6]				
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-a-vis the domestic currency (including the forward leg of currency swaps) [7]				
(a) Short positions				
(b) Long positions				
3. Other (specify)				

[6] Including interest payments due within the corresponding time horizons. Foreign currency deposits held by nonresidents with central banks should also be included here. Securities referred to are those issued by the monetary authorities and the central government (excluding social security).

[7] In the event that there are forward or futures positions with a residual maturity greater than one year, which could be subject to margin calls, these should be reported separately under Section IV.

III. Contingent short-term net drains on foreign currency assets (nominal value)

	Total	Maturity breakdown (residual maturity, where applicable)		
		Up to 1 month	More than 1 month and up to 3 months	More than 3 months and up to 1 year
1. Contingent liabilities in foreign currency				
(a) Collateral guarantees on debt falling due within 1 year				
(b) Other contingent liabilities				
2. Foreign currency securities issued with embedded options(puttable bonds) [8]				
3. Undrawn, unconditional credit lines [9]				
(a) with other central banks				
(b) with banks and other financial institutions headquartered in the reporting country				

[8] Only bonds with a residual maturity greater than one year should be reported under this item, as those with shorter maturities will already be included in Section II, above.

[9] Reporters should distinguish potential inflows and potential outflows resulting from contingent lines of credit and report them separately, in the specified format.

		Maturity breakdown (residual maturity, where applicable)		
(c) with banks and other financial institutions headquartered outside the reporting country				
4. Aggregate short and long positions of options in foreign currencies vis-a-vis the domestic currency [10]				
(a) Short positions				
(i) Bought puts				
(ii) Written calls				
(b) Long positions				
(i) Bought calls				
(ii) Written puts				
PRO MEMORIA: In-the-money options [11]				
(1) At current exchange rates				

[10] In the event that there are options positions with a residual maturity greater than one year, which could be subject to margin calls, these should be reported separately under Section IV.

[11] These "stress-tests" are an encouraged, rather than a prescribed, category of information in the IMF's Special Data Dissemination Standard (SDDS). Could be disclosed in the form of a graph. As a rule, notional value should be reported. However, in the case of cash-settled options, the estimated future inflow/outflow should be disclosed. Positions are "in the money" or would be, under the assumed values.

(a) Short position				
(b) Long position				
(2) + 5 % (appreciation of 5%)				
(a) Short position				
(b) Long position				
	Total	Maturity breakdown (residual maturity, where applicable)		
		Up to 1 month	More than 1 month and up to 3 months	More than 3 months and up to 1 year
(3) - 5 % (depreciation of 5%)				
(a) Short position				
(b) Long position				
(4) +10 %				
(a) Short position				
(b) Long position				
(5) - 10 %				
(a) Short position				
(b) Long position				
(6) Other (specify)				

IV. Memo items

(1) To be reported with standard periodicity and timeliness: [12]

(a) short-term domestic currency debt indexed to the exchange rate
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency) [13]
(c) pledged assets [14]
(d) securities lent and on repo [15]
(e) financial derivative assets (net, marked to market) [16]
(f) derivatives (forward, futures, or options contracts) that have a residual maturity greater than one year, which are subject to margin calls.

(2) To be disclosed less frequently (e.g., once a year):

(a) currency composition of reserves (by groups of currencies)

[12] Distinguish between assets and liabilities where applicable.

[13] Identify types of instrument; the valuation principles should be the same as in Sections I-III. Where applicable, the notional value of nondeliverable forward positions should be shown in the same format as for the nominal value of deliverable forwards/futures in Section II.

[14] Only assets included in Section I that are pledged should be reported here.

[15] Assets that are lent or repoed should be reported here, whether or not they have been included in Section I of the template, along with any associated liabilities (in Section II). However, these should be reported in two separate categories, depending on whether or not they have been included in Section I. Similarly, securities that are borrowed or acquired under repo agreements should be reported as a separate item and treated symmetrically. Market values should be reported and the accounting treatment disclosed.

[16] Identify types of instrument. The main characteristics of internal models used to calculate the market value should be disclosed.

Immunity of Archives

OPENING OF FUND ARCHIVES

The Executive Board decides that outside persons, on request, will be given access to documentary materials maintained in the Fund's archives that are over 30 years old until September 8, 1999, after which access will be given to Executive Board documents that are over 5 years old and to other documentary materials maintained in the Fund's archives that are over 20 years old, provided, however, that access to Fund documents originally classified as "Secret" or "Strictly Confidential" will be granted only upon the Managing Director's consent to their declassification. It is understood that this consent will be granted in all instances but those which, despite the passage of time, the material remains highly confidential or sensitive. Access to the following will not be granted: (a) legal documents and records maintained by the Legal Department that are protected by attorney-client privilege; (b) documentary materials furnished to the Fund by external parties, including member countries, their instrumentalities and agencies and central banks, that bear confidentiality markings, unless such external parties consent to their declassification; (c) personnel files and medical or other records pertaining to individuals; and (d) documents and proceedings of the Grievance Committee.

Decision No. 11192-(96/2),
January 17, 1996, as amended by
Decision No. 11915-(99/23)
March 8, 1999

Privilege for Communications

INTERPRETATION OF ARTICLE IX, SECTION 7

WHEREAS the Executive Director for the [member concerned] has raised certain questions of interpretation of the provisions of Section 7 of Article IX of the Articles of Agreement of the Fund as to the treatment to be accorded by a member of the International Monetary Fund to official communications of the Fund, which questions of interpretation are set forth below;

WHEREAS the said Executive Director has requested that the Executive Directors, in accordance with Article XVIII* of said Articles, decide such questions of interpretation;

NOW THEREFORE, the Executive Directors hereby decide such questions of interpretation as follows:

Question No. 1:

Does Section 7 of Article IX of the Articles of Agreement of the Fund apply to rates charged for official communications of the Fund?

Decision on Question No. 1:

Yes. Section 7 of Article IX applies to rates charged for official communications of the Fund.

*Corresponds to Article XXIX of the Articles of Agreement after the Second Amendment.

Question No. 2:

If a member exercises regulatory powers over the rates charged for communications, is it relieved of the obligation of Section 7, Article IX, by reason of the fact that the facilities for transmitting communications are privately owned or operated or both?

Decision on Question No. 2:

No. A member which exercises regulatory powers over the rates charged for communications is not relieved of its obligation under Section 7 of Article IX by reason of the fact that the facilities for transmitting such communications are privately owned or operated or both.

Question No. 3:

Is the member's obligation under Section 7 of Article IX satisfied if official communications of the Fund may be sent only at rates which exceed the rates accorded the official communications of other members in comparable situations? For example, would the obligation of member "a," under Section 7 of Article IX, be satisfied if the rate charged the Fund for its official communications from the territory of member "a" to the territory of member "b" exceeds the rate charged member "b" for its official communications from the territory of "a" to that of "b"?

Decision on Question No. 3:

No. The obligation of a member under Section 7 of Article IX is not satisfied if official communications of the Fund may be sent only at rates which exceed the rates accorded the official communications of other members in comparable situations. For example, the obligation of member "a," under Section 7 of Article IX, would not be satisfied if the rate charged the Fund for its official communications from the territory of member "a"

to the territory of member "b" exceeds the rate charged member "b" for its official communications from the territory of "a" to that of "b."

Decision No. 534-3
February 20, 1950

ARTICLE X

Relations with Other International Organizations

ARRANGEMENT FOR CONSULTATION AND COOPERATION WITH THE CONTRACTING PARTIES OF GATT

The Fund agrees that the informal arrangement of an administrative character proposed by the Chairman of the Contracting Parties constitutes a satisfactory basis for consultation and cooperation between the Fund and the Contracting Parties to the General Agreement on Tariffs and Trade (Executive Board Document No. 316, Supplement 2). The Managing Director is authorized to agree to that arrangement on behalf of the Fund and the text of the proposed reply to the Contracting Parties is agreed (Committee on Liaison with ITO Document No. 11).

Decision No. 363-1
September 24, 1948

Executive Board
Document No. 316
Supplement 2

Contracting Parties
to the General Agreement
on Tariffs and Trade

Palais des Nations
GENEVA

9 September 1948

The Managing Director,
International Monetary Fund,
1818 "H" Street,
Washington 6, D.C.
U.S.A.

Dear Sir:

The General Agreement on Tariffs and Trade, which has now been put into provisional application by all but one of the countries participating in the negotiation thereof, provides in paragraph 1 of Article XV as follows:

"The CONTRACTING PARTIES shall seek co-operation with the International Monetary Fund to the end that the CONTRACTING PARTIES and the Fund may pursue a coordinated policy with regard to exchange questions within the jurisdiction of the Fund and questions of quantitative restrictions and other trade measures within the jurisdiction of the CONTRACTING PARTIES."

Throughout the Agreement various provisions call for consultation or agreement between the CONTRACTING PARTIES, that is, the contracting parties to the General Agreement acting jointly, and the International Monetary Fund on matters of common concern. In particular, paragraph 2 of Article XV calls for a wide range of consultation, and paragraph 3 of Article XV provides:

"The CONTRACTING PARTIES shall seek agreement with the Fund regarding procedures for consultation under paragraph 2 of this Article."

In view of the fact that the General Agreement on Tariffs and Trade has been given only provisional rather than definitive application, it is the view of the CONTRACTING PARTIES that an elaborate agreement to implement paragraph 3 quoted above is not necessary at this time. However, questions may arise in the interim which would require the CONTRACTING PARTIES to seek the co-operation of the Fund.

Under such circumstances it is proposed by the CONTRACTING PARTIES that the Fund agree to co-operate with the CONTRACTING PARTIES in carrying out the provisions of the General Agreement in accordance with the terms thereof and, in particular, to consult, at the request of the CONTRACTING PARTIES, on matters as contemplated by the General Agreement. If such cases arise, the Chairman of the

CONTRACTING PARTIES will notify the Managing Director of the Fund of each particular instance in which the CONTRACTING PARTIES desire consultation and will furnish the Fund with all information available which may assist the Fund in considering the question. Since various provisions of the General Agreement call for consultation between the CONTRACTING PARTIES and the Fund, it might be necessary in particular cases to await a meeting of the contracting parties before formal consultation could be undertaken. However, the CONTRACTING PARTIES have authorized their Chairman to initiate requests, either at the direction of the CONTRACTING PARTIES or on the Chairman's own initiative if the contracting parties are not in session, for the Fund to consult with the CONTRACTING PARTIES in accordance with the provisions of the General Agreement. This arrangement should make it possible for the Fund to undertake with a minimum of delay such studies as may be necessary and should afford the Fund opportunity to become familiar with the subject matter involved in advance of consultation with the CONTRACTING PARTIES in particular cases.

The Fund may from time to time wish to request consultation with the CONTRACTING PARTIES on matters of common interest, and, in such cases, the CONTRACTING PARTIES will be prepared to consult upon such requests.

Any request for consultation by either the Fund or the CONTRACTING PARTIES shall be accompanied by available information which would contribute to the effectiveness of the consultation. In such cases, due regard shall be paid to the need to safeguard confidential information and to any special obligations of the Fund and the CONTRACTING PARTIES in this respect.

The particular procedures in implementation of these arrangements can be worked out case by case until sufficient experience has been acquired on the basis of which more formal procedures can be developed if necessary.

If the foregoing arrangements are acceptable to the Fund, a reply to that effect would be appreciated.

Yours faithfully,

/S/L.D. WILGRESS
Chairman of the Contracting Parties to the
General Agreement on Tariffs and Trade

Committee on Liaison with ITO
Document No. 11

DRAFT

Dear Sir:

I beg to acknowledge receipt of your letter of September 9, 1948, concerning the future cooperation between the International Monetary Fund and the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade in carrying out the provisions of the General Agreement.

The Fund agrees with you that an elaborate agreement on cooperation is not necessary at this time and that this informal arrangement of an administrative character constitutes a satisfactory basis for consultation and cooperation between the International Monetary Fund and the CONTRACTING PARTIES.

I take pleasure in agreeing on behalf of the International Monetary Fund to the provisions of your letter of September 9, 1948.

Yours faithfully,

Gutt
Managing Director

L.D. Wilgress
Chairman of the Contracting Parties
to the General Agreement on Tariffs and Trade
European Office of the United Nations
Palais des Nations

FUND/BANK COLLABORATION: INVITATION TO THE BANK TO SEND A STAFF MEMBER AS AN OBSERVER

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2. The Executive Board authorizes the issuance of a general invitation to the International Bank for Reconstruction and Development to send a staff member as an observer to attend Fund Board discussions on staff reports on missions relating to Article VIII and Article XIV consultations and use of Fund resources in areas of common interest.

EBM/70/30

The Chairman's Summing Up at the Conclusion of the Discussion on Fund-Bank Collaboration and the Adjustment Process-Issues for Consideration Executive Board Meeting 84/171 - November 28, 1984

The proposal for attendance at Board discussions in each institution of appropriate staff member(s) from the other seemed basically to be aimed at obtaining a fuller understanding of the involvement of the other institution in countries to which both the Bank and the Fund were providing financial assistance. As far as Bank staff attendance at Fund Board meetings is concerned, I understand that Directors are prepared to reaffirm the invitation extended in 1970, for ad hoc, selective attendance at discussions of countries in which both the Fund and the Bank have programs of financial assistance. A number of

Directors expressed the expectation of reciprocity on the part of the Bank with regard to staff attendance at Board meetings of the other institution. That applies also to the exchange of notes suggested in the staff paper as a way to facilitate the expression of specific concerns and questions by Executive Directors. Active participation in Fund Board meetings by Bank staff, as opposed to attendance as observers, has not received the necessary support in the Executive Board.

EUROPEAN CENTRAL BANK: OBSERVER STATUS

1. The European Central Bank (ECB) shall be invited to send a representative to meetings of the Executive Board on:

- Fund surveillance under Article IV over the common monetary and exchange rate policies of the euro-area;
- Fund surveillance under Article IV over the policies of individual euro-area members;
- Role of the euro in the international monetary system;
- World economic outlook;
- International capital markets reports; and
- World economic and market developments.

2. In addition, the ECB shall be invited to send a representative to meetings of the Executive Board on agenda items recognized by the ECB and the Fund to be of mutual interest for the performance of their respective mandates.

3. At Executive Board meetings, the representative of the ECB will have the status of observer and, as such, will be able to address the Board with the permission of the Chairman on matters within the responsibility of the ECB.

4. The Fund shall communicate to the ECB (i) the agenda for all Board meetings and (ii) the documents for the Executive Board meetings to which the ECB has been invited.

5. The decision shall become effective upon receipt by the Fund of a certification by the ECB that it will preserve the confidentiality

of all information and documents communicated by the Fund to the ECB, as specified by the Fund, and that any such information and documents shall be solely for the internal use of the ECB.

6. This decision shall be reviewed before January 1, 2000.

Decision No. 11875-(99/1)
December 21, 1998

Guidelines/Framework For Fund Staff Collaboration With The New World Trade Organization

The Executive Board decides that the draft guidelines/framework for Fund staff collaboration with the World Trade Organization (WTO), set forth in EB/CGATT/95/1, Supplement 1 (4/18/95), may be used by the staff to discuss cooperation with the WTO staff, with the goal of reaching agreement on collaboration between the institutions.

Decision No. 10968-(95/43)
April 21, 1995

EB/CGATT/95/1
Supplement 1

Guidelines/Framework for Fund Staff Collaboration with the World Trade Organization

This note is intended to provide Fund staff with guidelines for cooperation with the World Trade Organization (WTO), established on January 1, 1995. It builds upon the close, formal and informal collaboration that existed between the Fund and the GATT. These guidelines will be periodically reviewed and extended or modified as necessary, in the light of the evolution of the collaborative relationship between the Fund and the WTO.

The ministerial Declaration included in The Final Act concluding the Uruguay Round called upon the Director-General of the WTO to

consult with the heads of the Fund and the World Bank on enhanced inter-institutional cooperation, especially with a view to achieving greater coherence in global economic policymaking. Cooperation between the Fund and the WTO is expected to cover the following areas:

- balance of payments consultations
- coherence in global economic policymaking
- consistency of policy advice and obligations
- resolution of open jurisdictional issues
- staff contacts
- representation
- document exchange
- research and information exchange

Balance of payments consultations

An important aspect of Fund/WTO collaboration is through the Fund's participation in the consultations of the WTO Committee on Balance of Payments Restrictions with common members. A WTO member applying restrictions on trade in goods and/or services to safeguard its balance of payments must consult with the WTO Committee. In carrying out these consultations, the WTO Committee is required to consult with the Fund regarding the member's macroeconomic situation, particularly its balance of payments position and level of international reserves. In reaching its decision as to whether the trade restrictions are justified on balance of payments grounds, the WTO Committee must accept the Fund's findings of statistical and other facts relating to foreign exchange, monetary reserves, and balance of payments, and its determination as to the seriousness of the member's international reserve situation. Thus the Fund should stand ready to provide the WTO Committee timely information and assessment of the consulting member's balance of payments situation. Towards this end, the Fund and WTO will consult on the appropriate timing of the consultation. The Fund will provide the WTO Committee on a timely basis the latest RED report of the consulting member. When a recent RED is not available or where there have been significant changes in the country's external position

since the last RED, the Fund will provide updated information on recent economic developments; transmittal of such supplementary information is submitted for Board approval on a lapse of time basis. In the case of a full consultation by the WTO Committee (when detailed discussion of the external financial justification for the restrictions is required), the Fund representative will also provide a statement that has been cleared by the Fund's Executive Board.

Coherence in global economic policymaking

The WTO's charter calls for cooperation with the Fund and the Bank with a view to achieving greater coherence in global economic policymaking. The Fund, given its responsibilities in the macroeconomic policy area, including with respect to exchange rates, can contribute to assessing issues of coherence between macroeconomic and trade policies. The Fund can also contribute to greater policy coherence by taking into account in its work the concerns of the WTO in the trade area. In the period ahead, Fund and WTO staffs will work closely to define better the elements and mechanisms for achieving coherence in economic policymaking, including formal and informal channels for communication between the Fund and the WTO.

Consistency of policy advice and obligations

In the conduct of their surveillance functions, the Fund and the WTO should ensure policy consistency and avoid duplication. In its surveillance, the Fund examines a member country's trade policy, along with its other economic and financial policies, with respect to their impact on the member's own adjustment and on other Fund members. The WTO exercises surveillance over specific aspects of trade policies (such as the implementation of the Multifiber Arrangement) and over individual countries' overall trade policy (through the trade policy review mechanism (TPRM)) with a view to enhancing the transparency of the trade regime. In surveillance, Fund staff should place greater emphasis on specific macroeconomic/trade linkages. The staff should also take into account the WTO's views of the trade stance of particular member countries, as enunciated, for example, in the WTO's conclusions of the Trade Policy Reviews

(TPRs) with individual countries; when TPR reports are out of date or not available, the staff could seek the relevant information from the WTO Secretariat including in some cases through informal staff visits. The WTO Secretariat's reports for the TPR contain as background information the macroeconomic environment of the consulting member. To assist the WTO's surveillance, Fund staff should stand ready to provide information on the macroeconomic policies of common members in the preparation of TPR reports. This would be particularly so in cases where a recent Article IV consultation report is not available.

Fund staff need also to ensure that, in the context of surveillance and use of Fund resources (UFR), and bearing in mind the aim of achieving medium-term external viability, recommended policy measures and program conditionality are consistent with the member's agreements under the auspices of the WTO. This has assumed particular importance in the light of the more extensive commitments undertaken by members under the Uruguay Round. To promote structural reform, Fund policy advice often encompasses features that require reforms that are consistent with (though they may go beyond) a member's undertakings in the WTO. For example, tariffs may be reduced under a Fund-supported program to below levels "bound" in the relevant WTO agreements; this would promote economic efficiency without conflict with obligations under these agreements. However, if tariffs were to be raised above bound levels, this would breach the member's obligations in the agreements under the auspices of the WTO. To avoid such situations, Fund staff should seek information from the member and from the WTO on the nature and level of its tariff obligations under WTO-administered agreements, and take this information into account in policy formulation. Internal staff review procedures should assist in identifying potentially inconsistent policy measures. Where there is ambiguity or doubt about the WTO-consistency of specific measures, Fund staff should consult with WTO staff on member countries' WTO obligations and would expect WTO staff to provide the necessary input promptly so as to allow timely implementation of Fund-supported adjustment programs. The authorities should also be urged to consult with the WTO to clarify potential conflicts before the measures are implemented.

Fund-supported programs should continue to avoid cross conditionality. That is, Fund-supported programs should continue to avoid directly linking the use of Fund resources to the performance of obligations under the WTO-administered agreements. Fund-supported programs may include reductions in subsidies or trade barriers that are consistent with or go beyond the commitments undertaken under the Uruguay Round when the Fund finds that such measures are necessary to achieve the objectives of the Fund-supported program, but not to enforce commitments to agreements under the auspices of the WTO. Thus, for example, under the Uruguay Round, countries are required in principle to reduce their agricultural export subsidies over a six year period by certain percentages from those prevailing during a specified base period. Fund-supported programs may also call for a reduction in such subsidies, which could be more rapid and comprehensive than under the Uruguay Round, if this is necessary to achieve the program's fiscal and resource allocation objectives. Moreover, provisions in a Fund arrangement constitute conditions for the member's use of Fund resources and do not alter obligations vis-à-vis other WTO members. For example, if program design calls for a reduction in applied tariffs to below WTO "bound" levels, this does not constitute a requirement by the Fund for the member to "bind" its WTO-administered commitments at the lower applied level. Fund staff will continue to consult and coordinate with Bank staff in the design of trade reforms included in Fund-supported adjustment programs.

Resolution of open jurisdictional issues

The Final Act of the Uruguay Round includes a Declaration on the Relationship of the World Trade Organization with the International Monetary Fund, which confirms the continued application of Article XV of GATT 1947 (now GATT 1994) on collaboration with the Fund in the area of trade in goods. Article XV requires the WTO to seek cooperation with the Fund in order for the WTO and the Fund to pursue a coordinated policy with regard to exchange questions within the jurisdiction of the Fund and questions of quantitative restrictions and other trade measures within the jurisdiction of the WTO. These provisions also recognize the right of a WTO member that is a Fund member to maintain exchange controls or restrictions in accordance with the Fund's Articles. Similarly, in the area of services, Article XI

of the General Agreement on Trade in Services (GATS) safeguards the rights and obligations of Fund members under the Fund's Articles with respect to restrictions on current international transactions. Thus, it is expected that the WTO will not authorize countermeasures against exchange measures that are consistent with the Fund's Articles, or find measures consistent with the Fund's Articles to violate one of the Multilateral Agreements on Trade in Goods or the GATS, or subject exchange measures to remedies in the absence of violation for "nonviolation nullification or impairment." The Fund and the WTO will work on clarifying jurisdictional issues in order that the rights and obligations of Fund members are protected.

Staff contacts

Effective cooperation and interaction among the two staffs will be crucial in ensuring that policy inconsistencies and duplication are avoided, and there is full mutual awareness of the interests and concerns of each institution. The Fund's Geneva Office will continue to provide liaison between the Fund and the WTO on an ongoing basis, supplemented by contacts at headquarters. This will include periodic meetings (at least annually) between appropriately senior staff of the Fund and the WTO to identify issues of common concern and the means of dealing with them, including specifically the manner of enhancing collaboration. Bank staff will be invited to some of these meetings for trilateral discussions on issues of mutual interest. Meetings at head of institution level would be arranged as needed. In cases involving important trade policy issues, there should be more active use of informal Fund staff visits to exchange views with WTO staff, for example en route to Article IV and/or UFR consultations. Similarly, WTO staff should be encouraged to visit Fund headquarters periodically to informally discuss specific country cases (including in the context of preparing TPR reports) or policy issues. Staff secondments could also be given consideration.

Representation

Observer status in the WTO and the Fund is under discussion.

It is envisaged that representation in the Fund could be on several levels. The Director-General of the WTO (or his representative) could be regularly invited as an observer to the meetings of the Interim and Development Committees and to the joint Annual Meetings by the Chairman of the relevant Committee. The WTO Director General (or his representative) would also be invited as an observer in selected meetings covering general trade policy issues of the Fund's Executive Board, and there would also be some contact with the Committee on Liaison with the WTO (CWTO). In parallel with arrangements for Bank staff observers, the WTO staff representative could be invited to intervene in Fund Board/CWTO meetings by an Executive Director or the Chairman. The WTO Secretariat would be expected to treat the deliberations of the Fund Board/CWTO as strictly confidential information not available to other organizations or to the public. Similarly, Fund staff would be expected to treat the deliberations of the WTO with strict confidentiality.

Document exchange

As mentioned earlier, the Fund will transmit to the WTO Committee on Balance of Payments Restrictions the latest RED report or similar document on the consulting member (in addition to a Fund statement where relevant). The Director-General of the WTO will be regularly provided, for the confidential use of the Secretariat, Article IV Consultation reports (staff reports and REDs) on common members. For these members, consideration might be given in the future to transmitting the Chairman's Summing-Up of the Board discussion to the WTO Director-General, as long as the concerned Executive Director raises no objection. For Fund members that are seeking accession to the WTO, consideration might also be given to transmitting to the WTO Director-General Article IV Consultation reports, provided that the concerned Executive Director raises no objection. Fund staff will also ensure that an up-to-date assessment of a country's macroeconomic situation is available to WTO staff at the time of preparation of the latter's TPR reports or as needed; where

there is considerable interval between the Article IV discussion and the TPR, Fund staff should be able to provide WTO staff updated factual information on the macroeconomic situation. As in arrangements with the GATT, Fund staff expect to continue to receive on a confidential basis most WTO documents (i.e., minutes and reports of councils and other bodies, the reports of member countries to these bodies, and TPR reports).

Research and information exchange

Fund staff will seek the WTO Secretariat's views on selected reports in which international trade policy issues are prominently featured. Fund staff expect to be able to comment on selected WTO staff reports in which macroeconomic issues are discussed. Joint studies on topics of mutual interest could be considered from time to time. Fund and WTO staff could participate in seminars at respective institutions involving topics of mutual interest. To improve awareness and reduce duplication, Fund and WTO staffs could make greater use of each other's basic data, taking into account confidentiality requirements of the respective organizations. This could also help reduce the burden on officials in member countries caused by duplication of requests for basic information. With a view to better investigating the economic and financial implications of the Uruguay Round on individual countries,* Fund staff have requested access to the WTO's Integrated Database; this should not involve setting up new communications links as Fund staff would be able to obtain relevant data from the World Bank which has already been granted access to the Integrated Database.

Exchange Of Documents With Other International Agencies

Staff reports pertaining to: (i) surveillance under Article IV, Section 3(a) and (b), and (ii) the use of Fund resources by members; and (iii) technical assistance reports may be transmitted by the Managing

*Such investigations would also help assessment of possible adverse effects of the Round on particular developing countries as recognized by the WTO ministerial decision.

Director to international agencies having specialized responsibilities within the Fund's field of interest, subject to the reciprocal transmittal of comparable documents of the recipients to the Fund, and on the understanding with the recipients of the reports that the reports will be kept confidential. Such transmittals and exchanges of documents shall be carried out in accordance with the criteria set forth in SM/90/120 (6/20/90) and Correction 1 (7/17/90), and in SM/93/24 (1/28/93), and in the light of the discussion and summing up of EBM/90/105 and EBM/90/106 (7/2/90).

In addition, documents referred to in paragraph 11 of the Agreement between the Fund and the World Trade Organization may be transmitted to the World Trade Organization Secretariat on the sixth working day after their circulation to Executive Directors, provided that there is no objection by the member concerned.

Decision No. A-9786-(93/20)
February 11, 1993, as amended by
Decision No. A-10615-(96/105)
November 25, 1996

SM/90/120

. . .

(a) Criteria for access

The following three basic criteria would seem relevant in considering the appropriateness of access to Fund documents:

(i) *Commonality of operational interest and need:* documents would in principle be available to official international organizations that share with the Fund a current operational and financial interest in the particular member country concerned. Thus, organizations that are or will be providing substantial financial assistance to Fund members, primarily balance of payments support whose effectiveness is dependent on the macroeconomic environment, would a priori meet

this criterion. Organizations would also have to be deemed to have an operational need for the information in Fund documents.

(ii) *Reciprocity:* recipient organizations would need to be prepared to make arrangements as appropriate to ensure reciprocity of comparable country papers. The staff will need to explore the scope and nature of these papers in the case of each organization.

(iii) *Confidentiality:* recipient organizations would need to assure the Fund that the documents provided will not be used for any purpose other than that specified in the organization's request and would be kept confidential. A senior official of the organization would submit a request to the Secretary of the Fund for the regular transmittal of documents, and provide assurance that the material in the documents was for the internal and exclusive use by staff only and that it would not be quoted from, either in whole or in part, or used in publication.

The agencies which meet these criteria at this time, and which could be expected to request regular transmittal of country documents, would include the AfDB, AsDB, Arab Monetary Fund, CDB, IsDB, IDB, EC Commission (see also Section V), EIB, and the UNDP on countries that are receiving technical assistance under the executing agency arrangement with the Fund. However, this indicative list can be expected to evolve over time with the agencies' scope of financial operations, and in terms of the countries of concern for each agency. For example, it might also be appropriate to include in this list at some point in the future the newly founded European Bank for Reconstruction and Development. Thus, the staff would keep agency and country indicative lists under periodic review in light of the basic criteria listed above.

SM/93/24

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Given the clear need for a more timely release of country documents, certain modifications in the procedures set out in SM/92/90 may be helpful. These do not alter the guidelines and

principles of the Board's decision of July 1990. The request for clearance of the document's transmittal could be made, on a "no objection" basis, in the Secretary's cover note to the document when it is first circulated to Executive Directors (see sample in Attachment III), with a considerable saving of paperwork and time.* In this way, the document could be prepared for transmittal shortly after its circulation, and dispatched at a time indicated on the cover note. This time could be, according to the circumstances and on the basis of requirements to be indicated by the area department, either immediately following consideration by the Board or, in what are expected to be exceptional cases, at a specific date before the Board discussion. The need to consider release prior to Board discussion could arise when the early availability of a document is seen to be required, for instance, in order to make available background information when preparations are being made for the provision by donors or other agencies of financial or technical assistance to members, or to facilitate Paris Club rescheduling discussions.**

The modified procedures for clearing the release of country documents will apply only to the transmittal of staff reports and REDs sent to various agencies on a regular basis. Ad hoc requests for country documents will continue to be cleared in the same way as in the past, with the area and issuing department, and with the concurrence of the Executive Director concerned.

*A similar procedure is followed for the transmittal of suplementary material to the GATT; see for example SM/92/184 (9/22/92).

**See, for example, requests to provide economic reviews on states of the former Soviet Union to the EC, the EBRD, the EIB, the OECD, and the BIS (EBD/92/44, 3/6/92), and staff reports on the use of Fund resources by Estonia, Latvia, and Lithuania to the EC (EBD/92/185, 8/28/92, and EBD/92/237, 10/2/92).

Summing Up by the Chairman

Executive Board Meeting 90/106, July 2, 1990

To facilitate a greater exchange of information on country operations with multilateral agencies that are providing financial support for economic reforms, Directors agreed that the current procedures for release of Fund country documents should be modified to allow access to a wider range of such documents and for a larger group of recipient organizations, provided the confidentiality of the documents would be properly safeguarded. The changes in procedures would comprise staff reports for Article IV consultations, as well as staff papers on requests for and reviews of the use of Fund resources, and papers on recent economic developments. In all cases of documents involving the use of Fund resources, letters of intent and/or policy memoranda, as well as relevant decisions and texts of arrangements, would be deleted; and in certain exceptional cases, perhaps a summary of especially sensitive information would be provided. Directors endorsed the proposal for such a modification on the basis of the criteria set out in the staff paper (SM/90/120).

Executive Directors

INTERPRETATION OF ARTICLE XII, SECTIONS 3(*b*)(i) AND 3(*f*)

The request for interpretation of the Articles of Agreement referred to the Executive Directors by Resolution No. 7 of the Board of Governors was considered. . . . It was unanimously agreed that Sections 3(*b*)(i) and 3(*f*) of Article XII should be interpreted to mean that any member having one of the five largest quotas at the date of the regular election or at any date between regular elections shall be entitled to appoint an Executive Director who will hold office until the next regular election without prejudice to the right of a subsequently admitted member to appoint a Director if it has one of the five largest quotas.

. . .

Decision No. 2-1
May 8, 1946

EXECUTIVE DIRECTORS: ARTICLE XII, SECTION 3(*c*)

Article XII, Section 3(*c*), should be understood as providing that the two members entitled to appoint additional directors are determined by the largest absolute amounts by which 75 percent of members' quotas exceed the average holdings by the Fund of their currencies during the two years preceding an election of directors, provided, of course, that they are not already entitled to appoint directors under Article XII, Section 3(*b*)(i).

In the calculation of average holdings under the provision, the Fund's special accounts for administrative purposes should not be included unless they exceed one tenth of one percent of the member's quota nor will sundry cash accounts be included. A member should not be entitled to the benefit of Article XII, Section 3(*c*)

where the average holdings of its currency by the Fund have been reduced below 75 percent of its quota solely because of expenditures by the Fund for administrative purposes or because of the exclusion of the special accounts for administrative purposes from the calculation of average holdings.

Decision No. 574-2
May 18, 1950, as amended by
Decision No. 2620-(68/141)
November 1, 1968

Additional Appointed Directors

The phrase "the preceding two years" as used in Article XII, Section 3(*c*), shall be deemed to be the two-year period ending on the July 31 preceding the dates of regular biennial elections of Executive Directors. However, this decision shall be reconsidered if such regular elections are held in months other than September.

Decision No. 597-4
July 28, 1950

Adjustment of Quota and Voting Power

A change in the quota of a member between regular biennial elections will change by the same amount the voting power of the elected Executive Director who casts the votes of the member.

Decision No. 180-5
June 25, 1947

Managing Director

AUTHORIZED SIGNATORIES

1. All instructions and instruments in writing purporting to be binding on the Fund or to be an exercise of any right of the Fund shall be signed for the Fund by either:

(a) the Managing Director; or

(b) such other official or officials of the Fund or other person or persons as the Managing Director shall designate in writing.

2. Authority to sign instructions and instruments for the Fund which is granted by a designation under subparagraph (b) of paragraph 1 of this decision shall not be delegable.

3. Any signature pursuant to this decision may be a facsimile signature or other means of identification if it is authorized in writing by the Managing Director.

4. This decision supersedes all prior general signature authority decisions of the Executive Board without prejudice to action taken pursuant to them.

Decision No. 9605-(90/170)
December 7, 1990

Publication of Reports

REPORTING BY THE FUND OF OVERDUE OBLIGATIONS

The Executive Board decides that overdue financial obligations to the Fund of members having obligations overdue for six months or more will be reported in aggregate by category of obligation but without identifying the members involved, in the Fund's *Annual Report*, quarterly *Financial Statements of the General Department and the SDR Department*, yearbook issue of *Balance of Payments Statistics*, and *International Financial Statistics.*

Declarations of ineligibility to use the Fund's general resources will be reported in the Fund's *Annual Report* and will identify the members concerned, beginning with the 1985 *Annual Report.*

Decision No. 7931-(85/41)
March 13, 1985

PUBLICITY UPON DECLARATION OF INELIGIBILITY

Effective following the publication of the *Annual Report* for 1985, the Fund shall issue a press release upon the declaration of a member's ineligibility to use the general resources of the Fund and thereafter upon the restoration of the member's eligibility to use the Fund's general resources, and shall also include the information contained in such press releases, where pertinent, in the Annual Reports for the year concerned.

Decision No. 7999-(85/90)
June 5, 1985

Publicity Upon Suspension of Voting Rights and Termination of Suspension

The Fund shall issue a press release upon its decision to suspend the voting rights of a member and thereafter upon termination of suspension and shall also include the information contained in such press releases, where pertinent, in the Annual Report for the year concerned.

Decision No. 10305-(93/32)
March 10, 1993

Use of Fund Resources—Release of Chairman's Statement

After the Executive Board adopts a decision regarding a member's request for the use of Fund resources, or a review under a Fund arrangement, a Chairman's statement on the discussion, emphasizing the key points made by Executive Directors, will be released to the public. Before the statement is released, it will be read by the chairman to the Executive Board, and Executive Directors will have an opportunity to comment at that time.

Decision No. 11971-(99/58)
June 3, 1999

Public Information Notices for Policy Matters

After an Executive board meeting relating to policy issues, the Executive Board may decide to release a Public Information Notice on the discussion. This Public Information Notice would be based on a summing up of the discussion by the Chairman, or on the decision that may have been adopted by the Executive Board, or both, as the case may be. It would also include a short section setting out some background information on the relevant

issue. The Executive Board will review this decision, in the light of experience, after a year.

Decision No. 11972-(99/58)
June 3, 1999

Pilot Project for the Publication of Article IV Consultation Staff Reports

The Fund establishes a pilot project under which a staff report on Article IV consultation discussions with a member, including one that also relates to the use of Fund resources, may be published. A member wishing to participate in the project will notify the Managing Director. Prior to the publication of a report, the member concerned may propose to the Managing Director the deletion of highly market-sensitive information. The Fund will publish (including on its web site) the report, along with the Public Information Notice and any statement by the member on the Article IV consultation, as soon as the Public Information Notice is finalized. A participating member will be free to withdraw from the project at any time. After a year, a review of experience under the project will be commenced. The project will terminate on October 4, 2000, unless otherwise decided by the Fund.

Decision No. 11973-(99/58)
June 3, 1999

ARTICLE XIV

Restrictions on Payments and Transfers: Withdrawal

MEANING OF "EXCEPTIONAL CIRCUMSTANCES" IN ARTICLE XIV, SECTION 4*

The following language in Article XIV, Section 4* of the Fund Agreement:

> "The Fund may, if it deems such action necessary in exceptional circumstances, make representations to any member that conditions are favorable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other article of this Agreement."

(a) applies at any time after the entry into force of the Fund Agreement and

(b) gives to the Fund the power to determine what is meant by "in exceptional circumstances."

Decision No. 117-1
January 6, 1947

*Corresponds to Article XIV, Section 3 of the Articles of Agreement after the Second Amendment.

Valuation of the Special Drawing Right

METHOD OF VALUATION

1. Effective January 1, 1981, the value of one special drawing right shall be the sum of the values of specified amounts of the currencies listed in 2 below, the amounts of these currencies to be determined on December 31, 1980 in a manner that will ensure that, at the average exchange rates for the three-month period ending on that date, the shares of the currencies in the value of the special drawing right correspond to the weights specified for each currency in 2 below.

2. On the basis of changes in members' exports of goods and services and in official balances of members' currencies held by other members since the previous review of the method of valuation of the SDR conducted in March 1978, that the currencies and weights referred to in 1 above shall be as follows:

Currency	Weight (In percent)
U.S. dollar	42
Deutsche mark	19
French franc	13
Japanese yen	13
Pound sterling	13

3. The list of the currencies that determine the value of the special drawing right, and the amounts of these currencies, shall be revised with effect on January 1, 1986 and on the first day of each subsequent period of five years in accordance with the following

principles, unless the Fund decides otherwise in connection with a revision:

a. The currencies determining the value of the special drawing right shall be the currencies of the five members whose exports of goods and services during the five-year period ending 12 months before the effective date of the revision had the largest value, provided that a currency shall not replace another currency included in the list at the time of the determination unless the value of the exports of goods and services of the issuer of the former currency during the relevant period exceeds that of the issuer of the latter currency by at least 1 percent.

b. The amounts of the five currencies referred to in a. above shall be determined on the last working day preceding the effective date of the relevant revision in a manner that will ensure that, at the average exchange rates for the three-month period ending on that date, the shares of these currencies in the value of the special drawing right correspond to percentage weights for these currencies, which shall be established for each currency in accordance with c. below.

c. The percentage weights shall reflect the value of the balances of that currency held at the end of each year by the monetary authorities of other members and the value of the exports of goods and services of the issuer of the currency over the relevant five-year period referred to in a. above, in a manner that would maintain broadly the relative significance of the factors that underlie the percentage weights in paragraph 2 above. The percentage weights shall be rounded to the nearest 1 percent or as may be convenient.

4. The determination of the amounts of the currencies in accordance with 1 and 3 above shall be made in a manner that will ensure that the value of the special drawing right in terms of currencies on the last working day preceding the five-year period for which the determination is made will be the same under the

valuation in effect before and after revision.

Decision No. 6631-(80/145) G/S
September 17, 1980

SDR VALUATION BASKET

The Executive Board, having reviewed the list of the currencies, and the weights of these currencies, that determine the value of the special drawing right, in accordance with Decision No. 6631-(80/145) G/S, adopted September 17, 1980, decides that, with effect from January 1, 1991, the list of the currencies in the SDR valuation basket shall remain the same, and the weight of each of these currencies to be used to calculate the amount of each of these currencies in the basket will be as follows:

Currency	Weight (In percent)
U.S. dollar	40
Deutsche mark	21
Japanese yen	17
French franc	11
Pound sterling	11

Decision No. 9549-(90/146) G/S
October 5, 1990

The Executive Board, having reviewed the list of the currencies and the weights of these currencies that determine the value of the special drawing right, in accordance with Decision No. 6631-(80/145) G/S, adopted September 17, 1980, decides that, with effect from January 1, 1996, the list of the currencies in the SDR valuation basket shall remain the same, and the weight of each of

these currencies to be used to calculate the amount of each of these currencies in the basket will be as follows:

Currency	Weight (In percent)
U.S. dollar	39
Deutsche mark	21
Japanese yen	18
French franc	11
Pound sterling	11

Decision No. 11073-(95/92) G/S
September 25, 1995

With effect on January 1, 1999, references in Decision No. 11073-(95/92) G/S, September 25, 1995 to the deutsche mark and the French franc shall be replaced by references to the euro as the currency of France and Germany, respectively.

Decision No. 11801-(98/101) G/S
September 21, 1998

SDR Valuation Basket—Guidelines for the Calculation of Currency Amounts

(1) Under all circumstances, the currency units will be determined in a manner which would ensure that the value of the SDR calculated on December 31 on the basis of the new basket will be the same as that actually prevailing on that day.

(2) The currency amounts calculated for the new basket will be expressed in two significant digits provided that the deviation of the percentage share of each currency in the value of the SDR, resulting from the application of the average exchange rates for

October-December, from the percentage weight as determined under paragraph 3(c) of Executive Board Decision No. 6631-(80/145) adopted September 17, 1980 is the minimum on average and will not exceed one half percentage point for any currency.

(3) If a solution cannot be obtained by the application of the principles set forth in (2) above, the calculation shall be made applying the same principles but expressing the amount of each currency in three significant digits, and if no solution is found with three significant digits then the calculation shall be made applying the same principles but expressing the amount of each currency in four significant digits.

(4) If more than one solution is found in the calculation at the level of two, three, or four significant digits, the solution that has the smallest average deviation will be employed.

Decision No. 8160-(85/186) G/S
December 23, 1985

SDR Valuation Basket—Guidelines for the Conversion into Currency Amounts of Euro of the Currency Amounts of Deutsche Mark and French Franc

The Fund notes that with the introduction of the euro on January 1, 1999, the currency amounts of the deutsche mark and the French franc in the SDR valuation basket will be automatically replaced by the euro as the currency of Germany and France respectively, and decides that such conversion shall be made in accordance with the principles set out in the guidelines for the calculation of the currency amounts in the SDR valuation basket established by Decision No. 8160-(85/186) G/S, adopted December 23, 1985.

Decision No. 11803-(98/101) G/S
September 21, 1998

METHOD OF COLLECTING EXCHANGE RATES FOR THE CALCULATION OF THE VALUE OF THE SDR FOR THE PURPOSES OF RULE O-2(a)

1. For the purpose of determining the value of the United States dollar in terms of the special drawing right pursuant to Rule O-2(a), the equivalents in United States dollars of the amounts of currencies specified in Rule O-1 shall be based on spot exchange rates against the United States dollar. For each currency the exchange rate shall be the middle rate between the buying and selling rates at noon in the London exchange market as determined by the Bank of England.

2. If the exchange rate for any currency cannot be obtained from the London exchange market, the rate shall be the middle rate at noon in the New York exchange market determined by the Fund on the basis of the buying and selling rates communicated by the Federal Reserve Bank of New York or, if not available there, the middle rate determined by the Fund on the basis of the buying and selling rates at the fixing in the Frankfurt exchange market communicated by the Deutsche Bundesbank. If the rate for any currency against the United States dollar cannot be obtained directly in any of these markets, the rate shall be calculated indirectly by use of a cross rate against another currency specified in Rule O-1.

3. If on any day the exchange rate for a currency cannot be obtained in accordance with 1 or 2 above, the rate for that day shall be the latest rate determined in accordance with 1 or 2 above, provided that after the second business day the Fund shall determine the rate.

Decision No. 6709-(80/189) S
December 19, 1980

ARTICLE XVII, SECTION 3

Special Drawing Rights: Other Holders

The terms and conditions on which other holders prescribed by the Fund may accept, hold or use SDRs are as follows:

1. *Acceptance, Holding, and Use by Prescribed Holders*

(a) *Acceptance and use*

A prescribed holder may accept or use special drawing rights (i) in exchange for an equivalent amount of a monetary asset other than gold in a transaction entered into by agreement with a participant, or another prescribed holder, or (ii) in an operation entered into by agreement with a participant or another prescribed holder in accordance with and on the same terms and conditions established at that time for participants by decisions of the Fund under Article XIX, Section 2(*c*).

(b) *Holding*

A prescribed holder may hold special drawing rights, subject to the provisions of this decision, accepted in accordance with (a) above or received as interest paid on its holdings of special drawing rights in accordance with Article XX, Section 1.

2. *Acceptance and Use by Participants in Transactions and Operations with Prescribed Holders*

Participants may enter into transactions and operations by agreement with a prescribed holder in accordance with the prescriptions in paragraph 1(a) of this decision.

3. *Application of General Provisions*

The holding of special drawing rights and the acceptance and use of them in transactions and operations by a prescribed holder shall be governed by the provisions of the Articles, By-Laws, Rules and Regulations, and decisions of the Fund that apply from time to time to all holders of special drawing rights.

4. *Exchange Rates*

The Rules and Regulations and decisions of the Fund that determine the exchange rates applicable at the time of each use or acceptance of special drawing rights by a participant shall apply to each use or acceptance of them by a prescribed holder. A prescribed holder shall not levy any charge or commission in respect of a transaction involving special drawing rights.

5. *Information and Recording*

The Fund shall inform prescribed holders of matters relevant to the acceptance, holding, and use of special drawing rights by them. A prescribed holder shall inform the Fund promptly of the facts necessary to record any transactions or operations in which a prescribed holder accepts or uses special drawing rights.

6. *Consultation and Review*

(a) Consultation between the Fund and a prescribed holder shall be held at the request of the Fund or the prescribed holder with respect to the application of this decision or the decision prescribing the holder or with respect to transactions or operations entered into involving special drawing rights.

(b) The Executive Board shall review periodically this decision and decisions prescribing holders.

7. *General Undertaking*

Each prescribed holder shall collaborate with the Fund, participants, and other prescribed holders with respect to its acceptance, holding, and use of special drawing rights in order to facilitate the effective functioning of the Special Drawing Rights Department and the proper use of special drawing rights in accordance with the Articles and the terms and conditions prescribed by the Fund now or in the future for the acceptance, holding, and use of special drawing rights by prescribed holders.

8. *Suspension*

During any period in which a suspension is in effect under Article XXIII, Section 1 with respect to participants, the suspension shall apply to the same extent to prescribed holders.

9. *Termination*

(a) The prescription of a holder of special drawing rights may be terminated by the Fund by a decision of the Executive Board or by a notice from the prescribed holder in writing to the Fund at its principal office. Termination shall become effective on the date specified in the decision of the Executive Board but not earlier than the date of the decision, or when notice from the prescribed holder is received by the Fund at its principal office.

(b) A prescribed holder whose status as such has been terminated may continue to hold the special drawing rights it held on termination and to receive special drawing rights as interest on its holdings and may continue to use special drawing rights to dispose of them in transactions or operations in accordance with paragraph 1(a) above. A prescribed holder whose status has been terminated shall make arrangements, with the concurrence of the Fund, to dispose of its holdings of special drawing rights as expeditiously as possible, and shall exchange special drawing

rights for a freely usable currency selected by the prescribed holder when requested by the Fund.

Decision No. 6467-(80/71) S
April 14, 1980

Bank for International Settlements (BIS): Change in Terms and Conditions of Prescription as Holder of SDRs

The Bank for International Settlements is authorized to accept, hold, and use special drawing rights in transactions and operations in accordance with and on the terms and conditions specified in the decision "Terms and Conditions for the Acceptance, Holding, and Use of Special Drawing Rights by Other Holders Prescribed under Article XVII, Section 3," Decision No. 6467-(80/71) S, adopted April 14, 1980. These terms and conditions shall replace those set forth in Board of Governors Resolution No. 29-1, dated January 21, 1974.*

Decision No. 6484-(80/77) S
April 18, 1980

Andean Reserve Fund: Holder of SDRs

1. *Prescription as a Holder*

The Andean Reserve Fund is prescribed, in accordance with Article XVII, Section 3(i) of the Articles of Agreement, as a holder of special drawing rights.

*The BIS was prescribed as a holder of SDRs by Board of Governors Resolution No. 29-1, effective January 21, 1974.

2. *Terms and Conditions for Acceptance, Holding, and Use of Special Drawing Rights*

The Andean Reserve Fund is authorized to accept, hold, and use special drawing rights in transactions and operations in accordance with and on the terms and conditions specified in the decision "Terms and Conditions for the Acceptance, Holding, and Use of Special Drawing Rights by Other Holders Prescribed under Article XVII, Section 3," Decision No. 6467-(80/71) S, adopted April 14, 1980.

*Decision No. 6486-(80/77) S**
April 18, 1980

Swiss National Bank: Holder of SDRs**

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*Similar decisions were taken for the following entities as holders of SDRs: East Caribbean Currency Authority—Decision No. 6487-(80/77)S, April 18, 1980; Nordic Investment Bank—Decision No. 6488-(80/77) S, April 18, 1980; International Fund for Agricultural Development—Decision No. 6489-(80/77)S, April 18, 1980; Arab Monetary Fund—Decision No. 6609(80/126)S, August 8, 1980, effective August 26, 1980; International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA)—Decision No. 6718-(81/1)S, December 23, 1980; Central Bank of West African States—Decision No. 6908-(81/101)S, June 29, 1981; Bank of Central African States—Decision No. 7064-(82/26)S, February 26, 1982; Islamic Development Bank—Decision No. 7086-(82/42)S, April 5, 1982; Asian Development Bank—Decision No. 7229-(82/136)S, October 15, 1982; East African Development Bank—Decision No. 7582-(83/174)S, December 15, 1983; Eastern Caribbean Central Bank—Decision No. 7707-(84/79)S, May 17, 1984; African Development Bank and the African Development Fund—Decision No. 8318-(86/104)S, June 25, 1986.

**The status of the Swiss National Bank as a prescribed holder of SDRs was terminated as of November 19, 1992. (*Decision No. 10225-(92/147)S, December 8, 1992*).

USE OF SDRS IN PAYMENT OF TRUST FUND OBLIGATIONS

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

1. 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 Trust Fund loans, in payment of interest on Trust Fund loans and in payment of special charges in respect of overdue repayments and interest of Trust Fund loans.

2. The Fund shall record operations pursuant to this prescription in accordance with Rule P-9.

Decision No. 8642-(87/101) S/TR
July 9, 1987

USE OF SDRS IN PAYMENT OF SUBSIDY

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

1. A prescribed holder, by agreement with a participant, may transfer SDRs to the participant in discharge of subsidy payable from the Supplementary Financing Facility Subsidy Account, at the instruction of the Fund as Trustee of that Account.

2. The Fund shall record operations pursuant to this prescription in accordance with Rule P-9.

Decision No. 8186-(86/9) SBS/S
January 15, 1986

USE OF SDRS IN OPERATIONS UNDER STRUCTURAL ADJUSTMENT FACILITY

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
March 26, 1986

USE OF SDRS IN FINANCIAL OPERATIONS UNDER THE ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST OR UNDER AN ADMINISTERED ACCOUNT

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

1. A participant or prescribed holder, by agreement with a prescribed holder and at the instruction of the Fund, may transfer SDRs to that prescribed holder in effecting a payment due to the Fund in connection with financial operations under the Enhanced Structural Adjustment Facility Trust or under an administered account established for the benefit of the Enhanced Structural Adjustment Facility Trust.

2. A prescribed holder, by agreement with a participant or another prescribed holder and at the instruction of the Fund, may transfer SDRs to that participant or other prescribed holder in effecting a payment due from the Fund in connection with financial operations under the Enhanced Structural Adjustment Facility Trust or under an administered account established for the benefit of the Enhanced Structural Adjustment Facility Trust.

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

Decision No. 8937-(88/118) ESAF/S
July 28, 1988

Allocation of Special Drawing Rights

ALLOCATIONS TO NEW PARTICIPANTS

Pursuant to Article XVIII, Section 2(*d*), it is decided that members that have, or will, become participants in the Special Drawing Rights Department between January 1, 1978 and December 31, 1978 and have informed the Fund that they wish to receive allocations of special drawing rights during the third basic period shall receive allocations in accordance with the Resolution of the Board of Governors on allocations of special drawing rights for the third basic period.

Decision No. 5956-(78/180) S
November 17, 1978

Pursuant to Article XVIII, Section 2(*d*) members that have, or will, become participants in the Special Drawing Rights Department by December 31, 1979 and have informed the Fund that they are willing to receive allocations of special drawing rights during the third basic period shall receive allocations in accordance with Board of Governors Resolution No. 34-3, adopted December 11, 1978.

Decision No. 6368-(79/191) S
December 26, 1979

Special Drawing Rights: Additional Uses

USE OF SDRS IN SETTLEMENT OF FINANCIAL OBLIGATIONS

A. In accordance with Article XIX, Section 2(*c*), the Fund prescribes that:

1. A participant, by agreement with another participant, may use SDRs to settle a financial obligation to the other participant, if

(a) the obligation is denominated in

(i) SDRs, or

(ii) the currency of a member, or

(iii) the currency of a nonmember or another unit of account that is composed of currencies and is applied under an intergovernmental agreement, in respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(*a*) and Rule O-2; and

(b) the amount of SDRs to be used in the settlement of an obligation referred to in (a)(ii) or (a)(iii) above is equal in value, in terms of the SDR, at the time of settlement, to the amount of the obligation.

2. The calculations under 1(b) above shall be made at the exchange rate of the third business day preceding the value date or of the second business day preceding the value date if agreed between the parties.

3. Participants intending to use or acquire SDRs under 1(a) above shall inform the Fund of the denomination and amount of

the obligation and the intended value date of the operation. As required by Rule P-7 the lender and the borrower shall declare that the intended use of SDRs will be in accordance with this prescription.

4. Transfers of SDRs under this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

B. The Fund shall record operations under this prescription in accordance with Rule P-9.

C. The Fund shall review this decision prior to June 30 of each year.

Decision No. 6000-(79/1) S
December 28, 1978, as amended by
Decision No. 6438-(80/37) S
March 5, 1980

USE OF SDRS IN LOANS

A. In accordance with Article XIX, Section 2(*c*), the Fund prescribes that:

1. A participant, by agreement with another participant, may make a loan of SDRs to the other participant, if:

(a) the principal amount of the loan is denominated in

(i) SDRs, or

(ii) the currency of a member, or

(iii) the currency of a nonmember or another unit of account that is composed of currencies and is applied under an intergovernmental agreement, in respect of which arrangements have been

completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(*a*) and Rule O-2; and

(b) the amount of SDRs used in a loan referred to in (a)(ii) or (a)(iii) above is equal in value, in terms of the SDR, at the time of the use, to the amount of the loan; and

(c) the borrower has undertaken the following obligations under the loan agreement:

(i) if the loan is denominated in SDRs, to repay with the same amount of SDRs, or the equivalent, at the time of repayment, in the currency of a member on the basis of Article XIX, Section 7(*a*) and Rule O-2, or in the currency of a nonmember or another unit of account under (a)(iii) above in accordance with the arrangements for valuation referred to therein;

(ii) if the loan is denominated in the currency of a member and is to be repaid in SDRs, to repay with the equivalent in SDRs, at the time of repayment, on the basis of Article XIX, Section 7(*a*) and Rule O-2;

(iii) if the loan is under (a)(iii) above and is to be repaid in SDRs, to repay with the equivalent in SDRs, at the time of repayment, in accordance with the arrangements for valuation referred to in (a)(iii) above.

2. The calculations under I(b) and (c) above shall be made at the exchange rate of the third business day preceding the value date or of the second business day preceding the value date if agreed between the parties.

3. Repayment and the payment of interest with SDRs shall be made in accordance with the prescription of the use of SDRs in the settlement of financial obligations.

4. Participants intending to lend or borrow SDRs under this prescription shall inform the Fund of the amount and value date of the loan, the denomination, rate of interest, maturity, and means of repayment agreed between the parties. As required by Rule P-7 the lender and the borrower shall declare that the intended use of SDRs will be in accordance with this prescription.

5. Transfers of SDRs under this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

B. The Fund shall record operations under this prescription in accordance with Rule P-9.

C. The Fund shall review this decision prior to June 30 of each year.

Decision No. 6001-(79/1) S
December 28, 1978

USE OF SDRS IN PLEDGES

In accordance with Article XIX, Section 2(*c*), the Fund prescribes that:

1. A participant, by agreement with another participant, may pledge SDRs to secure the performance of a financial obligation to the other participant, if the obligation is denominated in

(i) SDRs, or

(ii) the currency of a member, or

(iii) the currency of a nonmember or another unit of account that is composed of currencies and is applied under an intergovernmental agreement, in respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(*a*) and Rule O-2.

2. Participants intending to engage in an operation involving the pledge of SDRs as pledgor or pledgee shall inform the Fund of the terms of the pledge relating to the amount and denomination of the obligation to be secured by the pledge, the amount of SDRs to be pledged, the effective date of the pledge, and the party or other entity designated by the parties to the operation to give instructions to the Fund to terminate the pledge in whole or in part or to transfer the pledged SDRs to the pledgee. As required by Rule P-7 the parties to the operation shall declare that the intended use of SDRs will be in accordance with this prescription.

3. The Fund shall record a pledge of SDRs under this prescription only upon receipt by the Fund of instructions from the parties to the operation. A change in the terms of the pledge referred to in 2 above, if consistent with this prescription, shall take effect upon receipt by the Fund of instructions from the parties to the operation. The amount of SDRs to be pledged shall be set aside and shall not be used during the period of the pledge except in accordance with instructions authorized by the terms of the pledge or in order to discharge an obligation of the pledgor under the Articles of Agreement.

4. The amount of SDRs to be transferred to the pledgee in accordance with instructions authorized by the terms of the pledge in satisfaction of the secured obligation shall discharge an equal amount, in terms of the SDR, of the secured obligation at the time of the transfer. Calculations for this purpose shall be made at the exchange rate of the third business day preceding the date of the transfer or of the second business day preceding the date of the transfer if agreed between the parties.

5. The Fund shall give adequate notice to the parties to an operation under this prescription before pledged SDRs are to be transferred

(a) in accordance with the terms of the pledge; or

(b) in order to discharge an obligation of the pledgor under the Articles of Agreement.

6. The notice under 5(b) above may include advice on the ways in which the obligation could be discharged without the use of pledged SDRs, or in which the pledge of SDRs could be restored.

7. The Fund shall record operations under this prescription in accordance with Rule P-9.

8. The Fund shall review this decision prior to June 30 of each year.

Decision No. 6053-(79/34) S
February 26, 1979, as amended by
Decision No. 6438-(80/37) S
March 5, 1980

USE OF SDRS IN TRANSFERS AS SECURITY FOR THE PERFORMANCE OF FINANCIAL OBLIGATIONS

In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may transfer SDRs to the other participant in order to secure the performance of a financial obligations to the other participant, if the obligation is denominated in

(i) SDRs, or

(ii) the currency of a member, or

(iii) the currency of a nonmember or another unit of account that is composed of currencies and is applied under an intergovernmental agreement, in respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(*a*) and Rule O-2.

2. Participants intending to engage, as transferor or transferee, in an operation involving the transfer of SDRs as security shall inform the Fund of the terms of the security arrangement relating to the amount and denomination of the obligation to be secured, the amount of SDRs to be transferred, the effective date of the transfer, any agreement by the parties regarding SDRs received from the Fund as interest in respect of the transferred SDRs, and the party or other entity designated by the parties to the operation to give instructions to the Fund for the retransfer. As required by Rule P-7 the parties to the operation shall declare that the intended use of SDRs will be in accordance with this prescription.

3. The Fund shall record a transfer of SDRs under this prescription upon the receipt by the Fund of instructions from the parties to the operation. A change in the terms of the security arrangement referred to in 2 above, if consistent with this prescription, shall take effect upon receipt by the Fund of instructions from the parties to the arrangement. At the request of the parties, the amount of SDRs transferred as security shall be set aside and shall not be used during the period of the security arrangement except in accordance with instructions authorized by the terms of the arrangement or in order to discharge an obligation of the transferee under the Articles of Agreement.

4. The amount of SDRs transferred as security shall be retransferred in accordance with instructions authorized by the terms of the security arrangement, or retained in the absence of such instructions. The amount of SDRs retained shall discharge an equal amount, in terms of the SDR, of the secured obligation at the time of the retention. Calculations for this purpose shall be made at the exchange rate of the third business day preceding the date of

retention or of the second business day preceding the date of retention if agreed between the parties.

5. The Fund shall give adequate notice to the parties to an operation under this prescription before the amount of SDRs held by the transferee as security are to be

(a) retransferred in accordance with the terms of the arrangement; or

(b) reduced in order to discharge an obligation of the transferee under the Articles of Agreement.

6. The notice under 5(b) above may include advice on the ways in which the obligation could be discharged without the use of the SDRs held as security, or in which these holdings could be restored.

7. The Fund shall record operations under this prescription in accordance with Rule P-9.

8. The Fund shall review this decision prior to June 30 of each year.

Decision No. 6054-(79/34) S
February 26, 1979, as amended by
Decision No. 6438-(80/37) S
March 5, 1980

Use of SDRs in Swap Operations

In accordance with Article XIX, Section 2(*c*), the Fund prescribes that:

1. A participant, by agreement with another participant, may engage in an operation by which (a) one of the parties transfers to the other party SDRs in exchange for an equivalent amount of currency or another monetary asset, other than gold, in respect of

which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(*a*) and Rule O-2, and (b) the parties undertake to reverse the exchange within a period and at an exchange rate agreed by them.

2. Calculations for the purpose of 1(a) above shall be made at the exchange rate of the third business day preceding the date of the transfer or of the second business day preceding the date of the transfer if agreed by the parties.

3. The parties may agree on the terms of the operation, and may modify those terms, provided that the terms and any modification of them would be consistent with this prescription.

4. The parties may agree on the payment of compensation in the event that, for any reason, the reversal of the transfer in accordance with 1(b) above is not carried out.

5. Participants intending to use or receive SDRs pursuant to this prescription shall inform the Fund of

(a) the amount of SDRs and the period of the operation;

(b) the monetary asset, the exchange rate and the value date for the exchange under 1(a) above;

(c) the monetary asset, the exchange rate and the value date for the reversal of the exchange;

(d) any agreement for the payment of interest, or compensation in accordance with 4 above; and

(e) any modification of these terms.

6. As required by Rule P-7 the parties to an operation pursuant to this prescription shall declare that the intended use of SDRs will be in accordance with this prescription.

7. Transfers of SDRs pursuant to this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

8. If the Fund decides to change any of the terms and conditions of this prescription, any outstanding operation that is inconsistent with the new terms and conditions shall be completed within 12 months from the date of the Fund's decision.

9. The Fund shall record operations pursuant to this prescription in accordance with Rule P-9.

Decision No. 6336-(79/178) S
November 28, 1979

USE OF SDRS IN FORWARD OPERATIONS

In accordance with Article XIX, Section 2(*c*), the Fund prescribes that:

1. A participant, in agreement with another participant, may engage in an operation by which the participant undertakes to transfer to the other participant SDRs at a specified future date more than three business days after the date of the agreement, in exchange for an agreed amount of currency or another monetary asset, other than gold.

2. The parties may agree on the terms of the operation, and may modify those terms, provided that the terms and any modification of them would be consistent with this prescription.

3. Participants intending to use or receive SDRs pursuant to this prescription shall inform the Fund of

(a) the amount of SDRs and the period of the operation;

(b) the monetary asset, the exchange rate and the value date for the exchange; and

(c) any modification of these terms.

4. As required by Rule P-7 the parties to an operation pursuant to this prescription shall declare that the intended use of SDRs will be in accordance with this prescription.

5. Transfers of SDRs pursuant to this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

6. If the Fund decides to change any of the terms and conditions of this prescription, any outstanding operation that is inconsistent with the new terms and conditions shall be completed within 12 months from the date of the Fund's decision.

7. The Fund shall record operations pursuant to this prescription in accordance with Rule P-9.

Decision No. 6337-(79/178) S
November 28, 1979

USE OF SDRS IN DONATIONS

In accordance with Article XIX, Section 2(*c*), the Fund prescribes that:

1. A participant, by agreement with another participant, may donate SDRs to the other participant.

2. Participants intending to donate or receive SDRs pursuant to this prescription shall inform the Fund of the amount of SDRs and the value date for the transfer.

3. As required by Rule P-7 the parties to an operation pursuant to this prescription shall declare that the intended use of SDRs will be in accordance with this prescription.

4. Transfers of SDRs pursuant to this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

5. The Fund shall record operations pursuant to this prescription in accordance with Rule P-9.

Decision No. 6437-(80/37) S
March 5, 1980

Designation of Participants to Provide Currency

REVIEW OF RULES FOR DESIGNATION AND METHOD OF CALCULATING DESIGNATION AMOUNTS*

The Executive Directors approve the summary and conclusions set out [below] on the understanding that if during the first year after a participant receives an allocation for the first time, designation would bring the participant close to the acceptance limit, the staff will take steps to moderate the rate at which the limit is approached.

Decision No. 6209-(79/124) S
July 24, 1979

Summary and Conclusions

1. The designation system has a key role in guaranteeing the usability of the SDR. However, provided that the SDR is regarded as an attractive reserve asset, participants may make less use of their SDR holdings in transactions with designation and may rely more on transactions and operations by agreement between participants, as well as payments to the Fund. The volume of transactions with designation would then depend mainly on the extent to which the Fund transfers SDRs to purchasing members that use the SDRs to obtain foreign exchange in transactions with designation.

2. The general structure of the more important provisions relating to designation is as follows:

*See also Decision No. 6273-(79/158) G/S, September 14, 1979, on page 300.

(a) The major principles of designation are contained in Article XIX, Section 5. A participant whose balance of payments and gross reserve position is sufficiently strong shall be subject to designation; and the Fund shall designate these participants "in such manner as will promote over time a balanced distribution of holdings of special drawing rights among them." These principles can be supplemented by other principles that the Fund may adopt at any time.

(b) To promote a balanced distribution of SDR holdings, the Fund implements the rules for designation in Schedule F. These rules embody the so-called "excess holdings" principle, which aims to promote over time equality in participants' "excess holding ratios," i.e., their holdings of SDRs in excess of their net cumulative allocations as a proportion of their gold and foreign exchange holdings. The rules for designation can be reviewed at any time and changed, if necessary, by a decision of the Executive Board taken by a majority of votes cast.

3. The following conclusions are suggested as regards the principles on which the calculation of the designation amounts is based.

(a) The choice of "excess holdings" rather than total holdings of SDRs tends to concentrate designation on net users of SDRs to restore their holdings to the level of their allocations. The alternative "holdings" principle would tend to shift the incidence of designation away from participants that have used SDRs to those that have relatively large holdings of gold and foreign exchange. The latter approach may become more suitable as the attractiveness of the SDR increases, but it is not recommended at this time.

(b) Participants' gold and foreign exchange holdings are used as a basis for harmonizing excess holdings of SDRs, consistent with the approach that the staff has suggested for preparing the operational budgets. An alternative technique would be to distribute amounts of designation on the basis of participants' unused acceptance obligations in relation to their allocations. It would seem preferable, however, not to divorce the

designation amounts from participants' reserve holdings as these are considered to be the best available measure of the ability of participants to provide currency when designated by the Fund.

(c) The speed at which the harmonization of ratios proceeds depends importantly on the particular method adopted for calculating designation amounts for individual participants. The present method has promoted harmonization at a moderate pace, striking a balance between the objective of restoring the holdings of net users of SDRs and the desire to maintain a fairly broad list of participants for designation. The method has the advantage of flexibility and has been adjusted successfully from time to time to meet changing circumstances.

4. Under the Articles of Agreement, the amount of SDRs a participant can be required to accept in designation is restricted to the point where its excess holdings are twice its allocation, i.e., the acceptance limit. For certain participants, this limit is reached rather more rapidly than for others because their reserves are very large in relation to their SDR allocations. While it would be possible to conceive of arrangements that would slow down the approach to the acceptance limit, the staff's view is that such action is neither necessary nor desirable.

5. The method of executing designation plans is established for each quarterly period at the time the plan is adopted by the Executive Board. It is proposed that this procedure be continued. The approach generally followed in the execution of designation plans has been to designate participants in broad proportion to the maximum amounts for which they are included in the plan, while avoiding undue fragmentation of individual transactions. From time to time exceptions may be proposed, such as have been agreed by the Executive Board in the past when circumstances warranted. If during the quarterly period covered by a designation plan a proposal is pending with the Executive Board for the exclusion of a participant from designation, further designation of the participant concerned would be avoided to the extent practicable.

6. Over more than nine years of actual experience, the designation mechanism has functioned satisfactorily. Actual designations have borne out the general emphasis that was expected to result from the "excess holdings" principle. About four fifths of total designation has been directed to participants whose holdings of SDRs were below their allocations as a result of prior uses. At the same time, a wide range of both developed and less developed countries has been called upon to provide currency in the designation process.

7. The major volume of transactions with designation over the last two and a half years has resulted from transfers of SDRs to participants making purchases from the General Resources Account; these participants have generally used the SDRs in transactions with designation, although a not insignificant proportion has been retained by the recipients, mainly to meet the reconstitution obligation or to make payments to the Fund.

8. In the future, the attractiveness of the SDR, and the increasing scope for transactions and operations by agreement, may reduce the use of SDRs from participants' own holdings in transactions with designation. However, with the Fund receiving approximately SDR 5 billion as a result of quota increases under the Seventh Review, there is likely to be a continuing volume of transactions with designation as a result of transfers of SDRs by the Fund to members making purchases, as a way of channeling SDRs back into participants' reserves.

9. In the light of the generally satisfactory experience with the designation system, the staff does not feel it necessary to propose any changes in the present principles and procedures for designation.

ARTICLE XIX, SECTION 6

Reconstitution

ABROGATION OF RULES FOR RECONSTITUTION

The Executive Board, having reviewed the rules for reconstitution in accordance with Article XIX, Section 6(*b*), decides to abrogate with effect from April 30, 1981:

1. The rules for reconstitution under Schedule G, paragraph 1(*a*); and

2. Rules R-1 through 6 of the Fund's Rules and Regulations; Decision No. 5699-(78/38) G/S (adopted March 22, 1978, effective April 1, 1978); Decision No. 5936-(78/168) S (adopted October 25, 1978, effective December 11, 1978); and Decision No. 6063-(79/43)S (March 14, 1979).

Decision No. 6832-(81/65) S
April 22, 1981

Exchange Rates

REPRESENTATIVE RATE FOR THE EUROPEAN CURRENCY UNIT (ECU)

After consultation with the European Monetary Cooperation Fund, the representative rate for the ECU in terms of the SDR under Article XIX, Section 7(*a*) and Rule O-2 shall be obtained by using the reciprocal of the U.S. dollar equivalent of the ECU as calculated and published by the European Commission and the SDR equivalent of one U.S. dollar as calculated and published by the Fund for the same day. If both these rates for the U.S. dollar are not available for the same day, the rates for the next preceding day on which both rates are available will be used. The rate determined by this method shall be applied in connection with a transfer of SDRs as part of the settlement of a member's debt with the European Monetary Cooperation Fund. The European Monetary Cooperation Fund and the Fund will consult concerning any change in the method of calculating the representative rate for the ECU in terms of the SDR.

Decision No. 7041-(82/8) G/S
January 13, 1982

REPRESENTATIVE EXCHANGE RATE FOR THE EURO

1. The Fund finds, after consultation with the authorities of Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, The Netherlands, Portugal, and Spain, that the representative exchange rate for the euro, under Rule 0-2(b)(i) of the Fund's Rules and Regulations is the rate against the U.S. dollar as published daily by the European Central Bank.

2. The European Central Bank will communicate to the Fund the representative exchange rate for the euro daily and will

promptly inform the Fund of any changes in the exchange arrangements which may affect the determination of the representative exchange rate.

Decision No. 11858-(98/130) G/S,
December 17, 1998

Charges

PAYMENT OF NET CHARGES AND ASSESSMENT IN THE SDR DEPARTMENT FOR THE FINANCIAL YEAR ENDED APRIL 30, 1982

The Executive Board notes the course of action set out in EBS/82/80.

Decision No. 7116-(82/68) S
May 7, 1982

EBS/82/80

The problems arising out of these participants' failure to hold adequate SDRs or to acquire them from other participants or the Fund, to meet net charges and assessments have been dealt with as follows:

(i) Since [members] had sufficient SDRs to pay assessments, these amounts were collected first by debiting their respective SDR accounts. The balance of their SDR holdings was applied toward the payment of net charges.

(ii) [Member], not having any SDRs, was not in a position to pay its assessment of SDR 4,669. This amount will be carried as a receivable in the General Resources Account until such time as it can be collected.

(iii) The unpaid balance of net charges, SDR 15,419,868 will be shown separately in the balance sheet of the Special Drawing Rights Department under the caption "Charges due but not paid." This item will appear below "Net cumulative allocations of SDRs to

participants" and the total of the two items will correspond to the total in the balance sheet of holdings of SDRs by participants.

(iv) When these participants acquire sufficient SDRs to pay the charges due, the entry will be cancelled in accordance with Article XX, Section 5 which states, in part that "special drawing rights acquired by a participant after the date for payment shall be applied against its unpaid charges and cancelled."

...

The course of action outlined above follows from the application of the Articles of Agreement and was adopted in 1978 when one participant did not hold sufficient special drawing rights to pay the assessment and charges due with respect to the financial year ending April 30, 1978. While the procedure has already been adopted by the Executive Board for the situation described, it is considered appropriate that the Executive Board again note the course of action taken.

ARTICLE XXVI

Compulsory Withdrawal

In response to the request of the Government of [a member], and after having considered the arguments put forward by that Government, the Executive Directors, acting pursuant to Article XVIII(*a*)* of the Fund Agreement, interpret Article XV, Section 2** as follows:

Action may be taken by the Fund to require a member to withdraw when the following conditions have been met:

1. The member has been declared ineligible to use the resources of the Fund pursuant to Article XV, Section 2(*a*);**

2. A reasonable time has passed since the member was declared ineligible to use the resources of the Fund pursuant to Article XV, Section 2(*a*),** whether or not a fixed period of time had been prescribed in connection with such action, and the member persists in failing to fulfill its obligations;

3. The member has been informed in reasonable time of the complaint against it and given an adequate opportunity to state, both orally and in writing, any fact or legal argument relevant to the issue before the Fund.

Decision No. 343-(54/47)
August 11, 1954

The Board of Governors confirmed the foregoing decision on September 28, 1954.

*Corresponds to Article XXIX (*a*) of the Articles of Agreement after the Second Amendment.
**Corresponds to Article XXVI, Section 2(*a*) of the Articles of Agreement after the Second Amendment.

Calculation of Reserve Tranche: Exclusion of Purchases and Holdings

EXCLUSION OF PURCHASES AND HOLDINGS UNDER COMPENSATORY AND CONTINGENCY FINANCING FACILITY

. . .*

3. Purchases under this decision and holdings resulting from such purchases shall be excluded for the purposes of the definition of "reserve tranche purchase" pursuant to Article XXX(*c*).

Decision No. 8955-(88/126)
*August 23, 1988, as amended***

EXCLUSION OF PURCHASES AND HOLDINGS UNDER BUFFER STOCK FACILITY

With effect from the date of the Second Amendment of the Fund's Articles, purchases after that date under the Buffer Stock Facility (Decision No. 2772-(69/47), June 25, 1969, as amended), and holdings resulting from all purchases under the Facility, shall be excluded pursuant to Article XXX(*c*)(ii) for the purpose of the definition of "reserve tranche purchase."

Decision No. 5591-(77/163)
December 5, 1977

*See text of full decision on pages 222-52.
**See pages 251-52.

Exclusion of Purchases Under Oil Facility for Purpose of Definition of "Reserve Tranche Purchase"

With effect on the date of the Second Amendment of the Articles of Agreement, the Fund's holdings of currencies acquired in purchases under Executive Board Decision No. 4241-(74/67), June 13, 1974 and Executive Board Decision No. 4634-(75/47), April 4, 1975, shall be excluded pursuant to Article XXX(*c*)(iii) for the purpose of the definition of "reserve tranche purchase."

Decision No. 5371-(77/51)
April 18, 1977, effective April 1, 1977

Exclusion of Purchases Under Supplementary Financing Facility

. . .*

9. The Fund will apply its credit tranche policies as if the Fund's holdings of a member's currency did not include holdings resulting from purchases outstanding under this decision that have been made with supplementary financing. After the effective date of the Second Amendment of the Articles of Agreement purchases under this decision and holdings resulting from purchases outstanding under this decision will be excluded under Article XXX(*c*).

. . .*

Decision No. 5508-(77/127)
August 29, 1977

Exclusion of Credit Tranches and Extended Facility

1. Purchases in the credit tranches or under extended arrangements (Decision No. 4377-(74/114), September 13, 1974, as amended), and holdings resulting from such purchases, shall be

*For these paragraphs, see pages 293-99.

excluded pursuant to Article XXX(*c*)(iii) for the purpose of the definition of "reserve tranche purchase."

. . .*

5. The Fund will review this decision before April 30, 1984.

Decision No. 6830-(81/65)
April 22, 1981, effective May 1, 1981

Exclusion of Purchases Under Policy on Enlarged Access with Borrowed Resources

. . .**

12. The Fund will apply its credit tranche policies as if the Fund's holdings of a member's currency did not include holdings resulting from purchases under this decision that have been made with borrowed resources. Purchases under this decision with borrowed resources and holdings resulting from these purchases will be excluded under Article XXX(*c*).

. . .**

Decision No. 6783-(81/40)
March 11, 1981

Balances Held in Administrative Account

The balances held in the administrative accounts of the Fund, to the extent that they are not in excess of 0.1 percent of a member's quota, shall not be considered as part of the Fund's holdings of a member's currency for the purpose of determining a member's reserve tranche position in the Fund and for the calculation of holdings for the purposes of charges (Article V, Section 8(*b*)(ii)); remunera-

*For information on paragraphs 2-4, see pages 149-50.
**For these paragraphs, see pages 207-11.

tion (Article V, Section 9(*a*)); and the determination of a member's entitlement to appoint an Executive Director (Article XII, Section 3(*c*)).

Decision No. 7060-(82/23)
February 22, 1982

Exclusion of Purchases and Holdings Under Systemic Transformation Facility

. . .*

6. Purchases under this Decision and holdings resulting from such purchases shall be excluded for the purposes of the definition of "reserve tranche purchase" pursuant to Article XXX(*c*).

Decision No. 10348-(93/61)STF
April 23, 1993

Exclusion of Purchases and Holdings Under Supplemental Reserve Facility

. . .**

7. Purchases under this Decision and holdings resulting from such purchases shall be excluded for the purposes of the definition of reserve tranche purchase pursuant to Article XXX(*c*).

Decision No. 11627-(97/123)SRF
December 17, 1997,
as amended by
Decision No. 11866-(99/1)SRF
December 22, 1998

*See text of full decision on pages 289-92.
**See text of full decision on pages 276-81.

Freely Usable Currencies

Pursuant to Article XXX(*f*), and after consultation with the members concerned, the Fund determines that until further notice the deutsche mark, French franc, Japanese yen, pound sterling, and U.S. dollar are freely usable currencies.

Decision No. 5719-(78/46)
March 31, 1978

Pursuant to Article XXX(*f*), and after consultation with the members concerned, the Fund determines that, effective January 1, 1999 and until further notice, the euro, Japanese yen, pound sterling, and U.S. dollar are freely usable currencies.

Decision No. 11857-(98/130)
December 17, 1998

Trust Fund

1. The Executive Directors of the International Monetary Fund (the "Fund") adopt the Instrument to Establish the Trust Fund (the "Instrument") that is annexed to this Decision.

2. The objective of the Trust Fund (the "Trust") will be to provide balance of payments assistance on concessional terms to the members listed in Annex A* to the Instrument that qualify for assistance in either or both of the periods July 1, 1976 through June 30, 1978 and July 1, 1978 through June 30, 1980.

3. The Fund will review the Instrument, and in particular the list, and the criteria of eligibility for inclusion, in Annex A, before January 1, 1978. The following provisions of the Instrument may not be modified: Section I, paragraphs 1 and 2(*c*); Section II, paragraphs 4(*d*) and 5(*a*); Section III, paragraphs 1, 2, and 3; Section IV, paragraph 1; and Section V, paragraph 2. Any modification will affect only loans made after the effective date of the modification, provided that the Fund may decide that any modification that is favorable to eligible members will apply to the future performance of obligations under loans already made.

4. The amounts in excess of the capital value that are available from the sales of gold made after the second amendment pursuant to paragraph 7(*b*) of Schedule B of the Articles, as amended, will continue to be used to provide balance of payments assistance in accordance with the Instrument for the benefit of the members listed in Annex A.

5. The audit committee selected under Section 20 of the Fund's By-Laws will audit the financial records and transactions of the

*See *Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1976*, pages 116-17.

Trust. The audit will relate to the period representing the fiscal year of the Fund.

6. The expenses of conducting the business of the Trust will be paid by the Fund from the General Account, which will be reimbursed annually by the Trust on the basis of a reasonable estimate of these expenses by the Fund.

7. The Fund may decide that the Trustee will undertake other activities in connection with the distribution of the profits from the sale of gold for the benefit of developing countries in accordance with paragraph 6(3) of the Communiqué of the Interim Committee of the Board of Governors of the Fund on the International Monetary System dated August 31, 1975 that can appropriately be carried out through the Trust, provided that the activities are consistent with the purposes of the Fund and are not inconsistent with any provision of the Instrument.

Decision No. 5069-(76/72)
May 5, 1976

Instrument to Establish the Trust Fund

Introductory Section

In order to help fulfill the purposes of the International Monetary Fund (the "Fund") as stated in Article I of the Articles of Agreement, including the promotion of cooperation on international monetary matters between its members and the Fund and among the members of the Fund, there shall be established a Trust Fund (the "Trust"), which shall be administered by the Fund as Trustee. The Trust shall be governed by and administered in accordance with the provisions of this Instrument.

Section I. Purposes and Resources of the Trust

Paragraph 1. *Purposes*

The Trust shall assist in fulfilling the purposes of the Fund by providing additional balance of payments assistance on

concessional terms to support the efforts of eligible members that qualify for assistance to carry out programs of balance of payments adjustment.

Paragraph 2. *Resources*

(a) The resources of the Trust shall consist of gold and currencies sold, donated, or lent to the Trust, income from investments and loans, and the proceeds of repayment of loans or of disinvestment.

(b) A transferor may make a single transfer of resources to the Trust or transfers of resources from time to time during the period in which the Trust is providing balance of payments assistance. The Trustee shall invite transferors of resources to inform it of the form in which, and the procedures by which, they will make transfers.

(c) A transferor of resources that makes a transfer associated with the sale of gold by the Fund shall be understood to have agreed that the transfer is an irrevocable transfer within the meaning of Section IV, paragraph 1 and Section V, paragraph 2.

Section II. Operations of the Trust

Paragraph 1. *Form of balance of payments assistance*

Balance of payments assistance shall be provided to eligible members that qualify for assistance for the first period July 1, 1976 through June 30, 1978 or for the second period July 1, 1978 through June 30, 1980, or for both periods, in the form of loans on terms consistent with this Instrument.

Paragraph 2. *Eligible members*

Eligible members shall be those members of the Fund that are listed in Annex A. An eligible member shall qualify for assistance if it satisfies the conditions of paragraph 3 of this Section.

Paragraph 3. *Conditions for assistance*

(a) An eligible member shall consult the Managing Director of the Trustee before making a request for assistance.

(b) Before approving a request, the Trustee shall be satisfied that the member has a need for balance of payments assistance ("need") and is making a reasonable effort to strengthen its balance of payments position. The need of a member shall be assessed on the basis of the member's balance of payments position, its reserve position, and developments in its reserves.

(c) A member shall be deemed to be making a reasonable effort within the meaning of subparagraph (b) of this paragraph if the member has presented to the Fund, in connection with a stand-by arrangement or extended arrangement granted by the Fund or in connection with a purchase from the Fund in the credit tranches, a program for twelve months that,

(i) for the first period in paragraph 1 of this Section, falls predominantly within that period, i.e., begins not earlier than January 1, 1976 or not later than December 1, 1977; and

(ii) for the second period in paragraph 1 of this Section, falls predominantly within that period, i.e., begins not earlier than January 1, 1978 or not later than November 30, 1979.

A program for one period in paragraph 1 of this Section shall not include any months included in a program submitted in connection with a request for the other period.

(d) The Fund, in considering a member's program as described in subparagraph (c) of this paragraph, shall assess, in accordance with subparagraph (b) of this paragraph, the need of the member during the twelve months of the program. This assessment shall be deemed to determine the need of the member for assistance from the Trust during the period in paragraph 1 of this Section within which the program falls, provided that the extent of the need assessed in connection with one program may be increased on the

basis of an assessment made in connection with another program during the same period.

(e) If a member that wishes to qualify for assistance does not come within subparagraph (c) of this paragraph, it shall present to the Trustee, when requesting assistance, a program for twelve months as required by subparagraph (c), and shall satisfy the Trustee that the program is in accordance with subparagraph (b) of this paragraph. In making its determination under subparagraph (b) of this paragraph, the Trustee shall apply the criteria applied by the Fund to a request for a purchase in the first credit tranche. The Trustee shall assess the member's need when the program is presented.

(f) The assessment of a member's need and the finding that the member is making a reasonable effort to strengthen its balance of payments position shall not be re-examined during the twelve months of the program for which the assessment and finding were made. There shall be no re-examination in connection with disbursements made after the twelve months with respect to the period in paragraph 1 of this Section for which the assessment and finding were made unless the Trustee determines that the member's circumstances have changed substantially in that period. In any re-examination, the Trustee shall give the member the benefit of any reasonable doubt in arriving at a new assessment of the member's need or a new finding with respect to its effort to strengthen its balance of payments position during that period. Repurchases in respect of the use of the Fund's resources will be taken into account in determining the extent of a member's need.

(g) In considering a program in support of a request for assistance in the second period in paragraph 1 of this Section, and in determining whether the member is making a reasonable effort within the meaning of subparagraph (b) of this paragraph, the Trustee shall take into account the progress made by the member toward strengthening its balance of payments position under a program in the first period.

Paragraph 4. *Terms and conditions of loans from the Trust*

(a) The terms and conditions of a loan to a member shall prescribe that it shall repay each disbursement under the 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.

(b) 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 in semiannual installments.

(c) Loans shall be expressed in special drawing rights, and the value of a currency in terms of the special drawing right shall be determined in accordance with the regulations of the Fund in effect on the date for which the calculation is made.

(d) Toward the end of the period of five years after the first disbursement under the first loan made under this Instrument, the Trustee shall review, in the light of circumstances and on the basis of uniform criteria, the repayment terms of outstanding loans.

(e) On the request of a member when repayment of an installment is due under a loan, the Trustee may reschedule the repayment if the Trustee finds that repayment on the due date would result in serious hardship for the member, provided that the rescheduling would not impair the ability of the Trust to meet its liabilities.

Paragraph 5. *Amounts available for disbursement*

(a) The amounts available for disbursement in respect of a period in paragraph 1 of this Section shall be (i) the amounts realized by the Trust from the sales of one-half of the gold to be made available to the Trust, whether or not sold during the period, and any income from the investment of the proceeds of these sales, and (ii) the amounts of other transfers of resources to the Trust and other income of the Trust received during the period. The amount available for disbursement in respect of a period shall be expressed

for all eligible members that qualify for assistance during that period as the same percentage of their quotas in effect on December 31, 1975 or to which they had consented before that date. No member shall receive disbursements in excess of its need.

(b) Interim disbursements may be made from time to time in respect of a period in paragraph 1 of this Section. The last installment in respect of a period shall be made as soon as practicable after the end of the period.

Section III. Administration of the Trust

Paragraph 1. *Trustee*

(a) The Trust shall be administered by the Fund as Trustee. Except as otherwise required by the provisions of this Instrument or as determined by the Trustee, the Trust shall be administered in accordance with the same rules and procedures, including administrative rules and procedures, that apply to operations and transactions on the account of the Fund.

(b) The Trustee, acting through its Managing Director, is authorized (i) to make arrangements to establish special accounts in the name of the International Monetary Fund, which shall be accounts of the Fund as Trustee, with such depositories of the Fund as the Trustee deems necessary or expedient, and (ii) to take all other administrative measures that the Trustee deems necessary or expedient in order to carry out the purposes of this Instrument.

(c) Decisions and other actions taken by the Fund as Trustee shall be identified as taken in that capacity.

Paragraph 2. *Separation of assets and accounts*

(a) The resources and records of the Trust shall be kept separate from the assets and records of all other Accounts of the Fund.

(b) The Trustee may postpone disbursement of an amount of the proceeds of the sale of gold that it deems necessary for use as working capital in the administration of the Trust.

(c) The resources of the Trust shall be used only in accordance with this Instrument and shall not be used to discharge liabilities or to meet losses incurred by the Fund in the administration of its other Accounts. The property and assets of the Fund held in its other Accounts shall not be used to discharge liabilities or to meet losses arising out of administration of the Trust.

(d) The audit committee selected under Section 20 of the Fund's By-Laws shall audit the financial records and transactions of the Trust. The audit shall relate to the fiscal year of the Fund.

Paragraph 3. *Reimbursement of expenses*

The General Account of the Fund shall be reimbursed annually by the Trust in respect of the expenses of conducting the business of the Trust that are paid from the General Account. Reimbursement shall be made on the basis of a reasonable estimate of these expenses by the Fund.

Paragraph 4. *Investment and other operations and transactions*

(a) The Trustee may invest balances of currency held by the Trust in marketable obligations of international financial organizations or in marketable obligations issued by, and denominated in the currency of, the country whose currency is used to make the investment, provided that the concurrence is obtained of the country whose currency is used for investment.

(b) The Trustee may sell or exchange any of the resources of the Trust or use any of the resources, other than gold, as security for any loans to the Trust, provided that the concurrence is obtained of the members whose currencies are exchanged.

(c) The Trustee may establish such reserves for the purposes of the Trust as it deems appropriate.

(d) The Trustee shall discharge any obligations undertaken in connection with transfers that were not irrevocable within the meaning of Section I, paragraph 2(c), and subject thereto may transfer to the Special Disbursement Account of the Fund any amounts received in the repayment of loans.

Section IV. Annual Report and Modifications

Paragraph 1. *Modifications*

If paragraph 1 of Section II or the list of eligible members in Annex A is modified, a transferor may declare that it will make no further transfers to the Trust, and shall be entitled to request and obtain the return of an amount equivalent to that part of its transfer that has not been used. The unused part to which it shall be entitled shall be that proportion of the total of all unused amounts represented by its transfers in relation to all other transfers. No part of this paragraph 1 shall apply to transfers that are irrevocable transfers under Section I, paragraph 2(c).

Paragraph 2. *Report*

The Trustee shall report on the operation of the Trust in the annual report of the Executive Directors of the Fund to the Board of Governors of the Fund and shall include in that annual report the report of the audit committee on the Trust.

Section V. Period of Operation and Liquidation

Paragraph 1. *Period of operation*

The Trust established by this Instrument shall remain in effect for as long as is necessary to conduct and to wind up the business of the Trust.

Paragraph 2. *Liquidation*

When a decision is taken to liquidate the Trust, the resources of the Trust shall be used first to pay administrative expenses, and

then to discharge the terms of transfers other than irrevocable transfers. The remainder of the resources, if any, shall be transferred to the Fund before, and to the Special Disbursement Account of the Fund after, the second amendment of the Articles of the Fund.

Section VI. Other Activities of the Trust

The Trustee may undertake other activities in connection with the distribution of the profits from the sale of gold for the benefit of developing countries in accordance with paragraph 6(3) of the Communiqué of the Interim Committee of the Board of Governors of the Fund on the International Monetary System dated August 31, 1975 that can appropriately be carried out through the Trust, provided that the activities are consistent with the purposes of the Fund and are not inconsistent with any provision of the Instrument.

REVIEW OF INSTRUMENT TO ESTABLISH THE TRUST FUND AND LIST OF ELIGIBLE MEMBERS

1. Section II, paragraph 2 shall read:

"(a) Eligible members for the first period in paragraph 1 of this Section shall be those members of the Fund that are listed in Annex A.*

(b) Eligible members for the second period in paragraph 1 of this Section shall be those members of the Fund that are listed in Annex B.**

*See *Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1976*, pages 116-17.
**See *Annual Report of the Executive Board for the Financial Year Ended April 30, 1978*, pages 131-32.

(c) An eligible member shall qualify for assistance if it satisfies the condition of paragraph 3 of this Section."

2. In Section II, paragraph 3(c)(i) the word "predominantly" is changed to "partly" and ". . . December 1, 1977" is changed to ". . . June 1, 1978."

3. "Annex B" attached to Executive Board Decision No. 5563(77/150) TR, adopted October 28, 1977, shall be attached to the Instrument as "Annex B."

Decision No. 5563-(77/150) TR
October 28, 1977

TRUST FUND: DIVERSIFICATION OF INVESTMENTS

(a) Amendment of Section III, paragraph 4(a) of the Trust Instrument

Section III, paragraph 4(a) of the Instrument to Establish the Trust Fund annexed to Decision No. 5069-(76/72), adopted May 5, 1976, is modified to read as follows:

The Trustee may invest balances of currency held by the Trust with the concurrence of the member whose currency is to be used. The Trustee may invest in (i) marketable obligations of international financial organizations, (ii) marketable obligations denominated in special drawing rights issued by members or national official financial institutions of members, (iii) marketable obligations issued by, and denominated in the currency of, the member, or its national official financial institutions, whose currency is used to make an investment, and (iv) deposits denominated in special drawing rights with commercial banks.

Decision No. 5972-(78/189) TR
December 4, 1978

(b) Diversification of Trust Fund Investments

1. The Fund, recognizing that the SDR is the unit of account in which the assets of the Trust established by Decision No. 5069-(76/72), adopted May 5, 1976, are valued, concludes that it would be desirable to continue to maintain, in a manner compatible with the operational needs of the Trust, the currency assets of the Trust, other than those that need to be distributed directly to developing countries in proportion to their quotas on August 31, 1975, in assets denominated in SDRs or in a combination of currencies that would, to the maximum extent practicable, correspond to the composition of the SDR basket.

2. The Managing Director shall place in deposits, denominated in SDRs, with the Bank for International Settlements (BIS) the profits from the gold sales realized in the remainder of the auctions to be held under paragraph 7, Schedule B, with the exception of the portion of these profits that is to be distributed directly to developing countries in proportion to their quotas on August 31, 1975, unless the Managing Director considers that the terms offered by the BIS on an intended deposit denominated in SDRs are not sufficiently attractive. In that event the Managing Director shall inform the Executive Board and make other proposals to it for investment in SDR-denominated obligations, which may include obligations of international financial organizations or members or national official financial institutions of members or commercial banks. If it is not possible to make investments in SDR-denominated obligations on terms that are sufficiently attractive, the Managing Director shall make other proposals for investment.

Decision No. 5973-(78/189) TR
December 4, 1978

Distribution to Developing Countries of Profits from Gold Sales: Authority to Distribute Profits Through Trust Fund

The Trustee is authorized to distribute through the Trust the profits from the sale of gold for the benefit of developing countries as referred to in paragraph 7 of the Executive Board Decision No. 5069-(76/72), adopted May 5, 1976 and Section VI of the Instrument to Establish the Trust Fund.

Decision No. 5709-(78/41) TR
March 23, 1978

Trust Fund: Procedures for Final Payments of Profits and Loans for the Period July 1, 1976 to June 30, 1978

I. The Trust will make final disbursements of loans for its first period of two years, in accordance with the procedures and conclusions set out in TR/78/24 (5/19/78) and Supplement 1 (6/21/78).*

II. The Trustee will distribute through the Trust Fund the profits from sales of gold for the benefit of developing members for the total amounts shown in the Attachment to TR/78/24 and in accordance with the procedures outlined in that paper and its supplement.

Decision No. 5832-(78/95) TR
June 26, 1978

*The paper and its supplement are not included in this publication.

TRUST FUND: SECOND PERIOD

(a) Timing of Loan Disbursements

The timing of the loan disbursements in the remainder of the Trust's second two-year period (July 1, 1978–June 30, 1980) shall be in accordance with the schedule [below].

Decision No. 6201-(79/121) TR
July 23, 1979

[. . . the interim disbursement be made hereafter at quarterly intervals instead of half-yearly . . . The more frequent disbursements would add to the existing half-yearly schedule two other interim disbursements, one at the end of October 1979 and the other at the end of April 1980.]

(b) Extension of Period for Qualification

In Section II, paragraph 3(c)(ii), of the Trust Fund Instrument, the word "predominantly" is changed to "partly" and ". . . November 30, 1979" is changed to ". . . May 1, 1980."

Decision No. 6202-(79/121) TR
July 23, 1979

(c) Extension of Second Period

1. The date "December 31, 1980" shall be substituted for the date "June 30, 1980" in

(i) Decision No. 5069-(76/72), paragraph 2, May 5, 1976; and

(ii) the Instrument to Establish the Trust Fund, annexed to Decision No. 5069-(76/72), Section II, paragraph 1.

2. The date "November 1, 1980" shall be substituted for the date "May 1, 1980" in paragraph 3(c)(ii) of the Instrument referred to in 1(ii) above, as amended by Decision No. 6202-(79/121) TR, July 23, 1979.

3. Loan disbursements in the remainder of the Trust's second period shall be made as follows: interim disbursements at end-April and end-July 1980, and the final disbursement in January 1981.

Decision No. 6466-(80/68) TR
April 9, 1980

TRUST FUND: EXTENSION OF SECOND PERIOD

1. . . .*

2. (a) The date "February 28, 1981" shall be substituted for "December 31, 1980" in paragraph 2 of Executive Board Decision No. 5069-(76/72), as subsequently amended, and in Section II, paragraph 1 of the Instrument Establishing the Trust Fund, annexed to Executive Board Decision No. 5069-(76/72), as subsequently amended.

(b) The date "January 1, 1981" shall be substituted for the date "November 1, 1980" in Section II, paragraph 3(c)(ii) of the Instrument referred to above, as subsequently amended.

3. The final loan disbursement in respect of the Trust Fund's second period shall be made toward the end of March 1981, provided that an interim disbursement may be made to. . . .

Decision No. 6676-(80/168) TR
November 19, 1980

*Not included in this publication.

TRUST FUND: MEANS OF PAYMENT OF INTEREST BY MEMBERS ON THEIR INDEBTEDNESS UNDER LOAN AGREEMENTS

Payments of interest on members' indebtedness under their loan agreements with the Fund as Trustee of the Trust Fund shall be made with U.S. dollars.

Such payments may be made also in SDRs in accordance with Decision No. 8642-(87/101) S/TR, adopted July 9, 1987.

*Decision No. 6358-(79/188) TR**
December 19, 1979, as amended by
Decision No. 8640-(87/101) S/TR
July 9, 1987

TRUST FUND: MEANS OF REPAYMENT BY MEMBERS ON THEIR INDEBTEDNESS UNDER LOAN AGREEMENTS

Repayment of members' indebtedness under their loan agreements with the Fund as Trustee of the Trust Fund shall be made with U.S. dollars.

Such repayment may be made also in SDRs in accordance with Decision No. 8642-(87/101) S/TR, adopted July 9, 1987.

Decision No. 7142-(82/85) TR
June 18, 1982, as amended by
Decision No. 8640-(87/101) S/TR
July 9, 1987

*Interest due in 1977, 1978, and on June 30, 1979, for example, was paid in U.S. dollars pursuant to decisions adopted in 1977, 1978, and on June 18, 1979.

TRUST FUND: SPECIAL CHARGES ON OVERDUE FINANCIAL OBLIGATIONS*

TRUST FUND: FINAL DIRECT DISTRIBUTION OF PROFITS

The Trustee will make the direct distribution of profits from sales of gold for the benefit of developing members through the Trust Fund in accordance with the procedures and in the amounts set out in TR/80/17 (6/10/80)** and Correction 1 (6/11/80).**

Decision No. 6540-(80/98) TR
June 25, 1980

TRUST FUND: TERMINATION AND TRANSFER OF RESOURCES TO SPECIAL DISBURSEMENT ACCOUNT

1. Having conducted the review specified in Section II, paragraph 4(d) of the Instrument to Establish the Trust Fund attached to Decision No. 5069-(76/72), of May 5, 1976 (hereinafter called the Trust Instrument), the Fund, as Trustee, decides, with effect from the date disbursements under loans from the Trust Fund are completed, that the repayment terms of such loans from the Trust Fund will not be changed, provided, however, that, if the Trustee finds that repayment of an installment on the due date would result in serious hardship for the borrower the Trustee may reschedule the repayment to a date not later than two years after the date such repayment was originally due.

2. (a) The Fund, as Trustee, decides that the Trust Fund shall be terminated as of April 30, 1981 or the date on which disbursements under Trust Fund loans are finally completed, whichever is the later. After that date, the activities of the Trust shall be

*See pages 328-30.
**Not included in this publication.

confined to the completion of any unfinished business of the Trust Fund and the winding up of its affairs.

(b) The resources of the Trust Fund held on the termination date or subsequently received by the Trustee, except those resources still being held for distribution to members or required to satisfy the liabilities specified in Section V, paragraph 2 of the Trust Instrument, shall be transferred, as expeditiously as possible, to the Special Disbursement Account in accordance with Section V, paragraph 2 of the Trust Instrument.

(c) Nothing in this paragraph 2 shall limit the authority of the Trustee, either before or during the winding up of the Trust Fund, to reschedule loan repayments in cases of serious hardship as provided in paragraph 1 above.

3. (a) From the resources received in the Special Disbursement Account of the Fund pursuant to paragraph 2(b) above, the Fund shall make available an amount equivalent to SDR 750 million for use in the Supplementary Financing Facility Subsidy Account (hereinafter called the Subsidy Account). Such amount shall be transferred to the Subsidy Account as provided in Section 4 of the Instrument establishing the Subsidy Account.

(b) . . .*

Decision No. 6704-(80/185) TR
December 17, 1980

Terms of Repayment of Final Loan Disbursement and Amendment of Trust Instrument

The terms of repayment for the final disbursement of loans to be made to those members on the list in Attachment II to TR/81/3

*See page 385.

(3/10/81)* and Correction I (3/11/81) that will receive as a final disbursement about 0.4 percent of quota shall be one installment equal to the amount of the disbursement to be repaid not later than the end of the tenth year from the date of disbursement, and Section II, paragraph 4(a) of the Trust Instrument annexed to Executive Board Decision No. 5069-(76/72) shall be considered amended accordingly.

Decision No. 6793-(81/45)
March 25, 1981

Subsidy Account

SUPPLEMENTARY FINANCING FACILITY: SUBSIDY ACCOUNT—INSTRUMENT

To help fulfill its purposes, the International Monetary Fund (hereinafter called the Fund) has adopted this Instrument establishing the Supplementary Financing Facility Subsidy Account (hereinafter called the Account), which shall be governed by and administered in accordance with the terms of this Instrument.

Section 1. *Purpose*

The purpose of the Account shall be to reduce the cost to eligible developing members, in accordance with Section 8, of using the Fund's resources under the policies of the Fund referred to in Section 7 of this Instrument.

Section 2. *Resources*

The resources of the Account shall consist of:

(a) amounts donated to the Account;

*Not included in this publication.

(b) amounts transferred to the Account from the Special Disbursement Account of the Fund;

(c) the proceeds of borrowing by the Fund for the Account; and

(d) the income or net gains from investment of resources of the Account.

Section 3. *Donations*

The Fund may accept donations of resources for the Account in such amounts and under such arrangements as may be agreed between the Fund and the respective donors, consistent with the provisions of this Instrument.

Section 4. *Amounts Transferred from Special Disbursement Account*

(a) Subject to (b) below, a total equivalent to SDR 750 million shall be transferred to the Account from the assets received by the Special Disbursement Account of the Fund on termination of the operation, in its present form, of the Trust Fund established by Executive Board Decision No. 5069-(76/72). These transfers to the Account shall be made as the amounts are received in the Special Disbursement Account.

(b) If, on the basis of reasonable estimates, the Executive Board determines at any time that amounts already transferred to the Account, together with the other assets available to the Account, are sufficient to carry out the operations and to meet the liabilities of the Account in full, it may authorize the suspension of further transfers from, and the re-transfer of any surplus back, to the Special Disbursement Account, provided that transfers shall be resumed, up to the total amount specified in (a), if this proves necessary to complete the operations of the Account and to discharge its liabilities in full.

Section 5. *Borrowing*

(a) The Fund may borrow resources for the Account on such terms and conditions as may be agreed between the Fund and the respective lenders, consistent with the provisions of this Instrument. In undertaking such borrowing, the Fund shall make every effort to obtain loans on concessionary terms. The aggregate amount of such borrowing, including the interest payable on the borrowing, shall not exceed the SDR 750 million that could be transferred to the Account from the Special Disbursement Account under Section 4.

(b) Payments of interest and repayments of the principal amount under each such loan shall be made exclusively from the resources of the Account. All resources of the Account shall be available for such payments, except that donations shall not be used for this purpose without the consent of the donor. Resources transferred to the Account from the Special Disbursement Account pursuant to Section 4 shall be applied, as necessary, to make payments due under such loans, including the interest payable thereon, in priority to other uses of such resources.

Section 6. *Investment*

Any balances of currency held in the Account and not immediately needed to carry out the operations or to meet the liabilities of the Account shall be invested promptly in accordance with Section 14.

Section 7. *Authorized Subsidy*

The Fund shall draw upon the resources of the Account, in such order as it may determine, to reduce the cost to eligible members of the periodic charges paid by them to the General Resources Account of the Fund on holdings of their currencies acquired by the Fund as a result of all purchases under the policies referred to below, in respect of the entire periods for which such charges were paid:

(a) under the Supplementary Financing Facility of the Fund established by Executive Board Decision No. 5508-(77/127), and

(b) under the policy on exceptional use of the Fund's resources incorporated in Executive Board Decision No. 5732-(78/65), as amended by Executive Board Decision No. 5998-(79/1).

Section 8. *Eligible Members*

(a) Subject to (b) below, members eligible to receive a subsidy under Section 7 shall be those members that, according to the latest data provided by the World Bank before April 30, 1981, had per capita incomes in 1979 not in excess of that of the member with the highest per capita income in 1979 that was eligible to receive assistance from the Trust Fund.

(b) Also eligible to receive a subsidy under Section 7 shall be any other members that, according to the latest data provided by the World Bank before April 30, 1982, had per capita incomes in 1979 not in excess of that of the member with the highest per capita income in 1979 that was eligible to receive assistance from the Trust Fund, that member's per capita income determined according to the same data.

Section 9. *Calculation and Payment of the Subsidy*

(a) The amount of the subsidy shall be calculated as a percentage per annum of the currency holdings referred to in Section 7 and, subject to Section 10, shall be determined by the Fund in the light of the resources available to the Account. The determination and payment shall be made annually after the close of each financial year following the date of the Instrument. The Fund shall as far as practicable seek to ensure that, within the limits specified in Section 10, the percentage at which the subsidy is determined shall be equal over the entire period during which a subsidy is provided from the Account.

(b) Eligible members that, in accordance with Section 8, had per capita incomes in 1979 not in excess of the per capita income

used for determining eligibility for assistance from the International Development Association shall receive the full amount of the subsidy calculated pursuant to (a) above. All other eligible members shall receive a subsidy equal to one half of that amount.

(c) The amount of subsidy determined pursuant to (a) and (b) above shall be paid to each eligible member as soon as practicable after the determination is made.

Section 10. *Amount of Subsidy*

The subsidy provided to any member pursuant to Section 9 shall not exceed the equivalent of three percent per annum of the currency holdings specified in Section 7, nor reduce the effective charges on such holdings:

(a) if the holdings were acquired under a stand-by arrangement, below the charges which would have been applicable had such holdings been acquired under the Fund's policies on the regular use of its resources in the credit tranches; or

(b) if the holdings were acquired under an extended arrangement, below the charges which would have been applicable had such holdings been acquired under the Extended Fund Facility. For the purpose of the calculation of charges under (a) and (b), any adjustment in the rate of charge referred to in Rule I-6(4) that may be made to cover deferred income and placements to the Special Contingent Account shall not be taken into consideration.

Section 11. *Administration of the Account*

The Account shall be administered by the Fund as Trustee. Subject to the provisions of this Instrument, the Fund in administering the Account shall apply the same rules and procedures as apply to operations and transactions in the General Resources Account of the Fund.

Section 12. *Separation of Assets*

(a) The resources of the Account shall be held separately from the resources of all other accounts of the Fund, including other administered accounts, and shall be used only for the purposes of the Account.

(b) Except to the extent contemplated in Section 4, property and assets of the Fund held or administered in its other accounts shall not be available or used to discharge liabilities or to meet losses arising from the operations of the Account.

Section 13. *Exchange of Resources*

(a) Resources donated pursuant to Section 3 or loaned pursuant to Section 5 shall be paid in a freely usable currency, provided that a donor or lender which is a member or the fiscal agency of a member may, at its option, pay in the currency of the member. Amounts paid in a member's currency shall, at the time of payment, be exchanged by the member for freely usable currency, if so requested by the Fund. Donations and loans may also be made available in special drawing rights in accordance with arrangements made by the Fund for the holding and use of such special drawing rights.

(b) The Fund may sell or exchange any of the resources of the Account, provided that balances of currencies held in the Account may be exchanged only with the concurrence of the issuers of such currencies.

Section 14. *Authorized Investments*

Investments pursuant to Section 6 may be made in any of the following: (a) marketable obligations issued by an international financial organization and denominated in special drawing rights or in the currency of a member of the Fund; (b) marketable obligations issued by a member or by a national official financial institution of a member and denominated in special drawing rights or in the currency of that member; and (c) deposits with a

commercial bank, a national official financial institution of a member, or an international financial institution that are denominated in special drawing rights or in the currency of a member. Investment which does not involve an exchange of currency shall be made only after consultation with the member whose currency is to be used.

Section 15. *Administrative Expenses*

In order to compensate the Fund for the expenses of carrying out the business of the Account, the Account shall pay annually to the General Resources Account an amount equivalent to one thousandth per annum of the value of the resources in the Account at the end of each financial year, other than resources attributable to donations made under Section 3, provided that this amount may be varied if the Fund, on the basis of a reasonable estimate of its expenses, considers such variation to be appropriate.

Section 16. *Accounts, Audit, and Reports*

(a) The Fund shall maintain separate financial records and prepare separate financial statements for the Account.

(b) The audit committee selected under Section 20 of the Fund's By-Laws shall audit the financial transactions and records of the Account. The audit shall relate to the financial year of the Fund.

(c) The Fund shall report on the resources and operations of the Account in the annual report of the Executive Board to the Board of Governors and shall include in that annual report the report of the audit committee on the Account.

Section 17. *Amendment*

The Fund may amend the provisions of this Instrument, except this Section and Sections 1, 4, 5(b), 12, and 18, and the Account and its resources shall thereafter be governed by the Instrument as amended.

Section 18. *Termination Arrangements*

Upon completion of the subsidy operations authorized by this Instrument the Fund shall wind up the affairs of the Account. Any resources remaining in the Account after all outstanding liabilities of the Account have been discharged in full shall be applied first to reimburse the Special Disbursement Account up to the full amount transferred to the Account under Section 4, net of any previous re-transfers, and then to reimburse donors pro rata, up to the amounts of their donations. Any remaining balance in the Account shall be transferred to the Special Disbursement Account.

Decision No. 6683-(80/185) G/TR
December 17, 1980, as amended by
Decision Nos. 8523-(87/25) SBS, February 6, 1987, and
8941-(88/122) SBS, August 2, 1988

SUPPLEMENTARY FINANCING FACILITY: SUBSIDY ACCOUNT—INVESTMENT

The Managing Director shall place in deposits, denominated in SDRs, with the Bank for International Settlements, or in investments in a call account, denominated in SDRs, with the International Bank for Reconstruction and Development, the currencies received by the SFF Subsidy Account, unless the Managing Director considers that the terms offered are not sufficiently attractive. In that event the Managing Director shall inform the Executive Board promptly and make other proposals to it for investment in SDR-denominated obligations.

Decision No. 6854-(81/78) SBS
May 8, 1981, as amended by
Decision No. 8184-(86/9) SBS
January 15, 1986

SUPPLEMENTARY FINANCING FACILITY: SUBSIDY ACCOUNT—SUSPENSION OF TRANSFERS AND RE-TRANSFER OF SURPLUS

In accordance with Section 4(b) of the Instrument establishing the Supplementary Financing Facility Subsidy Account (Decision No. 6683-(80/185) G/TR, transfers from the Special Disbursement Account to the SFF Subsidy Account shall be suspended as soon as arrangements can be made for the investment of resources retained in the Special Disbursement Account. Any resources of the SFF Subsidy Account above the amounts necessary to meet its future liabilities shall be promptly re-transferred to the Special Disbursement Account as soon after the date of this decision as possible and as they may be received in the future.

Decision No. 7989-(85/81) SBS
May 28, 1985

SUPPLEMENTARY FINANCING FACILITY: SUBSIDY ACCOUNT—MEANS OF SUBSIDY PAYMENTS

Subsidy payments made after the effective date of this Decision with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument establishing the SFF Subsidy Account may be made, at the discretion of the Fund, in SDRs to beneficiaries agreeing to receive them, or in U.S. dollars, or in a combination of these two assets. Subsidy payments in U.S. dollars shall be made on the basis of the SDR/U.S. dollar exchange rate in effect three business days before the payment date.

Decision No. 8185-(86/9) SBS/S
January 15, 1986

SUPPLEMENTARY FINANCING FACILITY: SUBSIDY ACCOUNT— SUBSIDY PAYMENTS FOR THE PERIOD JULY 1, 1983 THROUGH JUNE 30, 1984

1. Subsidy payments shall be made with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument for the period July 1, 1983 through June 30, 1984 in the amounts indicated, which are the maximum rates permitted under Sections 9 and 10 of the Instrument, to each of the beneficiaries as listed in Table 2 of EBS/84/150.*

2. These subsidy payments shall be made in U.S. dollars on July 20, 1984 or as soon thereafter as any overdue charges on balances eligible for subsidy are paid, on the basis of the SDR/U.S. dollar exchange rate in effect three business days before the payment date.

Decision No. 7754-(84/108) SBS
July 16, 1984

SUPPLEMENTARY FINANCING FACILITY: SUBSIDY ACCOUNT— SUBSIDY PAYMENTS FOR THE PERIOD JULY 1, 1984 THROUGH JUNE 30, 1985

1. In accordance with the Instrument establishing the Supplementary Financing Facility Subsidy Account, subsidy payment shall be made with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument for the period July 1, 1984 through June 30, 1985, in the amount indicated to each of the eligible members as listed in the table of EBS/85/168.

2. The subsidy payment shall be made in U.S. dollars to each eligible member on July 24, 1985, or as soon thereafter as the member has paid all overdue charges, if any, on balances eligible for the subsidy, on the basis of the SDR/U.S. dollar exchange rate

*Not included in this publication.

in effect three business days before the payment date.

Decision No. 8037-(85/110) SBS
July 18, 1985

SUPPLEMENTARY FINANCING FACILITY: SUBSIDY ACCOUNT—SUBSIDY PAYMENTS FOR JULY 1, 1985 THROUGH JUNE 30, 1986

1. In accordance with the Instrument establishing the Supplementary Financing Facility Subsidy Account, subsidy payments shall be made with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument for the period July 1, 1985 through June 30, 1986, in the amount indicated to each of the eligible members as listed in Table 2 of EBS/86/276 (12/17/86).

2. The subsidy payment shall be made to each eligible member on December 23, 1986, or as soon thereafter as the member has paid all overdue charges, if any, on balances eligible for the subsidy.

Decision No. 8492-(87/1) SBS
December 22, 1986

SUPPLEMENTARY FINANCING FACILITY: SUBSIDY ACCOUNT—DISBURSEMENT OF ADDITIONAL SUBSIDY AMOUNTS FOR THE TWELVE-MONTH PERIOD ENDED JUNE 30, 1986

1. . . .*

2. In accordance with Section 10 of the Instrument establishing the Supplementary Financing Facility Subsidy Account, as amended, additional subsidy payments shall be made with respect to charges paid on holdings of currency referred to in

*See last sentence of Section 10 of the Subsidy Account Instrument on page 635.

Section 7 of the Instrument for the period July 1, 1985 through June 30, 1986, in the amount indicated to each of the eligible members as listed in Column 3 of the table attached to EBS/87/22.

3. The subsidy payment shall be made to each eligible member on February 9, 1987, or as soon thereafter as the member has paid all overdue charges, if any, on balances eligible for the subsidy.

Decision No. 8523-(87/25) SBS
February 6, 1987

SUPPLEMENTARY FINANCING FACILITY: SUBSIDY ACCOUNT—ADDITIONAL SUBSIDY PAYMENTS FOR JULY 1, 1985 THROUGH JUNE 30, 1986 AND SUBSIDY PAYMENTS FOR JULY 1, 1986 THROUGH JUNE 30, 1987

1. In accordance with Section 10 of the Instrument establishing the Supplementary Financing Facility Subsidy Account, as amended, additional subsidy payments shall be made with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument for the period July 1, 1985 through June 30, 1986, in the amount indicated to each of the eligible members as listed in Column 2 of Table 1 of the attachment to EBS/87/166.

2. In accordance with Section 10 of the Instrument establishing the Supplementary Financing Facility Subsidy Account, as amended, subsidy payments shall be made with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument for the period July 1, 1986 through June 30, 1987, in the amount indicated to each of the eligible members as listed in Column 5 of Table 1 of the attachment to EBS/87/166.

3. The subsidy payments shall be made to each eligible member on August 4, 1987, or as soon thereafter as the member

has paid all overdue charges, if any, on balances eligible for the subsidy.

Decision No. 8674-(87/117) SBS
August 3, 1987

SUPPLEMENTARY FINANCING FACILITY: SUBSIDY ACCOUNT—ADDITIONAL SUBSIDY PAYMENTS FOR MAY 1, 1987 THROUGH JUNE 30, 1987, AND SUBSIDY PAYMENTS FOR JULY 1, 1987 THROUGH JUNE 30, 1988

1. . . .*

2. In accordance with the Instrument establishing the Supplementary Financing Facility Subsidy Account, as amended, additional subsidy payments shall be made with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument for the period May 1, 1987 through June 30, 1987, in the amount indicated to each of the eligible members as listed in Column 2 of Attachment I to EBS/88/151.

3. In accordance with the Instrument establishing the Supplementary Financing Facility Subsidy Account, as amended, subsidy payments shall be made with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument for the period July 1, 1987 through June 30, 1988, in the amount indicated to each of the eligible members as listed in Column 5 of Attachment I to EBS/88/151.

4. The subsidy payments shall be made to each eligible member on August 2, 1988, or as soon thereafter as the member has paid all outstanding charges, if any, on balances eligible for the subsidy.

Decision No. 8941-(88/122) SBS
August 2, 1988

*See last sentence of Section 10 of the Subsidy Account Instrument on page 635.

SUPPLEMENTARY FINANCING FACILITY: SUBSIDY ACCOUNT—SUBSIDY PAYMENTS FOR JULY 1, 1988 THROUGH JUNE 30, 1989

1. In accordance with the Instrument establishing the Supplementary Financing Facility Subsidy Account, as amended, subsidy payments shall be made with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument for the period July 1, 1988 through June 30, 1989, in the amount indicated to each of the eligible members as listed in Column 4 of Table 2 in EBS/89/143.

2. The subsidy payments shall be made to each eligible member on July 26, 1989, or as soon thereafter as the member has paid all overdue charges, if any, on balances eligible for the subsidy.

Decision No. 9222-(89/97) SBS
July 24, 1989

SUPPLEMENTARY FINANCING FACILITY: SUBSIDY ACCOUNT—ADDITIONAL SUBSIDY PAYMENTS FOR MAY 1–JUNE 30, 1989 AND SUBSIDY PAYMENTS FOR JULY 1, 1989–JUNE 30, 1990

1. In accordance with the Instrument establishing the Supplementary Financing Facility Subsidy Account, as amended, additional subsidy payments shall be made with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument for the period May 1, 1989 through June 30, 1989, in the amount indicated to each of the eligible members as listed in Column 2 of Table 2 in EBS/90/134.

2. In accordance with the Instrument establishing the Supplementary Financing Facility Subsidy Account, as amended, subsidy payments shall be made with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument for the period July 1, 1989 through June 30, 1990, in the amount indicated to

each of the eligible members as listed in Column 5 of Table 2 in EBS/90/134.

3. The subsidy payments shall be made to each eligible member on July 25, 1990, or as soon thereafter as the member has paid all outstanding charges, if any, on balances eligible for the subsidy.

Decision No. 9510-(90/122) SBS
July 25, 1990

SUPPLEMENTARY FINANCING FACILITY: SUBSIDY ACCOUNT—ADDITIONAL SUBSIDY PAYMENTS FOR MAY 1–JUNE 30, 1990 AND SUBSIDY PAYMENTS FOR JULY 1, 1990–JUNE 30, 1991

1. In accordance with the Instrument establishing the Supplementary Financing Facility Subsidy Account, as amended, additional subsidy payments shall be made with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument for the period May 1, 1990 through June 30, 1990, in the amount indicated to each of the eligible members as listed in Column 2 of Table 2 in EBS/91/123.

2. In accordance with the Instrument establishing the Supplementary Financing Facility Subsidy Account, as amended, subsidy payments shall be made with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument for the period July 1, 1990 through June 30, 1991, in the amount indicated to each of the eligible members as listed in Column 5 of Table 2 in EBS/91/123.

3. The subsidy payments shall be made to each eligible member on July 31, 1991.

Decision No. 9788-(91/105) SBS
July 31, 1991

Selected Resolutions of the Board of Governors
and
Related Documents

A. Request for Interpretation of the Articles of Agreement as to the Authority of the Fund to Use Its Resources

RESOLVED:

THAT the Executive Directors of the International Monetary Fund are invited, at the request of the Governor for the United States of America, to interpret the Articles of Agreement, pursuant to Article XVIII*(a), as to whether the authority of the Fund to use its resources extends beyond current monetary stabilization operations to afford temporary assistance to members in connection with seasonal, cyclical, and emergency fluctuations in the balance of payments of any member for current transactions, and whether the Fund has authority to use its resources to provide facilities for relief, reconstruction, or armaments, or to meet a large or sustained outflow of capital on the part of any member.**

Resolution No. IM-6
March 18, 1946

*Corresponds to Article XXIX of the Articles of Agreement after the Second Amendment.

**The interpretation was made by the Executive Board on September 26, 1946. See Decision No. 71-2 on page 99.

B. Resolution of the United Nations General Assembly 377(V) Entitled "Uniting for Peace"

RESOLVED:

WHEREAS the General Assembly of the United Nations on November 3, 1950, adopted a Resolution entitled "Uniting for Peace";

NOW, THEREFORE, the Board of Governors, taking note of said Resolution, hereby RESOLVES:

THAT the Fund, in the conduct of its activities shall have due regard for recommendations of the General Assembly made pursuant to the said Resolution for the maintenance or restoration of international peace and security.

Resolution No. 6-8
September 13, 1951

C. Composite Resolution on the Work of the Ad Hoc Committee on Reform of the International Monetary System and Related Issues and on a Program of Immediate Action

The Board of Governors having noted:

That the ad hoc Committee on Reform of the International Monetary System and Related Issues, which was established at the Board's 1972 Annual Meeting to advise and report with respect to all aspects of reform of the international monetary system, has now concluded its work; and

That the Chairman of the ad hoc Committee has transmitted its final report ("Report to the Board of Governors of the International Monetary Fund by the Committee on Reform of the International Monetary System and Related Issues") accompanied by an "Outline of Reform" (hereinafter referred to as the Outline), consisting of Part I ("The Reformed System"), which records the outcome of the Committee's discussions and indicates the general direction in which the Committee believes the system could evolve, and Part II ("Immediate Steps"), which sets out the steps that the Committee agrees should be taken immediately; and

That the Executive Directors have been studying various aspects of the international monetary system and in accordance with the Committee's recommendations on immediate steps in the Report and Outline have adopted certain decisions;

NOW, THEREFORE, the Board of Governors hereby takes the following actions:

Resolution Nos. 29-7, 29-8, 29-9, 29-10
October 2, 1974

First Resolution (No. 29-7):

Final Report of the Ad Hoc Committee on Reform of the International Monetary System and Related Issues

The Board of Governors hereby RESOLVES as follows:

1. The Board of Governors notes the report of the ad hoc Committee on Reform of the International Monetary System and Related Issues.

2. The Board expresses its deep appreciation to the Committee and its Chairman, to the Deputies and their Chairman, and to the Bureau upon the conclusion of their work on international monetary reform for the valuable contribution that they have made both in indicating the general direction in which the international monetary system could evolve in the future and in proposing immediate steps and other measures on which members could collaborate in an evolutionary process of reform.

3. The Committee shall cease to exist on October 2, 1974.

*Second Resolution (No. 29-8):**

Establishment of an Interim Committee of the Board of Governors on the International Monetary System

WHEREAS the Committee of the Board of Governors of the International Monetary Fund on Reform of the International Monetary System and Related Issues has referred to the desirability of establishing by amendment of the Articles of Agreement a permanent and representative Council with appropriate powers; and

WHEREAS it is desirable, pending the establishment of the Council, to establish an Interim Committee of the Board of

*Amended by Resolution No. 48-2 adopted effective April 12, 1993.

Governors on the International Monetary System with an advisory role, and with a composition similar to that of the Council; and

WHEREAS it is desirable that the Interim Committee shall come into existence when the Committee on Reform of the International Monetary System and Related Issues ceases to exist;

NOW, THEREFORE, the Board of Governors hereby RESOLVES as follows:

1. *Composition of the Interim Committee*

(a) There shall be established an Interim Committee of the Board of Governors on the International Monetary System. The members of the Committee shall be governors of the Fund, ministers, or others of comparable rank. Each member of the Fund that appoints an executive director and each member or group of members of the Fund that elected an executive director on or after the date on which the last regular election took place shall appoint:

(i) one member of the Committee, and not more than

(ii) seven associates.

Each member of the Committee and each associate shall serve until a new appointment is made.

(b) Members of the Committee, associates, and executive directors or in their absence their alternates, shall be entitled to attend meetings of the Committee, unless the Committee decides to hold a more restricted session. Each member of the Fund that appoints an executive director and each group of members of the Fund referred to in (a) above may designate an alternate to participate in the place of the member of the Committee at any meeting when he is not present. Participation in respect of each item on the agenda of a meeting shall be limited to one person, who shall be a member of the Committee, an associate, or an executive director.

(c) The Committee shall select a Chairman, who shall serve for such period as the Committee determines. The Chairman of the Board of Governors, or a governor designated by him, shall convene the first meeting of the Committee and shall preside over it until a Chairman has been selected.

(d) The Managing Director shall be entitled to participate in all meetings of the Committee, and may designate a representative to participate in his place at any meeting when he is not present. The Managing Director or his representative may be accompanied normally by not more than two members of the staff, unless the Committee decides to hold a restricted session.

(e) A member of the Fund whose voting rights are suspended pursuant to Article XXVI, Section 2(b) shall not appoint, or participate in the appointment of, a member of the Committee and his associates. When the voting rights of a member are suspended, the rules in Schedule L, paragraph 3(c) on the termination of office and replacement of executive directors shall apply to the member of the Committee and associates appointed by the member or in whose appointment the member has participated.

2. *Representation of Members Not Entitled to Appoint a Member of the Committee*

A member of the Fund not entitled to appoint a member of the Committee may send a representative to participate in any meeting of the Committee when a request made by, or a matter particularly affecting, that member is under consideration. The Committee shall determine, upon request by the member, whether a matter under consideration particularly affects the member.

3. *Terms of Reference*

The Committee shall advise and report to the Board of Governors with respect to the functions of the Board of Governors in:

(i) supervising the management and adaptation of the international monetary system, including the continuing operation of the adjustment process, and in this connection reviewing developments in global liquidity and the transfer of real resources to developing countries;

(ii) considering proposals by the Executive Directors to amend the Articles of Agreement; and

(iii) dealing with sudden disturbances that might threaten the system.

In addition, the Committee shall advise and report to the Board of Governors on any other matters on which the Board of Governors may seek the advice of the Committee.

In performing its duties, the Committee shall take account of the work of other bodies having specialized responsibilities in related fields.

4. *Procedures*

(a) The Committee shall meet ordinarily three or four times a year. The Chairman may call meetings after consulting the members of the Committee, and shall consult the members of the Committee on calling a meeting if so requested by any member of the Committee.

(b) A quorum for any meeting of the Committee shall be two thirds of the members of the Committee.

(c) Meetings of the Committee shall be held within the metropolitan area in which the Fund has its principal office, or at such other places as the Committee may provide or, in the absence of such provision, as the Chairman shall determine after consulting the members of the Committee.

(d) Appropriate arrangements shall be made for the effective coordination of the work of the Committee and of the Executive Directors. The Secretary of the Fund shall serve as the Secretary of the Committee.

(e) In reporting any recommendations or views of the Committee, the Chairman shall seek to establish a sense of the meeting. In the event of a failure to reach a unanimous view, all views shall be reported, and the members holding such views shall be identified. Reports of the Committee shall be made available to the Executive Directors.

(f) The Committee may invite observers to attend during the discussion of an item on the agenda of a meeting, and may determine any aspect of its procedure that is not established by this Resolution.

*Third Resolution (No. 29-9):**

Establishment of Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries

WHEREAS the Committee of the Board of Governors of the International Monetary Fund on Reform of the International Monetary System has recommended the establishment of a joint ministerial committee of the Boards of Governors of the International Monetary Fund (the Fund) and the International Bank for Reconstruction and Development (the Bank) to carry forward the study of the broad question of the transfer of real resources to developing countries and to recommend measures to be adopted in order to implement its conclusions;

WHEREAS it is desirable to consider the question of the transfer of real resources to developing countries in relation to existing or prospective arrangements among countries, including those

*Amended by Resolution No. 48-4 adopted effective April 23, 1993.

involving international trade and payments, the flow of capital, investment, and official development assistance;

WHEREAS the said Committee has invited the Managing Director of the Fund to discuss with the President of the Bank the preparation of appropriate parallel draft resolutions on the establishment of such a joint ministerial committee for adoption by the respective Boards of Governors of the Fund and Bank;

WHEREAS pursuant to such discussions the President of the Bank and the Managing Director of the Fund have proposed to the Executive Directors of the Bank and Fund, respectively, and the Executive Directors of the Fund have approved the submission of this Draft Resolution to the Board of Governors of the Fund and the Executive Directors of the Bank have approved the submission of a parallel Draft Resolution to the Board of Governors of the Bank;

WHEREAS the Committee as envisaged would be helpful in providing a focal point in the structure of international economic cooperation for formation of a comprehensive overview of diverse international activities in the development area, for efficient and prompt consideration of development issues, and for coordination of international efforts to deal with problems of financing development; and

WHEREAS the Board of Governors of the Bank is considering the said parallel resolution;

NOW, THEREFORE, the Board of Governors hereby RESOLVES:

1. *Establishment and Composition of Joint Ministerial Committee*

(a) There is established a Joint Ministerial Committee of the Boards of Governors of the Bank and Fund on the Transfer of Real Resources to Developing Countries (hereinafter called the Development Committee).

(b) The members of the Development Committee shall be governors of the Bank, governors of the Fund, ministers, or others of comparable rank.

(c) The members of the Development Committee shall be appointed in turn for successive periods of two years by the members of the Bank and the members of the Fund. The members of the Bank shall appoint the members of the Committee for the first period of two years, which shall run from the date of the adoption of this Resolution until the date of the regular election of executive directors in 1976.

(d) Each member government of the Bank or the Fund, as the case may be, that appoints or elects an executive director and each group of member governments of the Bank or of the Fund, as the case may be, that elects an executive director shall appoint one member of the Development Committee and up to seven associates, and, for any meeting when the member of the Committee is not present, may appoint an alternate with full power to act for the member at such meeting.

(e) Each member and associate shall serve until a new appointment is made by the member government or member governments of the Bank or the Fund, as the case may be, that are entitled to make the appointment or until the next succeeding regular election of executive directors, whichever is earlier.

(f) During the periods when appointments are made by members of the Bank, a member of the Bank whose membership has been suspended pursuant to Article VI, Section 2 of the Articles of Agreement of the Bank shall not appoint or participate in the appointment of a member of the Committee, his alternate and associates. When the membership of a member of the Bank is suspended, and when a suspended member is restored to good standing, the consequences on the Executive Director of the Bank appointed or elected by such member, or in whose election such member participated, shall apply to the member of the Committee, his alternate and associates appointed by that member of the Bank, or in whose appointment such member participated.

(g) During the periods when appointments are made by members of the Fund, a member of the Fund whose voting rights are suspended pursuant to Article XXVI, Section 2(b) of the Articles of Agreement of the Fund shall not appoint, or participate in the appointment of, a member of the Committee, his alternate and associates. When the voting rights of a member of the Fund are suspended, the rules in Schedule L, paragraph 3(c) of the Articles of Agreement of the Fund on the termination of office and replacement of executive directors shall apply to the member of the Committee, his alternate and associates appointed by that member of the Fund, or in whose appointment such member participated.

2. *Chairman*

The Development Committee shall select a Chairman from among its members, who shall serve for such period as the Committee determines. The Chairman of the Boards of Governors of the Bank and the Fund, or a governor designated by him shall convene the first meeting of the Committee and shall preside over it until the Chairman has been selected.

3. *Meetings*

(a) Members of the Development Committee, associates, and the executive directors of the Bank and the Fund, or in their absence their alternates, shall be entitled to participate in meetings of the Committee, unless the Committee decides to hold a session restricted to members, the President of the Bank, and the Managing Director of the Fund. Participation in respect of each item on the agenda of a meeting shall be limited to one person in respect of each member government or group of member governments that appoint a member of the Committee.

(b) The President of the Bank and the Managing Director of the Fund shall be entitled to participate in all meetings of the Development Committee, and each may designate a representative to participate in his place at any meeting when he is not present.

Each may be accompanied normally by two members of his staff, at any unrestricted session of the Committee.

(c) The Development Committee shall invite the heads of other international financial or economic organizations, as well as other persons, to attend or participate in meetings of the Committee relating to their areas of responsibility.

4. *Terms of Reference*

(a) The Development Committee shall maintain an overview of the development process and shall advise and report to the Boards of Governors of the Bank and the Fund on all aspects of the broad question of the transfer of real resources to developing countries, and shall make suggestions for consideration by those concerned regarding the implementation of its conclusions. The Committee shall review, on a continuing basis, the progress made in fulfillment of its suggestions.

(b) The Development Committee shall establish a detailed program of work, taking account of the topics listed in Annex 10 of the Outline of Reform. The Committee in carrying out its work shall bear in mind the need for coordination with other international bodies.

(c) The Development Committee shall give urgent attention to the problems of (i) the least developed countries and (ii) those developing countries most seriously affected by balance of payments difficulties in the current situation.

5. *Procedures*

(a) The Development Committee shall meet at the time of the annual meetings of the Boards of Governors of the Bank and the Fund and, in addition, as often as required. The Chairman may call meetings after consulting the members of the Committee and shall consult them on calling a meeting if so requested by any member of the Committee.

(b) A quorum for any meeting of the Development Committee shall be two thirds of the members of the Committee.

(c) The Development Committee may establish subcommittees or working groups from time to time.

(d) The Committee shall appoint an Executive Secretary who shall be entitled to participate in all Committee meetings. The Executive Secretary, supported by a small staff as necessary, and drawing on the staffs of the Bank and the Fund to the maximum extent feasible, shall be responsible to the Committee for carrying out the work directed by the Committee.

(e) Appropriate arrangements shall be made for the coordination of the work of the Development Committee and the work of the Executive Directors of the Bank and the Fund.

(f) The President of the Bank and the Managing Director of the Fund shall arrange to carry out technical work requested by the Committee and provide administrative support for the Committee within the competence of their organizations.

(g) The Committee may request assistance from international organizations or other bodies or individuals in connection with the preparation of its work.

(h) In reporting any suggestions or views of the Development Committee, the Chairman shall seek to establish a sense of the meeting. In the event of a failure to reach a unanimous view, all views shall be reported, and the members holding such views shall be identified.

(i) The Development Committee shall report not less than once a year to the Boards of Governors on the progress of its work and may publish such other reports as it deems desirable to carry out its purposes.

(j) The Development Committee may determine any aspect of its procedure that is not established by this Resolution.

6. *Administrative Costs*

The Bank and the Fund shall make such financial appropriations, in equal proportions, as are necessary for carrying out the work of the Development Committee.

7. *Review*

At the end of two years from the effective date of this Resolution, the Boards of Governors of the Fund and the Bank shall review the performance of the Committee, and shall take such action as they deem appropriate.

Fourth Resolution (No. 29-10):

Other Immediate Steps

The Board of Governors hereby RESOLVES as follows:

1. *Need for Immediate Steps*

The Board of Governors notes the view of the Committee on Reform of the International Monetary System and Related Issues (hereinafter referred to as the Committee) that it will be some time before a reformed system can be finally agreed and fully implemented, and it endorses the Committee's proposal that, in the interim period, the Fund and its members should pursue the general objectives set out in paragraph 1 of the Outline adopted by the Committee and should observe, so far as they are applicable, the principles contained in Part I of the Outline. The Board notes that in Part II of the Outline the Committee proposes that a number of steps should be taken immediately to begin an evolutionary process of reform and to help meet the current problems facing both developed and developing members. The Board of Governors endorses the proposals of the Committee and the Committee's calls upon members to collaborate with the Fund and with each other to give effect to those proposals.

2. *The Adjustment Process*

The Board of Governors notes that the Committee has recognized that in the interim period, with the prospect of significant changes in the structure of balances of payments in the world, there is need for close international consultation and for surveillance of the adjustment process. The Board endorses the Committee's recommendation that members should be guided in their adjustment action by the general principles set out in paragraph 4 of the Outline. The Board endorses the Committee's call to members to cooperate with one another and with international institutions, during the current period of exceptional and widespread payments imbalances, to find orderly means to deal with these imbalances without adopting policies that would aggravate the problems of other members, and to promote equilibrating capital flows. In this connection, the Board of Governors welcomes Decision No. 4241-(74/67), adopted by the Executive Directors on June 13, 1974, to establish a facility in the Fund to assist members in meeting the initial impact of the increase in the cost of oil imports.

The Fund shall exercise surveillance of the adjustment process through the Council when established (and, for the time being, the Interim Committee on the International Monetary System) and the Executive Directors, on the lines of the procedures set out in paragraphs 5–10 of the Outline, and subject for the time being to the following provisos, namely that:

(a) the Fund shall seek to gain further experience in the use of the objective indicators, including reserve indicators, on an experimental basis, as an aid in assessing the need for adjustment, but shall not use such indicators to establish any presumptive or automatic application of pressures;

(b) determination of what is a disproportionate movement in reserves shall be made in the light of the broad objectives of members for the development of their reserves over a period ahead, as discussed with the Fund; and

(c) the pressures that may be applied to members in large and persistent imbalance shall continue to be those at present available to the Fund.

3. *Exchange Rates*

The Board of Governors notes that the Committee has stressed that, during the interim period, exchange rates will continue to be a matter for international concern and consultation, and has attached particular importance to the avoidance of competitive depreciation or undervaluation. The Board endorses these views and notes with satisfaction that in accordance with the Committee's recommendation the Executive Directors have taken Decision No. 4232-(74/67), adopted June 13, 1974, on guidelines for the management of floating exchange rates during the present period of widespread floating.

4. *Controls*

The Board of Governors endorses the Committee's recommendation that, during the interim period, countries should be guided by the principles set out in paragraphs 14–17 of the Outline in relation to controls and to cooperative action to limit disequilibrating capital flows. The Board endorses the Committee's view that particular importance must be attached to avoiding the escalation of restrictions on trade and payments for balance of payments purposes during the interim period. The Board endorses the invitation to members to subscribe on a voluntary basis to the Declaration concerning trade and other current account measures for balance of payments purposes attached to the Committee's final communiqué, and requests members to consider subscribing to the Declaration if they have not already done so. The Board notes with satisfaction that the Executive Directors are developing the necessary procedures in connection with the Declaration, and are making arrangements for continuing close cooperation with the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade.

5. *Global Liquidity*

The Board of Governors endorses the Committee's call to members to cooperate with the Fund during the interim period in seeking to promote the principle of better management in global liquidity as set out in paragraph 2(d) of the Outline. In accordance with the Committee's recommendation, the Fund shall assess global reserves and take decisions on the allocation and cancellation of special drawing rights consistently with paragraph 25 of the Outline. The Fund shall periodically review the aggregate volume of official currency holdings in accordance with paragraph 19 of the Outline and, if they are judged to show an excessive increase, the Fund shall consider with the members concerned what steps might be taken to secure an orderly reduction.

In accordance with the Committee's recommendation, the Fund shall give consideration to substitution arrangements.

In accordance with the Committee's recommendation, the Fund shall give further study to arrangements for gold in the light of the agreed objectives of reform.

6. *Valuation of the Special Drawing Right*

The Board of Governors notes with satisfaction that, following the Committee's recommendation concerning the interim valuation and interest rate of the special drawing right, the Executive Directors have taken the following decisions on these questions: No. 4233(74/67) S,* adopted June 13, 1974: No. 4234-(74/67) S,* adopted June 13, 1974; No. 4236-(74/67) S,* adopted June 13, 1974; No. 4257-(74/76), adopted June 28, 1974; and No. 4261-(74/78) S, adopted July 1, 1974. These decisions provide for an interim valuation of the special drawing right without prejudice to the method of valuation to be adopted in a reformed system.

***Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1974*, pages 116–18, 119.

7. *The Special Interests of Developing Countries*

The Committee has recognized the serious difficulties that are facing many developing members, and has agreed that their needs for financial resources will be greatly increased. It has urged all members with available resources to make every effort to supply these needs on appropriate terms. To this end, the Committee has called upon members with available resources and upon development finance institutions to make arrangements to increase the flow of concessionary funds, and to give consideration to various measures including the redistribution of aid effort in favor of members in greatest need, interest subsidies, and short-term debt relief on official loans in the special circumstances of members without access to financial markets. The Board of Governors notes with satisfaction that, following the Committee's recommendation, the Executive Directors have taken Decision No. 4377-(74/114), adopted September 13, 1974, to establish a new facility in the Fund under which developing members in particular are likely to receive balance of payments finance for longer periods and in amounts larger in relation to quota than has been the practice under existing tranche policies. The Board notes that the Committee is not unanimous on the question of establishing a link between development assistance and the allocation of special drawing rights and invites the Interim Committee established by the Second Resolution to consider the possibility and modalities of establishing such a link simultaneously with the preparation by the Executive Directors of draft amendments of the Articles of Agreement, which it is envisaged would be presented for the approval of the Board by February 1975.

8. *General Review of Quotas*

The Board of Governors endorses the Committee's request to the Executive Directors to complete, as soon as possible, their work on the current general review of quotas, and in doing so to bear in mind the general purposes of the reform.

9. *Amendments to the Articles of Agreement*

The Board of Governors notes that certain of the immediate steps recommended in Part II of the Outline require amendment of the Articles of Agreement, and that, following the Committee's recommendation in paragraph 41 of the Outline, the Executive Directors have begun their consideration of draft amendments of the Articles of Agreement to give effect to this part of the Outline or as otherwise desired.

The Board requests the Executive Directors to transmit any draft amendments that they prepare pursuant to paragraph 41 of the Outline to the Interim Committee for consideration in accordance with paragraph 3(ii) of the Second Resolution and, if agreed, for presentation to the Board of Governors for its approval.

Interim Committee: Rules of Procedure

1. *Committee Members, Associates, and Alternates*

The Secretary of the Fund shall be informed of the appointment of all members of the Committee and their associates and of the designation of alternates. The Secretary shall notify periodically all Governors and members of the Committee of these appointments and shall notify all members of the Committee of these designations.

2. *Meetings*

(a) Except in special circumstances, the Chairman shall cause all members of the Committee and their associates to be notified at least ten days in advance of any meeting.

(b) Persons invited by the Committee to attend during the discussion of an item on the agenda of a meeting may submit documents on that item and join in the discussion.

3. *Agenda*

A provisional agenda to be adopted by the Committee shall be prepared for each meeting by the Chairman after consulting the members of the Committee and the Managing Director of the Fund, and shall be distributed as far in advance of the meeting as possible. Any member of the Committee may propose the addition of an item to the provisional agenda.

Adopted October 3, 1974
by the Interim Committee

Development Committee: Rules of Procedure

1. *Committee Members, Associates, and Alternates*

The Executive Secretary of the Committee shall be informed of the appointment of all members of the Committee and their associates and of the appointment of alternates. The Executive Secretary shall notify periodically all Governors and members of the Committee of these appointments.

2. *Meetings*

(a) Except in special circumstances, the Chairman shall, after consultation with the members, cause all members of the Committee and their associates to be notified at least 30 days in advance of any meeting, and documents shall be distributed at least 30 days in advance of the meeting, if possible.

(b) Persons invited by the Committee to attend during the discussion of an item on the agenda of a meeting may submit documents on that item and join in the discussion.

3. *Agenda*

A provisional agenda to be adopted by the Committee shall be prepared for each meeting by the Chairman after consulting the

members of the Committee, the President of the Bank and the Managing Director of the Fund, and shall be distributed as far in advance of the meeting as possible. Any member of the Committee may propose the addition of an item to the provisional agenda.

Adopted January 17, 1975
by the Development Committee

Development Committee: Changes in the Organization of Work and Structure of the Secretariat Function

1. The Development Committee would be continued as a Joint Bank/Fund Committee with its present broad mandate to consider all matters relating to the transfer of real resources.

2. The Development Committee's main function would be that of a discussion forum, including its use as a "reserve forum" for the discussions of issues relating to the operations of the institutions when circumstances warrant it.

3. The Chairman of the Development Committee, the Managing Director of the Fund, and the President of the Bank would be jointly responsible for organizing the work of the Development Committee with a view to more effective performance.

4. The independence of the Development Committee would be reflected in the ability to present ideas freely to members of the Committee—the work of the Committee would not be bound by a narrow definition of the responsibilities of the Bank and the Fund.

5. The Boards of the Bank and the Fund would be used as preparatory bodies for the work of the Development Committee including its agenda and work program, as well as reviewing and sharpening issues in papers prepared for Committee consideration.

6. To assure that proposals and views expressed by the Executive Directors are fully reflected in the papers, agenda and work program, when they meet on Development Committee matters, they will do so as Committees of the Whole of the Executive Boards.

7. Senior Officials would not be part of the institutional framework. However, Ministerial Deputies could meet on an ad hoc basis, when appropriate, to consider special issues. Since they would be Deputies to Ministers, the decision to convene them would be one for the Ministers.

8. The Secretariat would be reduced to a senior official who would serve as Executive Secretary. He would assist the Chairman, Managing Director and President in ensuring the effectiveness of the Development Committee's work. The Secretariat service required by the Development Committee would be provided by Bank/Fund staff.

9. The Working Group would be abolished. Task Forces—with a specific limited task and duration—might be used for certain issues with approval of the Development Committee.

10. Studies and papers for the Committee would normally be prepared by regular Fund/Bank staff, but consultants or other agencies may be asked by the Committee to contribute work under certain circumstances.

Adopted April 1, 1979
by the Development Committee

D. Increases in Quotas of Members—Sixth General Review

WHEREAS the Executive Directors have considered the adjustment of the quotas of members in accordance with the Resolution of the Board of Governors of the International Monetary Fund at its 1975 Annual Meeting:

> That the Board of Governors, having noted the report of the Executive Directors entitled "Increases in Quotas of Members—Sixth General Review," dated August 22, 1975, and having endorsed the understandings reached so far by the Interim Committee on this subject, continues its review under Article III, Section 2 and requests the Executive Directors to complete as promptly as possible their work on this matter on increases in individual quotas and on the mode of payment of subscriptions in respect of them and to submit appropriate proposals to the Board of Governors, after consideration of them by the Interim Committee;

WHEREAS the Executive Directors have submitted to the Board of Governors a report entitled "Increases in Quotas of Fund Members—Sixth General Review" containing recommendations on increases in the quotas of individual members of the Fund; and

WHEREAS the Interim Committee of the Board of Governors on the International Monetary System has endorsed the recommendations contained in the report of the Executive Directors; and

WHEREAS the Executive Directors have been requested to prepare and submit to the Board of Governors as soon as possible proposals to amend the Articles of Agreement of the Fund, including a proposal for the modification of the provisions relating to the payment of increases in quotas; and

WHEREAS the Executive Directors have recommended the adoption of the following Resolution of the Board of Governors, which Resolution proposes increases in the quotas of members of the Fund as a result of the sixth general review of quotas and deals

with certain related matters, by vote without meeting pursuant to Section 13 of the By-Laws of the Fund;

NOW, THEREFORE, the Board of Governors hereby RESOLVES that:

1. The International Monetary Fund proposes that, subject to the provisions of this Resolution, the quotas of members of the Fund shall be increased to the amounts shown against their names in the Annex* to this Resolution, provided that any member may consent to an increase in its quota that is smaller than the one shown in the Annex, and may consent thereafter to further increases up to the amount shown against its name in the Annex not later than the date prescribed by or under paragraph 5 below. Each increase shall be a whole number in millions of special drawing rights.

2. A member's increase in quota as proposed by this Resolution shall not become effective unless the member has notified the Fund of its consent to the increase not later than the date prescribed by or under paragraph 5 below and has paid the increase in quota in full, provided that no increase in quota shall become effective before (i) the effective date of the second amendment of the Articles or (ii) the date of the Fund's determination that members having not less than three fourths of the total of quotas on February 19, 1976 have consented to increases in their quotas, whichever is the later of these dates.

3. A member shall pay 25 percent of the increase in special drawing rights, the currencies of other members specified, with their concurrence, by the Fund, or in the member's own currency, and shall pay the balance of the increase in its own currency.

4. A member shall, within six months after the date of the adoption of this Resolution, make arrangements satisfactory to the Fund for the use of the member's currency in the operations and

*Not included in this publication.

transactions of the Fund in accordance with its policies, provided that the Executive Directors may extend the period within which such arrangements shall be made.

5. Notices in accordance with paragraph 2 above shall be executed by a duly authorized official of the member and must be received in the Fund not later than one month after the effective date of the second amendment of the Articles, provided that the Executive Directors may extend this period as they may determine.

6. Each member shall pay to the Fund the increase in its quota within 60 days after (a) the date on which it notifies the Fund of its consent or (b) the effective date of the second amendment of the Articles or (c) the date of the Fund's determination under paragraph 2(ii) above, whichever is latest.

7. The seventh general review of quotas shall be completed by February 9, 1978.

Resolution No. 31-2
March 22, 1976

E. Increases in Quotas of Fund Members—Seventh General Review

REPORT OF THE EXECUTIVE BOARD TO THE BOARD OF GOVERNORS

1. Article III, Section 2(*a*) of the Articles of Agreement provides that "The Board of Governors shall at intervals of not more than five years conduct a general review. and if it deems it appropriate, propose an adjustment of the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned." This report and the attached Resolution on increases in quotas under the current, i.e., the Seventh, General Review are submitted to the Board of Governors in accordance with Article III, Section 2.

In their Resolution of March 22, 1976,* the Board of Governors decided that "The Seventh General Review of Quotas shall be completed by February 9, 1978." The review was not completed by that date. At its meeting in Mexico City in April 1978, considerable progress was made by the Interim Committee toward achieving a consensus on the Seventh Review as reflected in the communiqué issued at the end of its meeting on April 30, 1978.

2. At the last meeting of the Interim Committee in Washington in September 1978, understandings were reached on all major issues of the Seventh Review, as reflected in the relevant passages from the Committee's communiqué of September 24, 1978, as follows:

> The Committee resumed its discussion of the Seventh General Review of Quotas and considered three major issues relating to it: the size of the overall increase in quotas, selective quota adjustments. and the method of payment of the increases in quotas. These issues were

*See pages 670-71.

considered by the Committee in conjunction with the various issues relating to the SDR with which they are regarded as interrelated. The Committee recalled its view that there was a need for an increase in total quotas under the Seventh Review that would be adequate to meet the expected need for conditional liquidity over the next five years. The Committee also recalled its view that an adequate increase would strengthen the available sources of balance of payments financing by enhancing the ability of the Fund to provide such financing without heavy recourse to borrowing and by furthering the process of international adjustment.

The Committee's view was that an increase in the overall size of quotas of 50 percent would be appropriate to bring about a better balance between the size of the Fund's resources and the need of members for balance of payments financing over the medium term. The Committee noted that the Executive Board does not intend to propose a general adjustment in quotas for five years after the Board of Governors approves the increase in quotas under the Seventh Review, unless there is a major change in the world economy and its financing needs.

The Committee noted with satisfaction that agreement had been reached on selective quota increases for 11 developing member countries: Iraq, Iran, Korea, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Singapore, and the United Arab Emirates.

Taking into account the conclusions reached on the issues relating to SDRs, including allocations of SDRs, the Committee was of the view that, for the quota increases proposed as a result of this review, participants in the Special Drawing Rights Department should pay 25 percent of the quota increase in SDRs and that nonparticipants should pay the equivalent of 25 percent of the increase in foreign exchange.

The Committee agreed to request the Executive Board to prepare and complete by November 1, 1978, for final decision and vote by the Board of Governors before the end of the year, a proposed resolution on increases in the quotas of members, which would include necessary provisions dealing with participation, the effective date of quota increases, and the method of payment of the increases in accordance with the understanding reached in the Committee.

The communiqué also included the following passage:

The Committee reached the conclusion . . . [on the issues related to SDRs] . . . with the understanding that these conclusions are interrelated and must be adopted in their entirety together with the understandings reached by the Committee on the Seventh General Review of Quotas. In the view of the Committee, therefore, decisions on all these issues

relating to SDRs and on the Seventh General Review should be taken at the same time.

3. The Executive Board has considered a number of factors, both of a qualitative and quantitative nature, that affect the expected need for conditional liquidity and the Fund's ability to finance that need over the medium term without heavy reliance on borrowing. One factor is the extent of the growth of, and possible fluctuations in, the value of international transactions; another factor is the likely continuation of relatively large payments imbalances for many countries in the next few years. In these circumstances, the demand for balance of payments financing may well rise, and the Fund's resources should be sufficient to permit the Fund to finance a reasonable share of that demand.

Furthermore, the Executive Board, while acknowledging the contribution made by the international capital markets to the effective functioning of the international monetary system over the last few years, believes that an increase in Fund quotas can promote the process of international adjustment in ways that could not be achieved through the private markets. The Fund provides its members with balance of payments financing on the understanding that these members will follow appropriate policies of economic adjustment. In these circumstances, members' access to the Fund's resources must be sufficiently large to induce members with substantial balance of payments needs to use those resources and to pursue economic policies and programs which the Fund is able to support. While access to the Fund's resources in terms of quota is now considerably in excess of the traditional policy norm of 100 percent of quota under the credit tranche policy, the ratio between access to Fund credit and payments imbalances is considered to be lower than a decade ago.

In recent years, the Fund has established or expanded a number of special facilities to help deal with certain balance of payments problems of its members. Some of them, notably the Extended Fund Facility and the expanded Compensatory Financing Facility, which are of a continuing character, have increased access to Fund resources in relation to quota without additional financing being

available to the Fund. On the other hand, borrowing by the Fund for the Oil Facilities of 1974 and 1975 and the Supplementary Financing Facility, which is expected to come into operation shortly, entailed, or will entail, the creation of claims on the Fund's general resources which are encashable on demand if a lender has a balance of payments need. Moreover, as was the case with the Oil Facilities, the resources provided under the Supplementary Financing Facility will augment members' access for a limited period of time only. At the end of that period, the Fund will be faced with both a reduction in the resources available to meet the needs of members and possibly large liquid liabilities relative to its quotas.

In view of the possibility of large payments imbalances over the next few years and the distribution of such imbalances, the Fund's liquidity position is likely to be vulnerable, even though the volume of usable currencies available to the Fund has recently increased. Resources made available through increases in quotas give the Fund a more assured access to resources than borrowing.

In light of the above considerations, the Executive Board is of the view that, in general, increased access to the Fund's resources should, over the longer run, normally result from an increase in Fund quotas.

4. For these reasons, and in accordance with the understandings reached by the Interim Committee at its meeting on September 24, 1978, the Executive Board now proposes to the Board of Governors increases in Fund quotas of 50 percent for most members and special increases for 11 members. The Executive Board does not intend to propose a general adjustment of quotas for five years after the Board of Governors adopts this Resolution, unless there is a major change in the world economy and its financing needs.

5. The Executive Board will review the customary method of calculating quotas after the Seventh General Review of Quotas has been completed. In the context of the next general review of quotas, the Executive Board will examine the quota shares of

members in relation to their positions in the world economy with a view to adjusting those shares better to reflect members' relative economic positions while having regard to the desirability of an appropriate balance in the composition of the Executive Board.

6. Under the proposed Resolution, a member will be able to consent to the increase in its quota at any time on or before November 1, 1980. Therefore, unless this period is extended by the Executive Board, members will have until November 1, 1980 to take whatever action may be necessary under their laws to enable them to give their consent.

7. It is proposed that the increase in a member's quota will take effect on the latest of the following three dates:

(a) The date on which the Fund receives the member's consent to the increase in quota;

(b) The date of the payment of the increase in subscription; and

(c) The date on which the Fund determines that the participation requirement in paragraph 2 of the proposed Resolution has been satisfied. The proposed Resolution provides, however, that if the participation requirement in paragraph 2 has not been met by June 30, 1980, no increase in quotas under the Seventh Review would become effective until after October 5, 1980, so that there would be no changes in quotas during, or shortly before, the 1980 Annual Meeting of the Board of Governors, when the next election of Executive Directors will take place. If the participation requirement were met during the period July 1 to October 5, 1980, increases in quotas would become effective only after October 5, 1980.

The participation requirement in paragraph 2 is reached when the Fund determines that members having not less than 75 percent of the total of quotas on November 1, 1978 have consented to increases in their quotas. In determining whether this degree of participation has been reached, the Fund will take into account all

consents to increases, whether they are increases to the maximum amount provided for or to a smaller amount.

8. The proposed Resolution does not provide for increases in quotas by fixed installments. A member will be able, however, to consent to an increase smaller than the maximum provided for. The member will be able to consent to further increases, up to the maximum provided for, at a later date, provided it is within the period for consent under paragraph 3 of the proposed Resolution.

9. The proposed Resolution provides that a member must pay the increase in its subscription within 30 days after (a) the date on which the member notifies the Fund of its consent, or (b) the date on which the participation requirement is met, whichever is the later.

10. Reflecting the understandings reached at the September 1978 meeting of the Interim Committee, 25 percent of the increase in quotas proposed as a result of the current review should be paid in SDRs for those members that are participants in the Special Drawing Rights Department, and 25 percent of the increase in the quotas of nonparticipants should be paid in the currencies of other members specified by the Fund, subject to their concurrence. The balance of the increase shall be in a member's own currency. These payments are in accordance with the prescription of Article III, Section 3(*a*), and therefore it is not necessary to include any provision for the payment of increases in the Resolution.

11. In accordance with paragraph 3 of the Interim Committee's communiqué of September 24, 1978, the Executive Board has taken decisions on aspects of the special drawing right that are referred to in paragraph 5 of that communiqué. These decisions will become effective on the dates referred to in them if the proposed Resolution and the Resolution on allocations of SDRs become effective. The proposed Resolution provides that it will become effective if it and the proposed Resolution on the Allocation of Special Drawing Rights are adopted by the necessary majority of the total voting power for each.

12. The Executive Board recommends adoption of the attached Resolution. The attached Resolution is designed to enable the Board of Governors to vote at one time on all matters connected with the increases in quotas under the Resolution.

October 25, 1978

*Proposed Resolution of the Board of Governors**

WHEREAS the Executive Board has submitted to the Board of Governors a report entitled "Increases in Quotas of Fund Members—Seventh General Review" containing recommendations on increases in the quotas of individual members of the Fund; and

WHEREAS the Executive Board has recommended the adoption of the following Resolution of the Board of Governors, which Resolution proposes increases in the quotas of members of the Fund as a result of the Seventh General Review of Quotas and deals with certain related matters, by vote without meeting pursuant to Section 13 of the By-Laws of the Fund;

NOW, THEREFORE, the Board of Governors hereby RESOLVES that:

1. The International Monetary Fund proposes that, subject to the provisions of this Resolution, the quotas of members of the Fund shall be increased to the amounts shown against their names in the Annex to this Resolution, provided that any member may consent to an increased quota that is smaller than the one shown in the Annex, and may consent thereafter to further increases that raise its quota to the amount shown against its name in the Annex not later than the date prescribed by or under paragraph 3 below.

2. A member's increase in quota as proposed by this Resolution shall not become effective unless the member has

*Adopted by the Board of Governors, effective December 11, 1978, and designated No. 34-2.

notified the Fund of its consent to the increase not later than the date prescribed by or under paragraph 3 below and has paid the increase in quota in full, provided that (a) no increase in quota shall become effective before the date of the Fund's determination that members having not less than three-fourths of the total of quotas on November 1, 1978 have consented to increases in their quotas, and (b) if the determination has not been made before July 1, 1980, no increase in quota shall become effective until after October 5, 1980.

3. Notices in accordance with paragraph 2 above shall be executed by a duly authorized official of the member and must be received in the Fund not later than November 1, 1980, provided that the Executive Board may extend this period as it may determine.

4. Each member shall pay to the Fund the increase in its quota within 30 days after the later of (a) the date on which it notifies the Fund of its consent or (b) the date of the Fund's determination under paragraph 2 above. If this determination is made in the period between July 1 and October 5, 1980, for the purpose of this paragraph it shall be deemed to have been made on October 5, 1980.

5. This Resolution shall become effective if it and the Proposed Resolution on Allocation of Special Drawing Rights for the Third Basic Period are adopted by the necessary majority of the total voting power for each.

ANNEX

	Proposed Maximum Quota (In millions of SDRs)
1. Afghanistan	67.5
2. Algeria	427.5
3. Argentina	802.5
4. Australia	1,185.0
5. Austria	495.0
6. Bahamas	49.5
7. Bahrain	30.0
8. Bangladesh	228.0
9. Barbados	25.5
10. Belgium	1,335.0
11. Benin	24.0
12. Bolivia	67.5
13. Botswana	13.5
14. Brazil	997.5
15. Burma	109.5
16. Burundi	34.5
17. Cameroon	67.5
18. Canada	2,035.5
19. Central African Empire	24.0
20. Chad	24.0
21. Chile	325.5
22. China, Republic of	550.0
23. Colombia	289.5
24. Comoros	3.5
25. Congo, People's Republic of the	25.5
26. Costa Rica	61.5
27. Cyprus	51.0
28. Denmark	465.0
29. Dominican Republic	82.5
30. Ecuador	105.0
31. Egypt	342.0
32. El Salvador	64.5
33. Equatorial Guinea	15.0
34. Ethiopia	54.0
35. Fiji	37.0
36. Finland	393.0
37. France	2,878.5
38. Gabon	45.0
39. Gambia, The	13.5
40. Germany, Federal Republic of	3,234.0
41. Ghana	159.0
42. Greece	277.5
43. Grenada	4.5
44. Guatemala	76.5
45. Guinea	45.0
46. Guinea-Bissau	5.9
47. Guyana	37.5
48. Haiti	34.5
49. Honduras	51.0
50. Iceland	43.5
51. India	1,717.5
52. Indonesia	720.0
53. Iran	1,075.0
54. Iraq	234.1
55. Ireland	232.5
56. Israel	307.5
57. Italy	1,860.0
58. Ivory Coast	114.0
59. Jamaica	111.0
60. Japan	2,488.5
61. Jordan	45.0
62. Kampuchea Democratic	25.0

	Proposed Maximum Quota (In millions of SDRs)
63. Kenya	103.5
64. Korea	255.9
65. Kuwait	393.3
66. Lao People's Democratic Republic	24.0
67. Lebanon	27.9
68. Lesotho	10.5
69. Liberia	55.5
70. Lybia	298.4
71. Luxembourg	46.5
72. Madagascar	51.0
73. Malawi	28.5
74. Malaysia	379.5
75. Maldives	1.4
76. Mali	40.5
77. Malta	30.0
78. Mauritania	25.5
79. Mauritius	40.5
80. Mexico	802.5
81. Morocco	225.0
82. Nepal	28.5
83. Netherlands	1,422.0
84. New Zealand	348.0
85. Nicaragua	51.0
86. Niger	24.0
87. Nigeria	540.0
88. Norway	442.5
89. Oman	35.1
90. Pakistan	427.5
91. Panama	67.5
92. Papua New Guinea	45.0
93. Paraguay	34.5
94. Peru	246.0
95. Philippines	315.0
96. Portugal	258.0
97. Qatar	66.2
98. Romania	367.5
99. Rwanda	34.5
100. São Tomé and Principe	3.0
101. Saudi Arabia	1040.1
102. Senegal	63.0
103. Seychelles	2.0
104. Sierra Leone	46.5
105. Singapore	92.4
106. Solomon Island	3.2
107. Somalia	34.5
108. South Africa	636.0
109. Spain	835.5
110. Sri Lanka	178.5
111. Sudan	132.0
112. Suriname	37.5
113. Swaziland	18.0
114. Sweden	675.0
115. Syrian Arab Republic	94.5
116. Tanzania	82.5
117. Thailand	271.5
118. Togo	28.5
119. Trinidad and Tobago	123.0
120. Tunisia	94.5
121. Turkey	300.0
122. Uganda	75.0
123. United Arab Emirates	202.6
124. United Kingdom	4.387.5
125. United States	12.607.5

	Proposed Maximum Quota (*In millions of SDRs*)
126. Upper Volta	24.0
127. Uruguay	126.0
128. Venezuela	990.0
129. Viet-Nam, Socialist Republic of	135.0
130. Western Samoa	4.5
131. Yemen Arab Republic of	19.5
132. Yemen, People's Democratic Republic of	61.5
133. Yugoslavia	415.5
134. Zaïre	228.0
135. Zambia	211.5

F. Increases in Quotas of Members—Eighth General Review

REPORT OF THE EXECUTIVE BOARD TO THE BOARD OF GOVERNORS

1. Article III, Section 2(*a*) of the Articles of Agreement provides that "The Board of Governors shall at intervals of not more than five years conduct a general review, and if it deems it appropriate, propose an adjustment of the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned." This report and the attached Resolution on increases in quotas under the current, i.e., Eighth, General Review are submitted to the Board of Governors in accordance with Article III, Section 2.

2. The Seventh General Review of Quotas was completed by Board of Governors Resolution No. 34-2, adopted December 11, 1978. To comply with the five-year interval prescribed by Article III, Section 2(*a*), the Eighth General Review has to be completed not later than December 11, 1983. In the Report of the Executive Board to the Board of Governors on *Increases in Quotas of Fund Members—Seventh General Review*, it was stated that:

> The Executive Board will review the customary method of calculating quotas after the Seventh Review of Quotas has been completed. In the context of the next general review of quotas, the Executive Board will examine the quota shares of members in relation to their positions in the world economy with a view to adjusting those shares better to reflect members' relative economic positions while having regard to the desirability of an appropriate balance in the composition of the Executive Board.

3. At its meeting in Helsinki, Finland, in May 1982, the Interim Committee urged the Executive Board to pursue its work on the Eighth General Review as a matter of high priority. At that meeting the Committee also ". . . noting that the present quotas of a significant number of members do not reflect their relative

positions in the world economy, . . . reaffirmed its view that the occasion of an enlargement of the Fund under the Eighth General Review should be used to bring the quotas of these members more in line with their relative positions, taking account of the case for maintaining a proper balance between the different groups of countries." At its meeting in Toronto, Canada, in September 1982, the Committee noted that "there was widespread support in the Committee on the urgent need for a substantial increase in quotas under the Eighth General Review" and "urged the Executive Board to pursue its work on the issues of the Review as a matter of high priority, so that the remaining issues on the size and distribution of the quota increase could be resolved by the time of the Committee's next meeting in April 1983."

4. In its discussions on the Eighth General Review, the Executive Board has considered, inter alia, (i) the method of calculating quotas; (ii) the size of the overall increase in quotas; (iii) the distribution of the overall increase; (iv) the position of countries with very small quotas in the Fund; and (v) the mode of payment for the increase in quotas.

5. As regards the Executive Board's review of the method of calculating quotas, the Executive Board agreed to certain changes regarding the quota formulas used for calculating quotas in connection with the Eighth General Review. The Executive Board accepted the quota calculations based on the revised quota formulas as reasonable indicators of the relative positions of countries in the world economy, though some Directors felt that they do not provide a wholly satisfactory measure of relative economic positions. It is understood that the changes that have been made do not preclude further appropriate changes in connection with future reviews.

6. At the meeting of the Interim Committee held in Washington in February 1983, which had been advanced from April 1983, agreement was reached on all major issues of the Eighth Review, as reflected in the relevant passages from the Committee's communiqué of February 11, 1983, as follows:

(a) The total of Fund quotas should be increased under the Eighth General Review from approximately SDR 61.03 billion to SDR 90 billion (equivalent to about US$98.5 billion).

(b) Forty percent of the overall increase should be distributed to all members in proportion to their present individual quotas, and the balance of sixty percent should be distributed in the form of selective adjustments in proportion to each member's share in the total of the calculated quotas, i.e., the quotas that broadly reflect members' relative positions in the world economy.

(c) Twenty-five percent of the increase in each member's quota should be paid in SDRs or in usable currencies of other members.

The Committee also considered the possibility of a special adjustment of very small quotas, i.e., those quotas that are currently less than SDR 10 million, and agreed to refer this matter to the Executive Board for urgent consideration in connection with the implementation of the main decision.

7. As requested by the Interim Committee at its meeting on February 11, 1983, the Executive Board has considered the position of the 17 members with very small quotas—i.e., those with quotas that at present are less than SDR 10 million. The Executive Board proposes that the quotas of these members should, after being increased in accordance with (b) quoted in paragraph 6 above, be further adjusted to the next higher multiple of SDR 0.5 million. The Executive Board proposes that all other quotas be rounded to the next higher multiple of SDR 0.1 million. The rounding to SDR 0.5 million would provide for larger quota increases relative to present quotas for most of the members with very small quotas.

8. In accordance with the agreement reached by the Interim Committee at its meeting on February 11, 1983, on items (a) and (b) quoted in paragraph 6 above and with rounding adjustments indicated in paragraph 7 above, the Executive Board proposes to the Board of Governors that the new quotas of members be as set out in the Annex to the proposed Resolution. These increases would raise Fund quotas from approximately SDR 61 billion to approximately SDR 90 billion.

9. Article III, Section 3(*a*) provides that 25 percent of any increase shall be paid in special drawing rights, but permits the Board of Governors to prescribe, inter alia, that this payment may be made on the same basis for all members, in whole or in part in the currencies of other members specified by the Fund, subject to their concurrence. Paragraph 5 of the Resolution provides that 25 percent of the increase in quotas proposed as a result of the current review should be paid in SDRs or in currencies of other members selected by the Fund, subject to their concurrence, or in any combination of SDRs and such currencies. The balance of the increase shall be paid in a member's own currency. A reserve asset payment will help strengthen the liquidity of the Fund and will not impose an undue burden on members because under the existing decisions of the Fund a reserve asset payment will either enlarge or create a reserve tranche position of an equivalent amount. In addition, the Fund stands ready to assist members that do not hold sufficient reserves to make their reserve asset payments to the Fund to borrow SDRs from other members willing to cooperate; these loans would be made on the condition that such members would repay on the same day the loans from the SDR proceeds of drawings of reserve tranches which had been established by the payment of SDRs.

10. Under the proposed Resolution, a member will be able to consent only to the amount of quota proposed for it in the Annex. A member will be able to consent to the increase in its quota at any time before 6:00 p.m., Washington time, November 30, 1983. In order to meet this time, members will have until the end of November 1983 to complete whatever action may be necessary under their laws to enable them to give their consents.

11. A member's quota cannot be increased until it has consented to the increase and paid the subscription. Under the proposed Resolution, the increase in a member's quota will take effect only after the Fund has received the member's consent to the increase in quota and a member has paid the increase in subscription, provided that the quota cannot become effective before the date on which the Fund determines that the participation requirement in paragraph 2 of the proposed Resolution has been satisfied. The

Executive Board is authorized by paragraph 3 of the proposed Resolution to extend the period of consent.

12. The participation requirement in paragraph 2 will be reached when the Fund determines that members having not less than 70 percent of the total of quotas on February 28, 1983 have consented to the increases in their respective quotas as set out in the Annex.

13. The proposed Resolution provides that a member must pay the increase in its subscription within 30 days after (a) the date on which the member notifies the Fund of its consent, or (b) the date on which the participation requirement is met, whichever is the later.

14. The Executive Board recommends that the Board of Governors adopt the attached Resolution that covers all the matters on which the Governors are requested to act. The adoption of the Resolution requires positive responses from Governors having an 85 percent majority of the total voting power.

February 25, 1983

*Proposed Resolution of the Board of Governors**

WHEREAS the Executive Board has submitted to the Board of Governors a report entitled "Increases in Quotas of Fund Members—Eighth General Review" containing recommendations on increases in the quotas of individual members of the Fund; and

WHEREAS the Executive Board has recommended the adoption of the following Resolution of the Board of Governors, which Resolution proposes increases in the quotas of members of the Fund as a result of the Eighth General Review of Quotas and deals

*Adopted by the Board of Governors, effective March 31, 1983, and designated No. 38-1.

with certain related matters, by vote without meeting pursuant to Section 13 of the By-Laws of the Fund;

NOW, THEREFORE, the Board of Governors hereby RESOLVES that:

1. The International Monetary Fund proposes that, subject to the provisions of this Resolution, the quotas of members of the Fund shall be increased to the amounts shown against their names in the Annex to this Resolution.

2. A member's increase in quota as proposed by this Resolution shall not become effective unless the member has notified the Fund of its consent to the increase not later than the date prescribed by or under paragraph 3 below and has paid the increase in quota in full, provided that no increase in quota shall become effective before the date of the Fund's determination that members having not less than 70 percent of the total of quotas on February 28, 1983 have consented to the increases in their quotas.

3. Notices in accordance with paragraph 2 above shall be executed by a duly authorized official of the member and must be received in the Fund before 6:00 p.m., Washington time, November 30, 1983, provided that the Executive Board may extend this period as it may determine.

4. Each member shall pay to the Fund the increase in its quota within 30 days after the later of (a) the date on which it notifies the Fund of its consent, or (b) the date of the Fund's determination under paragraph 2 above.

5. Each member shall pay 25 percent of its increase either in special drawing rights or in the currencies of other members specified, with their concurrence, by the Fund, or in any combination of special drawing rights and such currencies. The balance of the increase shall be paid by the member in its own currency.

ANNEX

	Proposed Maximum Quota (In millions of SDRs)		Proposed Maximum Quota (In millions of SDRs)
1. Afghanistan	86.7	31. Cyprus	69.7
2. Algeria	623.1	32. Denmark	711.0
3. Antigua and Barbuda	5.0	33. Djibouti	8.0
4. Argentina	1,113.0	34. Dominica	4.0
5. Australia	1,619.2	35. Dominican Republic	112.1
6. Austria	775.6	36. Ecuador	150.7
7. Bahamas	66.4	37. Egypt	463.4
8. Bahrain	48.9	38. El Salvador	89.0
9. Bangladesh	287.5	39. Equatorial Guinea	18.4
10. Barbados	34.1	40. Ethiopia	70.6
11. Belgium	2,080.4	41. Fiji	36.5
12. Belize	9.5	42. Finland	574.9
13. Benin	31.3	43. France	4,482.8
14. Bhutan	2.5	44. Gabon	73.1
15. Bolivia	90.7	45. Gambia, The	17.1
16. Botswana	22.1	46. Germany, Federal Republic of	5,403.7
17. Brazil	1,461.3	47. Ghana	204.5
18. Burma	137.0	48. Greece	399.9
19. Burundi	42.7	49. Grenada	6.0
20. Cameroon	92.7	50. Guatemala	108.0
21. Canada	2,941.0	51. Guinea	57.9
22. Cape Verde	4.5	52. Guinea-Bissau	7.5
23. Central African Republic	30.4	53. Guyana	49.2
24. Chad	30.6	54. Haiti	44.1
25. Chile	440.5	55. Honduras	67.8
26. China	2,390.9	56. Hungary	530.7
27. Colombia	394.2	57. Iceland	59.6
28. Comoros	4.5	58. India	2,207.7
29. Congo, People's Republic of the	37.3	59. Indonesia	1,009.7
30. Costa Rica	84.1	60. Iran, Islamic Republic of	1,117.4

	Proposed Maximum Quota *(In millions of SDRs)*
61. Iraq	504.0
62. Ireland	343.4
63. Israel	446.6
64. Italy	2,909.1
65. Ivory Coast	165.5
66. Jamaica	145.5
67. Japan	4,223.3
68. Jordan	73.9
69. Kampuchea, Democratic	25.0
70. Kenya	142.0
71. Korea	462.8
72. Kuwait	635.3
73. Lao People's Democratic Republic	29.3
74. Lebanon	78.7
75. Lesotho	15.1
76. Liberia	71.3
77. Libya	515.7
78. Luxembourg	77.0
79. Madagascar	66.4
80. Malawi	37.2
81. Malaysia	550.6
82. Maldives	2.0
83. Mali	50.8
84. Malta	45.1
85. Mauritania	33.9
86. Mauritius	53.6
87. Mexico	1,165.5
88. Morocco	306.6
89. Nepal	37.3
90. Netherlands	2,264.8
91. New Zealand	461.6
92. Nicaragua	68.2

	Proposed Maximum Quota *(In millions of SDRs)*
93. Niger	33.7
94. Nigeria	849.5
95. Norway	699.0
96. Oman	63.1
97. Pakistan	546.3
98. Panama	102.2
99. Papua New Guinea	65.9
100. Paraguay	48.4
101. Peru	330.9
102. Philippines	440.4
103. Portugal	376.6
104. Qatar	114.9
105. Romania	523.4
106. Rwanda	43.8
107. St. Lucia	7.5
108. St. Vincent	4.0
109. São Tomé and Principe	4.0
110. Saudi Arabia	3,202.4
111. Senegal	85.1
112. Seychelles	3.0
113. Sierra Leone	57.9
114. Singapore	250.2
115. Solomon Islands	5.0
116. Somalia	44.2
117. South Africa	915.7
118. Spain	1,286.0
119. Sri Lanka	223.1
120. Sudan	169.7
121. Suriname	49.3
122. Swaziland	24.7
123. Sweden	1,064.3
124. Syrian Arab Republic	139.1
125. Tanzania	107.0

	Proposed Maximum Quota (In millions of SDRs)
126. Thailand	386.6
127. Togo	38.4
128. Trinidad and Tobago	170.1
129. Tunisia	138.2
130. Turkey	429.1
131. Uganda	99.6
132. United Arab Emirates	385.9
133. United Kingdom	6,194.0
134. United States	17,918.3
135. Upper Volta	31.6
136. Uruguay	163.8
137. Vanuatu	9.0
138. Venezuela	1,371.5
139. VietNam	176.8
140. Western Samoa	6.0
141. Yemen Arab Republic	43.3
142. Yemen, People's Democratic Republic of	77.2
143. Yugoslavia	613.0
144. Zaïre	291.0
145. Zambia	270.3
146. Zimbabwe	191.0

G. Increases in Quotas of Members—Ninth General Review

REPORT OF THE EXECUTIVE BOARD TO THE BOARD OF GOVERNORS

1. Article III, Section 2(*a*) of the Articles of Agreement provides that "The Board of Governors shall at intervals of not more than five years conduct a general review, and if it deems it appropriate propose an adjustment, of the quotas of the members." The five-year period since the completion of the previous review will end on March 31, 1988. This report and the attached draft resolution are submitted to the Board of Governors, the organ competent under the Articles to deal with an adjustment of quotas, in accordance with Article III, Section 2.

2. In the course of the past year, the Executive Board has considered various aspects of the adjustment of quotas, including the formulas used to calculate quotas, the variables used in those formulas, the method of calculating quotas, and updated quota calculations. The Executive Board has also considered the need for and the size of an increase in the total of quotas, the techniques and criteria that might be considered in distributing a total increase among members, and matters relating to the payment of the increased subscriptions. While the Executive Board has concluded consideration of certain technical aspects of its work, it has not completed work on a number of substantive issues. Consequently, the Executive Board is not in a position to make recommendations in time for the Board of Governors to adopt a resolution completing the Ninth General Review by March 31, 1988.

3. The Interim Committee considered the subject of the Ninth General Review of Quotas during the twenty-ninth meeting of the Committee in Washington on September 27–28, 1987. Paragraph 7 of the communiqué issued at the conclusion of the meeting reads as follows:

> The Committee noted that the Committee of the Whole on the Ninth General Review of Quotas has begun its work by considering preliminary quota calculations and reviewing issues bearing on the size of the Fund. The Committee urged Executive Directors to pursue their work on the Ninth General Review of Quotas so as to be in a position to make appropriate recommendations in due course.

The Managing Director intends to make a progress report on the Ninth General Review to the Interim Committee at the next meeting of the Committee on April 14, 1988.

4. The Executive Board proposes to continue its work on this subject and to submit a report to the Board of Governors, together with appropriate recommendations regarding the size of the overall increase in quotas, increases in the quotas of individual members, and on the mode of payment of increases in subscriptions, not later than April 30, 1989.

5. In view of the foregoing considerations, it is recommended that the Board of Governors adopt the resolution set forth in the attachment to this report.

March 18, 1988

*Proposed Resolution of the Board of Governors**

RESOLVED:

That the Board of Governors, having noted the report of the Executive Board entitled *Increases in Quotas of Members—Ninth General Review,* hereby resolves to continue its review under Article III, Section 2(*a*) and requests the Executive Board to complete its work on this matter and to submit appropriate proposals to the Board of Governors not later than April 30, 1989.

*Adopted by the Board of Governors, effective April 22, 1988, and designated No. 43-1.

H. Increases in Quotas of Members—Ninth General Review

Report of the Executive Board to the Board of Governors

1. Article III, Section 2(*a*) of the Articles of Agreement provides that "The Board of Governors shall at intervals of not more than five years conduct a general review, and if it deemed it appropriate propose an adjustment, of the quotas of the members." The five-year period since the completion of the previous review of quotas ended on March 31, 1988. The Board of Governors decided in April 1988 to continue its review and requested the Executive Board to report on this matter and submit appropriate proposals to the Board of Governors not later than April 30, 1989. The Executive Board believes that further consideration is needed of the substantive issues relating to the Ninth Review before it will be in a position to make appropriate recommendations to the Board of Governors. The Executive Board is submitting this report, and the attached draft resolution, to the Board of Governors, the organ competent under the Articles to deal with an adjustment of quotas, in accordance with Article III, Section 2 and Resolution No. 43-1, adopted April 22, 1988.

2. In the course of the past year, the Executive Board has considered all the main elements relating to the Ninth Review. The main issues that have been discussed by Executive Directors are (i) the role of the Fund in the early 1990s; (ii) the size of the overall increase in quotas; (iii) the issues bearing on the distribution of the overall increase, including an examination of the position of the developing countries in the Fund and, in particular, those members with very small quotas; (iv) the question of ad hoc quota increases in the context of the quota review; (v) the mode of payment for the increase in quotas; and (vi) technical issues relating to the economic data and the formulas used to make quota calculations. The Directors have concluded certain technical aspects of their work but they have not concluded their discussions on most of the substantive issues, including the size of the overall increase in quotas, its distribution, and the media of payment for

the increased subscriptions. Directors will also continue their discussion of the role of the Fund in the early 1990s. Consequently, the Executive Board is not in a position to make recommendations in time for the Board of Governors to adopt a resolution completing the Ninth General Review by April 30, 1989.

3. The Interim Committee considered the subject of the Ninth General Review during the thirty-first and thirty-second meetings of the Committee in Berlin (West) on September 25–26, 1988, and in Washington on April 3, 1989, respectively. In connection with its latest meeting, the Executive Board submitted a report on the Ninth General Review which outlined the progress made in its work relating to the Ninth General Review and requested guidance from the Committee on the main issues discussed in the report. Paragraph 5 of the communiqué issued at the conclusion of the meeting reads as follows:

> The Committee agreed that the size and distribution of any quota increase should take into account changes in the world economy since the last review of quotas as well as members' relative positions in the world economy and the need to maintain a balance between different groups of countries, the Fund's effectiveness in fulfilling its systemic responsibilities, including its role in the strengthened debt strategy, and reduce the Fund's reliance on borrowing. The Committee urged the Executive Board to complete its work on the Ninth Review with a view to a decision on this matter by the Board of Governors before the end of this year.

A further report on the Ninth General Review will be made to the Interim Committee at its next meeting on September 24, 1989.

4. In the light of the above, and taking into account the conclusion of the Interim Committee as expressed in it latest communiqué, the Executive Board proposes that the Board of Governors continue its review and that the Executive Board submit a report to the Board of Governors, together with appropriate recommendations regarding the size of the overall increase in quotas, increases in the quotas of individual members, and on the mode of payment of increases in subscriptions, with a view to enable the Board of Governors to complete the Ninth Review by December 31, 1989.

5. In view of the foregoing considerations, it is recommended that the Board of Governors adopt the resolution set forth below:

April 24, 1989

*Proposed Resolution of the Board of Governors**

RESOLVED:

That the Board of Governors having noted the report of the Executive Board entitled *Increases in Quotas of Members—Ninth General Review*, hereby resolves to continue its review of quotas under Article III, Section 2(*a*), and requests the Executive Board to complete its work on the Ninth General Review of Quotas with a view to a decision by the Board of Governors on the completion of the Ninth Review before the end of this year.

*Adopted by the Board of Governors, effective May 30, 1989, and designated No. 44-1.

I. Increases in Quotas of Member—Ninth General Review

Report of the Executive Board to the Board of Governors

1. Article III, Section 2(*a*) of the Articles of Agreement provides that "The Board of Governors shall at intervals of not more than five years conduct a general review, and if it deems it appropriate propose an adjustment, of the quotas of the members." The five-year period since the completion of the previous review of quotas ended on March 31, 1988. The Ninth Review was not completed by that date. In April 1988 the Board of Governors decided to continue its review and requested the Executive Board to report on this matter and submit appropriate proposals to the Board of Governors not later than April 30, 1989. In May 1989, the Board of Governors again decided to continue its review and requested the Executive Board to complete its work on the Ninth Review with a view to a decision by the Board of Governors on the completion of the Review before the end of this year. The Executive Board believes that further consideration is needed of the substantive issues relating to the Ninth Review before it will be in a position to make appropriate recommendations to the Board of Governors. The Executive Board is submitting this report, and the attached draft resolution, to the Board of Governors, the organ competent under the Articles to deal with an adjustment of quotas, in accordance with Article III, Section 2 and Resolution No. 44-1, adopted May 30, 1989.

2. Since April 1989, the Executive Board has considered: (i) the role of the Fund in the early 1990s; (ii) the size of the overall increase in quotas; (iii) the issues bearing on the distribution of the overall increase, including the question of ad hoc increases in the context of the review, and an examination of the position of the developing countries in the Fund, in particular, those members with very small quotas; and (iv) the mode of payment for the increase in quotas. The Executive Board also considered the issues relating to the quota formulas used in making quota calculations for the Ninth Review. The Directors have concluded certain technical aspects of their work and have made considerable progress in their discussions relating to the role of the Fund, as well as on the size,

distribution, and payment for the increased subscriptions. However, the Directors have concluded that further consideration of the main issues relating to the increase in quotas is needed. Consequently, the Executive Board is not in a position to complete its work on the Ninth Review in time to enable the Board of Governors to complete the Ninth Review before the end of this year.

3. The Interim Committee considered the subject of the Ninth General Review during the thirty-first, thirty-second, and thirty-third meetings of the Committee in Berlin (West) on September 25–26, 1988, and, for the latter two meetings, in Washington, D.C., on April 3, 1989, and September 24–25, 1989, respectively. In connection with its latest meeting, the Executive Board submitted a report on the Ninth General Review which outlined the progress made in its work relating to the Ninth General Review and requested guidance from the Committee in particular on the size of an overall increase and on the principles that could be followed in distributing an enlargement of the Fund between members. Paragraph 4 of the communiqué issued at the conclusion of the meeting reads in part as follows:

> There was widespread support in the Committee on the need for a substantial increase in quotas under the Ninth General Review, although a few members believe that the Fund has adequate resources at the present time to fulfill its responsibilities. The Committee underscored the central role of the Fund in fostering a stable international monetary system and in promoting a strong and sound global economy. It agreed that it is of fundamental importance further to reinforce the role of the Fund as the central monetary institution and that it must be adequately endowed to fulfill its systemic responsibilities in the first half of the 1990s, while reducing reliance on borrowing. It also agreed that the Fund must be able to respond in an effective manner to the balance of payments needs of individual members that implement strong programs of growth-oriented adjustment—and to assist them in mobilizing support from other sources—while maintaining a strong liquidity position and the revolving character of its resources. In this context, the Committee noted that prolonged use of Fund resources by some countries could impair the revolving character of the Fund and asked the Executive Board to examine actions that could be taken to address these problems.
>
> The Committee reiterated that the size and distribution of any quota increase should take into account changes in the world economy since the last review of quotas as well as members' relative positions in the world

economy and the need to maintain a balance between different groups of countries, and the Fund's effectiveness in fulfilling its systemic responsibilities, including its role in the strengthened debt strategy. The main principles that could guide the distribution of the enlargement of the Fund among members are (i) all members should receive a meaningful increase in quotas and (ii) the distribution should be based on uniform methods. The Committee agreed that, in the case of a general quota increase, an ad hoc increase in quotas should be considered where appropriate.

4. In light of the above, and taking into account the conclusion of the Interim Committee as expressed in its latest communiqué, the Executive Board proposes that the Board of Governors continue its review and that the Executive Board submit a report to the Board of Governors, together with appropriate recommendations regarding the size of the overall increase in quotas, increases in the quotas of individual members and on the mode of payment for increases in subscriptions, with a view to enable the Board of Governors to complete the Ninth Review not later than March 31, 1990.

5. In view of the foregoing considerations, it is recommended that the Board of Governors adopt the resolution set forth in the attachment to this report.

November 28, 1989

*Proposed Resolution of the Board of Governors**

RESOLVED:

That the Board of Governors, having noted the report of the Executive Board entitled *Increases in Quotas of Members—Ninth General Review,* hereby resolves to continue its review of quotas under Article III, Section 2(*a*), and requests the Executive Board to complete its work on the Ninth General Review of Quotas with a view to a decision by the Board of Governors on the completion of the Ninth Review not later than March 31, 1990.

*Adopted by the Board of Governors, effective December 28, 1989, and designated No. 44-5.

J. Increases in Quotas of Members—Ninth General Review

Report of Executive Board to the Board of Governors

1. Article III, Section 2(*a*) of the Articles of Agreement provides that "The Board of Governors shall at intervals of not more than five years conduct a general review, and if it deems it appropriate propose an adjustment, of the quotas of members." The five-year period since the completion of the previous review of quotas ended on March 31, 1988. The Ninth Review was not completed by that date. In April 1988, May 1989, and December 1989 the Board of Governors decided to continue its review under Article III, Section 2(*a*). In December 1989, the Board of Governors requested the Executive Board to complete its work on the Ninth General Review with a view to a decision by the Board of Governors on the completion of the Review not later than March 31, 1990. The Executive Board believes that further consideration is needed of some of the substantive issues relating to the Ninth Review before it will be in a position to make appropriate recommendations to the Board of Governors. The Executive Board is submitting this report, and the attached draft resolution, to the Board of Governors, the organ competent under the Articles to deal with an adjustment of quotas, in accordance with Article III, Section 2 and Resolution No. 44-5, adopted December 29, 1989.

2. The Executive Directors have concluded certain technical aspects of their work. They have also considered further the issues relating to an increase in quotas under the Ninth General Review in the light of the guidance received from the Interim Committee as expressed in the communiqués issued at the conclusion of the Meetings of the Committee in April and September 1989. The Executive Directors have made substantial progress in their discussions on the Ninth General Review of Quotas, as well as all related issues including the strengthening of the Fund's intensified

cooperative approach in dealing with the problem of overdue financial obligations to the Fund.

3. The Executive Directors have concluded that further consideration of the issues relating to the increase in quotas is needed. Consequently, the Executive Board is not in a position to complete its work on the Ninth Review in time to enable the Board of Governors to complete the Review before March 31, 1990 as called for in Resolution 44-5.

The Executive Board therefore proposes that the Board of Governors continue its review and that the Executive Board submit a report to the Board of Governors, together with appropriate recommendations, with a view to enable the Board of Governors to complete the Ninth Review not later than June 30, 1990.

4. In view of the foregoing considerations, it is recommended that the Board of Governors adopt the resolution set forth below:

February 26, 1990

*Proposed Resolution of the Board of Governors**

RESOLVED:

That the Board of Governors, having noted the report of the Executive Board entitled *Increases in Quotas of Members—Ninth General Review*, hereby resolves to continue its review of quotas under Article III, Section 2(a), and requests the Executive Board to complete its work on the Ninth General Review of Quotas with a view to a decision by the Board of Governors on the completion of the Ninth Review not later than June 30, 1990.

*Adopted by the Board of Governors, effective March 29, 1990, and designated No. 45-1.

K. Increases in Quotas of Fund Members—Ninth General Review

REPORT OF THE EXECUTIVE BOARD
TO THE BOARD OF GOVERNORS

1. Article III, Section 2(a) of the Articles of Agreement provides that "The Board of Governors shall at intervals of not more than five years conduct a general review, and if it deems it appropriate propose an adjustment, of the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned." This Report and the attached Resolution on increases in quotas under the Ninth General Review are submitted to the Board of Governors in accordance with Article III, Section 2. The views expressed by the Interim Committee in the communiqués issued by the Committee at the conclusion of its thirtieth, thirty-first, thirty-second, thirty-third, and thirty-fourth meetings are set out in the Appendix to this Report.

2. The Eighth General Review of Quotas was completed by Board of Governors' Resolution No. 38-1, adopted March 31, 1983. The five-year period prescribed by Article III, Section 2(*a*) since the completion of the Eighth General Review ended on March 31, 1988. On March 27, 1987, the Ninth General Review commenced with the formation of a Committee of the Whole of the Executive Board. As the Ninth Review was not completed by March 31, 1988, the Board of Governors adopted a number of Resolutions which continued its review of quotas under the Ninth General Review. The last Resolution, adopted on March 29, 1990, was as follows:

RESOLVED:

That the Board of Governors, having noted the report of the Executive Board entitled *Increases in Quotas of Members—Ninth General Review*, hereby resolves to continue

its review of quotas under Article III, Section 2(*a*), and requests the Executive Board to complete its work on the Ninth General Review of Quotas with a view to a decision by the Board of Governors on the completion of the Ninth Review not later than June 30, 1990.

3. The Executive Board has considered: (i) the role of the Fund in the early 1990s; (ii) the size of the overall increase in quotas; (iii) the issues bearing on the distribution of the overall increase, including the question of ad hoc increases in the context of the review, and an examination of the position of the developing countries in the Fund, in particular, those members with very small quotas; (iv) the mode of payment for the increase in quotas; and (v) the timing of the next review of quotas. The Executive Board also considered the issues relating to the quota formulas used in making quota calculations for the Ninth Review.

4. The Executive Board has considered the need for an increase in the Fund's resources to enable the Fund to promote more effectively its purposes, as set out in its Articles of Agreement, namely: to promote stability and growth in the world economy; to contribute to the maintenance of an open system of trade and payments and to encourage further liberalization of trade; and to make its resources temporarily available to its members on appropriate terms and conditions in support of their programs of growth-oriented balance of payments adjustment.

In assessing the Fund's need for resources over the medium term in order to carry out its purposes, the Executive Board has stressed that (i) the Fund is the central institution in the international monetary system and it must be adequately endowed so as to maintain an effective presence at the center of the system, and (ii) the Fund is a monetary institution and must preserve its monetary character by providing balance of payments assistance on a temporary basis, ensuring that its resources revolve, and holding a level of usable assets sufficient to protect the liquidity and immediate usability of members' claims on the Fund, and thereby maintaining members' confidence in and support of the institution.

As reflected in its report to the Interim Committee in September 1989, the Executive Board is agreed that the Fund must have adequate resources to meet the temporary balance of payments financing needs of all members on appropriate terms and conditions. The financing provided by the Fund should be such as to encourage members to take early measures of adjustment, including the liberalization of trade and capital flows and to pursue appropriate exchange rate policies, which would help avoid the emergence of crisis situations that may cause strains that could impair the working of the international monetary system.

The Fund's role in the financing of members' payments deficits is now essentially catalytic. This role is of enhanced significance in the strengthened international debt strategy, which needs to be considered in the context of the Fund's basic responsibility of providing general balance of payments financing in support of growth-oriented adjustment programs. The Fund's purpose is achieved primarily through promoting adjustment, thereby helping members to achieve sustainable external payments positions, renewed economic growth, and price stability, and to increase or restore members' creditworthiness with official and private creditors. Through an appropriate combination of adjustment and financing, it can, moreover, encourage increased flows, both official and private, which would provide the bulk of the external financing needs of members. The Executive Board is agreed that the Fund must not replace private market financing with its own resources.

5. In its consideration of the size of the increase in quotas, the Executive Board has taken into account a number of factors, as discussed by the Interim Committee, including changes in the world economy since the last review of quotas, the imbalance in international payments, the Fund's systemic responsibilities, and the support of members' growth-oriented adjustment programs, of which some may involve far-reaching economic reforms. The Executive Board has also taken into account the Fund's current and prospective liquidity position as well as the conclusion of the Interim Committee at its September 1988 meeting that the Fund

should reduce its reliance on borrowing to exceptional circumstances.

6. In light of these considerations and the understandings reached during the course of the thirty-fourth meeting of the Interim Committee on May 7 and 8, 1990, the Executive Board now proposes to the Board of Governors that the present total of Fund quotas be increased by 50 percent, from approximately SDR 90.1 billion to approximately SDR 135.2 billion before applying the rounding procedures and adjustments for the very small quotas agreed by the Executive Board and described in paragraphs 9 and 10 below.

7. In accordance with Article III, Section 2(a), the Board of Governors must conduct the Tenth General Review of Quotas not later than March 31, 1993, that is, five years from the date on which the Ninth Review of Quotas should have been conducted. The Interim Committee at its meeting on May 7 and 8, 1990, noted that "the review could be conducted earlier if there is a clear need to do so."

8. As regards the distribution of the overall increase in quotas, the Executive Board has been guided by the principles agreed by the Interim Committee as expressed in its communiqués of April and September 1989. In its communiqué of September 1989, "the Committee reiterated that the size and distribution of any quota increase should take into account changes in the world economy since the last review of quotas as well as members' relative positions in the world economy and the need to maintain a balance between different groups of countries, and the Fund's effectiveness in fulfilling its systemic responsibilities, including its role in the strengthened debt strategy. The main principles that could guide the distribution of the enlargement of the Fund among members are (i) all members should receive a meaningful increase in quotas and (ii) the distribution should be based on uniform methods. The Committee agreed that, in the case of a general quota increase, an ad hoc increase in quotas should be considered where appropriate." The Executive Board has agreed that in order to provide all members with a meaningful increase in quotas and

to help maintain a balance between different groups of countries, sixty percent of the overall increase in quotas should be distributed to all members in proportion to their present individual quotas; the remainder should be devoted to the objective of bringing members' quotas more in line with their relative economic positions and should be distributed in proportion to members' shares in the total of the calculated quotas.

9. The Executive Board has also considered a request for an ad hoc increase in the quotas of Japan, Iran, and Korea and has also considered the possibility of a special adjustment of very small quotas, i.e. those quotas that are currently less than SDR 10 million. The Executive Board proposes that the quota of Japan should, after being increased in accordance with paragraph 8 above, be further increased to that shown in the Annex. In making the further adjustment of the quota of Japan, the increases in quotas of Canada, France, Germany, Italy, the United Kingdom, and the United States have also been adjusted in a manner that would maintain unchanged the increases in quotas for all other members as determined under paragraph 8 above. The Executive Board notes the agreement reached between the United Kingdom and France on an equal distribution of quotas between themselves under the Ninth General Review and subsequent reviews of quotas. The quotas of Antigua and Barbuda, Bhutan, Maldives, and Seychelles shall be further increased by amounts that would increase their shares in the total of new quotas so that they correspond to their individual shares in the total of the calculated quotas before taking account of the rounding procedures described in paragraph 10 below.

10. The Executive Board proposed that the quotas determined in paragraphs 8 and 9 above be rounded to the next higher multiple of SDR 0.1 million, except that the quotas that are currently SDR 10 million or less should, after being increased in accordance with paragraphs 8 and 9 above, be rounded to the next higher multiple of SDR 0.5 million. The proposed quotas set out in the Annex to the proposed Resolution would raise Fund quotas from SDR 90,132.55 million to SDR 135,214.7 million.

11. The Executive Board reviewed the quota formulas used for calculating quotas in connection with the Ninth General Review. While accepting the quota calculations based on the present five quota formulas and on data ended 1985 as reasonable indicators, the Executive Board, as agreed in its Report to the Interim Committee in September 1989, would further examine the working of the quota formulas in the context of the preparatory work for the next general review of quotas, so as to ensure that they would take adequate account of all relevant developments bearing on members' quotas.

12. Article III, Section 3(*a*) provides that 25 percent of an increase in quota shall be paid in SDRs, but permits the Board of Governors to prescribe, inter alia, that this payment may be made on the same basis for all members, in whole or in part in the currencies of other members specified by the Fund, subject to their concurrence. Paragraph 7 of the Resolution provides that 25 percent of the increase in quotas proposed as a result of the current review should be paid in SDRs or in currencies of other members specified by the Fund, subject to their concurrence, or in any combination of SDRs and such currencies. The balance of the increase shall be paid in a member's own currency. A reserve asset payment will help strengthen the liquidity of the Fund and will not impose an undue burden on members because it will either enlarge or create a reserve tranche position of an equivalent amount. In addition, the Fund stands ready to assist members that do not hold sufficient reserves to make their reserve asset payments to the Fund to borrow SDRs from other members willing to cooperate; these loans would be made on the condition that such members would on the same day repay the loans from the SDR proceeds of drawing of reserve tranches which had been established by the payment of SDRs.

13. Under the proposed Resolution, a member that does not have overdue obligations with respect to repurchases, charges or assessments to the General Resources Account will be able to consent to the amount proposed for it in the Annex to the proposed Resolution. The member will be able to consent at any time before 6:00 p.m., Washington time, December 31, 1991. In order to meet

this deadline, the member will have to have completed before that date whatever action that may be necessary under its laws to enable it to give its consent. The Executive Board is authorized in paragraph 4 of the proposed Resolution to extend the period for consent.

14. The participation requirement in paragraph 3 of the proposed Resolution will be reached: (i) during the period ending December 30, 1991, when the Fund determines that members having not less than 85 percent of the total of quotas on May 30, 1990 have consented to increases in their respective quotas as set out in the Annex, or (ii) thereafter on the date of the Fund's determination that members having not less than 70 percent of the total of quotas on May 30, 1990 have consented to increases in their respective quotas as set out in the Annex. Since a member with the specified overdue financial obligations to the General Resources Account may not consent to an increase in its quota, a communication of consent from such a member will not be taken into account in the determination.

15. The Executive Board has, in the context of the discussions on the Ninth Review of Quotas and the strengthened arrears strategy, also explored the issue of an amendment of the Articles of Agreement providing for suspension of voting and related rights of members that do not fulfill their obligations under the Articles. Such an amendment is being proposed to the Board of Governors in a draft resolution separate from the draft resolution on the quota increase.

The Executive Board, taking into account the recommendations of the Interim Committee, proposes that no increase in quota shall become effective before the effective date of the third amendment of the Articles.

The Interim Committee, at its meeting on May 7 and 8, 1990, stated that "every effort should be made by members to ensure that both the quota increase and the amendment shall be effective before end-1991. If it appeared that these resolutions might not be

effective by this date, the Committee would consider what steps might need to be taken."

16. A member's quota cannot be increased until it has paid for the increase. The proposed Resolution provides that a member must pay the increase in its quota within 30 days after (a) the date on which the member notifies the Fund of its consent, or (b) the date on which the requirement for the effectiveness of increases in quotas under paragraphs 14 and 15 has been met, whichever is the later. A member may not make such a payment unless it is current in its obligations with respect to repurchases, charges, and assessments to the General Resources Account. The Executive Board is authorized in paragraph 5 of the proposed Resolution to extend the period for payment.

17. The Executive Board has agreed that, when considering any extension of the period for consent or payment, it shall give particular consideration to the situation of members that may still wish to consent to or pay for the increase in quota, including those members with protracted arrears to the General Resources Account, consisting of overdue repurchases, charges, or assessments to the General Resources Account, that are judged to be cooperating with the Fund toward the settlement of these obligations.

18. The Executive Board recommends that the Board of Governors adopt the attached Resolution that covers all the matters on which the Governors are requested to act. The adoption of the Resolution by the Board of Governors requires an 85 percent majority of the total voting power.

May 21, 1990

*Proposed Resolution of the Board of Governors**

WHEREAS the Executive Board has submitted to the Board of Governors a report entitled "Increases in Quotas of Fund Members—Ninth General Review" containing recommendations on increases in the quotas of individual members of the Fund; and

WHEREAS the Executive Board has recommended the adoption of the following Resolution of the Board of Governors, which Resolution proposes increases in the quotas of members of the Fund as a result of the Ninth General Review of Quotas and deals with certain related matters, by vote without meeting pursuant to Section 13 of the By-Laws of the Fund;

NOW, THEREFORE, the Board of Governors hereby RESOLVES that:

1. The International Monetary Fund proposes that, subject to the provisions of this Resolution, the quotas of members of the Fund shall be increased to the amounts shown against their names in the Annex to this Resolution.

2. A member's increase in quota as proposed by this Resolution shall not become effective unless the member has notified the Fund of its consent to the increase not later than the date prescribed by or under paragraph 4 below and has paid the increase in quota in full within the period prescribed by or under paragraph 5 below, provided that no member with overdue repurchases, charges, or assessments to the General Resources Account may consent to or pay for the increase in its quota until it becomes current in respect of these obligations.

3. No increase in quota shall become effective before the later of:

*Adopted by the Board of Governors, effective June 28, 1990, and designated No. 45-2.

(i) during the period ending December 30, 1991, the date of the Fund's determination that members having not less than eighty-five (85) percent of the total of quotas on May 30, 1990 have consented to the increases in their quotas, or, after December 30, 1991, the date of the Fund's determination that members having not less than seventy (70) percent of the total of quotas on May 30, 1990 have consented to the increases in their quotas; or

(ii) the effective date of the third amendment of the Articles.

4. Notices in accordance with paragraph 2 above shall be executed by a duly authorized official of the member and must be received in the Fund before 6:00 p.m., Washington time, on December 31, 1991, provided that the Executive Board may extend this period as it may determine.*

5. Each member shall pay to the Fund the increase in its quota within 30 days after the later of (a) the date on which it notifies the Fund of its consent, or (b) the date on which the requirement for the effectiveness of the increase in quota under paragraph 3 above has been met, provided that the Executive Board may extend the payment period as it may determine.**

6. When deciding on an extension of the period for consent to or payment for the increase in quotas, the Executive Board shall give particular consideration to the situation of members that may still wish to consent to or pay for the increase in quota, including members with protracted arrears to the General Resources Account, consisting of overdue repurchases, charges, or assessments to the General Resources Account, that, in its

*The Executive Board extended this period until 6:00 p.m., Washington time, on June 30, 1998 (*Decision No. 11649-(98/1), December 30, 1997*).
**The Executive Board decided that each member shall pay to the Fund the increase in its quota within 2,057 days after the later of (a) the date on which it notifies the Fund of its consent or (b) November 11, 1992 (Decision No. 11649-(98/1), December 30, 1997).

judgment, are cooperating with the Fund toward the settlement of these obligations.

7. Each member shall pay 25 percent of its increase either in special drawing rights or in the currencies of other members specified, with their concurrence, by the Fund, or in any combination of special drawing rights and such currencies. The balance of the increase shall be paid by the member in its own currency.

ANNEX

	Proposed Quota (In millions of SDRs)
1. Afghanistan	120.4
2. Algeria	914.4
3. Angola	207.3
4. Antigua and Barbuda	8.5
5. Argentina	1,537.1
6. Australia	2,333.2
7. Austria	1,188.3
8. Bahamas	94.9
9. Bahrain	82.8
10. Bangladesh	392.5
11. Barbados	48.9
12. Belgium	3,102.3
13. Belize	13.5
14. Benin	45.3
15. Bhutan	4.5
16. Bolivia	126.2
17. Botswana	36.6
18. Brazil	2,170.8
19. Burkina Faso	44.2
20. Burundi	57.2
21. Cameroon	135.1
22. Canada	4,320.3
23. Cape Verde	7.0
24. Central African Republic	41.2
25. Chad	41.3
26. Chile	621.7
27. China	3,385.2
28. Colombia	561.3
29. Comoros	6.5
30. Congo, People's Republic of the	57.9
31. Costa Rica	119.0
32. Côte D'Ivoire	238.2
33. Cyprus	100.0
34. Denmark	1,069.9
35. Djibouti	11.5
36. Dominica	6.0
37. Dominican Republic	158.8
38. Ecuador	219.2
39. Egypt	678.4
40. El Salvador	125.6
41. Equatorial Guinea	24.3
42. Ethiopia	98.3
43. Fiji	51.1
44. Finland	861.8
45. France	7,414.6
46. Gabon	110.3
47. Gambia, The	22.9
48. Germany, Federal Republic of	8,241.5
49. Ghana	274.0
50. Greece	587.6
51. Grenada	8.5
52. Guatemala	153.8
53. Guinea	78.7
54. Guinea-Bissau	10.5
55. Guyana	67.2
56. Haiti	60.7
57. Honduras	95.0
58. Hungary	754.8
59. Iceland	85.3
60. India	3,055.5

	Proposed Quota (In millions of SDRs)
61. Indonesia	1,497.6
62. Iran, Islamic Republic of	1,078.5
63. Iraq	864.8
64. Ireland	525.0
65. Israel	666.2
66. Italy	4,590.7
67. Jamaica	200.9
68. Japan	8,241.5
69. Jordan	121.7
70. Kampuchea, Democratic	25.0
71. Kenya	199.4
72. Kiribati	4.0
73. Korea	799.6
74. Kuwait	995.2
75. Lao People's Democratic Republic	39.1
76. Lebanon	146.0
77. Lesotho	23.9
78. Liberia	96.2
79. Libya	817.6
80. Luxembourg	135.5
81. Madagascar	90.4
82. Malawi	50.9
83. Malaysia	832.7
84. Maldives	5.5
85. Mali	68.9
86. Malta	67.5
87. Mauritania	47.5
88. Mauritius	73.3
89. Mexico	1,753.3
90. Morocco	427.7
91. Mozambique	84.0
92. Myanmar	184.9

	Proposed Quota (In millions of SDRs)
93. Nepal	52.0
94. Netherlands	3,444.2
95. New Zealand	650.1
96. Nicaragua	96.1
97. Niger	48.3
98. Nigeria	1,281.6
99. Norway	1,104.6
100. Oman	119.4
101. Pakistan	758.2
102. Panama	149.6
103. Papua New Guinea	95.3
104. Paraguay	72.1
105. Peru	466.1
106. Philippines	633.4
107. Poland	988.5
108. Portugal	557.6
109. Qatar	190.5
110. Romania	754.1
111. Rwanda	59.5
112. São Tomé and Principe	5.5
113. Saudi Arabia	5,130.6
114. Senegal	118.9
115. Seychelles	6.0
116. Sierra Leone	77.2
117. Singapore	357.6
118. Solomon Islands	7.5
119. Somalia	60.9
120. South Africa	1,365.4
121. Spain	1,935.4
122. Sri Lanka	303.6
123. St. Kitts & Nevis	6.5
124. St. Lucia	11.0
125. St. Vincent	6.0

	Proposed Quota (In millions of SDRs)
126. Sudan	233.1
127. Suriname	67.6
128. Swaziland	36.5
129. Sweden	1,614.0
130. Syrian Arab Republic	209.9
131. Tanzania	146.9
132. Thailand	573.9
133. Togo	54.3
134. Tonga	5.0
135. Trinidad and Tobago	246.8
136. Tunisia	206.0
137. Turkey	642.0
138. Uganda	133.9
139. United Arab Emirates	392.1
140. United Kingdom	7,414.6
141. United States	26,526.8
142. Uruguay	225.3
143. Vanuatu	12.5
144. Venezuela	1,951.3
145. VietNam	241.6
146. Western Samoa	8.5
147. Yemen Arab Republic	70.8
148. Yemen, People's Democratic Republic of	105.7
149. Yugoslavia	918.3
150. Zaïre	394.8
151. Zambia	363.5
152. Zimbabwe	261.3

L. Increases in Quotas of Members—Tenth General Review

REPORT OF THE EXECUTIVE BOARD
TO THE BOARD OF GOVERNORS

Article III, Section 2(a) of the Articles of Agreement provides that "[t]he Board of Governors shall at intervals of not more than five years conduct a general review, and if it deems it appropriate propose an adjustment, of the quotas of the members." The five-year period for the Tenth Review will end on March 31, 1993. The Executive Board has established a Committee of the Whole in accordance with Rule D-3. The Committee has not yet been in a position to undertake a substantive review of the issues relating to the Tenth Review including a review of the quota formulas, as called for in its report to the Board of Governors on the Ninth Review. As a consequence, the Executive Board is not in a position to make recommendations in time for the Board of Governors to adopt a resolution completing the Tenth General Review by March 31, 1993. Therefore, the Executive Board proposes that the Board of Governors decide to continue its review under Article III, Section 2(a), to request the Executive Board to complete its work on the matter and to submit a report to the Board of Governors together with appropriate proposals not later than December 31, 1994.

In view of the foregoing considerations, it is recommended that the Board of Governors adopt the resolution set forth in the attachment to this report.

March 12, 1993

Attachment

*Proposed Resolution of the Board of Governors**

RESOLVED

That the Board of Governors, having noted the report of the Executive Board entitled *Increases in Quotas of Members—Tenth General Review*, hereby resolves to continue its review under Article III, Section 2(a) and requests the Executive Board to complete its work on this matter and to submit a report together with appropriate proposals to the Board of Governors not later than December 31, 1994.

* Adopted by the Board of Governors, effective April 14, 1993, and designated No. 48-3.

M. Increases in Quotas of Members—Tenth General Review

REPORT OF THE EXECUTIVE BOARD
TO THE BOARD OF GOVERNORS

1. Article III, Section 2(a) of the Articles of Agreement provides that "[t]he Board of Governors shall at intervals of not more than five years conduct a general review, and if it deems it appropriate propose an adjustment, of the quotas of the members." This Report and the attached Resolution on the Tenth General Review of Quotas are submitted to the Board of Governors in accordance with Article III, Section 2.

2. The five-year period prescribed by Article III, Section 2(a) for the Tenth General Review of Quotas ended on March 31, 1993, five years from the date on which the Ninth General Review of Quotas should have been concluded. As the Tenth General Review was not completed by March 31, 1993, the Board of Governors decided to continue its review of quotas under the Tenth General Review (Resolution No. 48-3, adopted April 14, 1993). That Resolution was as follows:

RESOLVED

That the Board of Governors, having noted the report of the Executive Board entitled Increases in Quotas of Members—Tenth General Review, hereby resolves to continue its review under Article III, Section 2(a) and requests the Executive Board to complete its work on this matter and to submit a report together with appropriate proposals to the Board of Governors not later than December 31, 1994.

3. The Executive Board established a Committee of the Whole on the Tenth General Review of Quotas on March 31, 1992 in accordance with Rule D-3. The Committee met on March 18, 1994 [and on December , 1994]. The Committee undertook a substantive review of the issues relating to the Tenth Review including a review of the quota formulas, as called for in its report to the Board of Governors on the Ninth Review.

4. The Executive Board reviewed the working of the quota formulas and the results of quota calculations based on the present five formulas and updated economic data for members through 1990. The Executive Board noted that the results of the quota formulas purport to give a reasonably comprehensive measure of the relative economic size of member countries, and the Executive Board is of the view that the quota formulas are broadly working as intended. However, in connection with its work in connection with the Eleventh General Review, the Executive Board intends to examine further the extent to which a number of countries have actual quota shares that remain substantially out of line with their shares in the total of calculated quotas, issues relating to the long run decline in the share of developing countries in the total of Fund quotas, the use of population as a variable in the quota formulas, and a review of the methodology employed in calculating quotas for the successor states of the former Soviet Union.

5. In connection with its work on the Tenth General Review, the Executive Board has considered the adequacy of the quotas of members in the Fund. The Executive Board is of the view that the overall size of the Fund is for the time being broadly sufficient to enable the Fund to promote effectively its purposes and to fulfill its central role in the international monetary system. In coming to this conclusion, the Executive Board noted that the increase in quotas under the Ninth General Review, which came into effect in late 1992, provided the Fund with substantial usable resources. Furthermore, the recent increase in access limits to the Fund's resources over the next three years, the establishment of the Systemic Transformation Facility in April 1993, and the possible extension, with augmented access, of that Facility, as well as the possible development of further facilities, including a short-term financing facility and possible support for currency stabilization funds, would enable the Fund to meet members' needs for balance of payments assistance in the period ahead. The Executive Board also noted that the recent extension and enlargement of ESAF will be of increased benefit to the Fund's low income developing countries over the next few years. The Executive Board expressed its view that the Fund is at present relatively well positioned to

meet a prospective substantial demand for its resources over the next three years. Nevertheless, the Fund's liquidity position is expected to decline over the next few years from its currently strong position. Furthermore, considerable uncertainties can be expected as regards the supply of usable resources, which depends on the continued relative strength in the balance of payments and reserve positions of mainly the industrial countries in the Fund. The continued adequacy of members' quotas, including the Fund's liquidity position, will be closely monitored by the Executive Board in the period ahead.

6. In view of the foregoing considerations, it is recommended that the work on the Tenth Review be concluded and that the Board of Governors adopt the Resolution set forth in the attachment to this report.

*Proposed Resolution of the Board of Governors**

The Board of Governors, having noted the Report of the Executive Board entitled *Tenth General Review of Quotas—Completion of Review Under Article III, Section 2,*

RESOLVED

That the Tenth General Review of Quotas is hereby completed and requests the Executive Board to continue its work on quotas in connection with the Eleventh General Review of Quotas, as indicated in its report entitled *Tenth General Review of Quotas—Completion of Review Under Article III, Section 2*.

*Adopted by the Board of Governors, effective January 17, 1995, and designated No. 50-1.

N. Increase in Quotas of Fund Members—Eleventh General Review

Report of the Executive Board to the Board of Governors

1. Article III, Section 2(a) of the Articles of Agreement provides that "The Board of Governors shall, at intervals of not more than five years, conduct a general review, and if it deems it appropriate, propose an adjustment of the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned." This report and the attached Resolution on increases in quotas under the current, i.e., Eleventh General Review are submitted to the Board of Governors in accordance with Article III, Section 2.

2. The five-year period prescribed by Article III, Section 2(a) for the Eleventh General Review of Quotas ends on March 31, 1998, five years from the date on which the Tenth General Review of Quotas should have been concluded.* The Tenth General Review of Quotas was completed in early 1995 without recommending an increase in quotas to the Board of Governors. At that time, the Executive Board reported to the Board of Governors that:

> ...the Fund is at present relatively well-positioned to meet a prospective substantial demand for its resources over the next three years. Nevertheless, the Fund's liquidity position is expected to decline over the next few years from its currently strong position. Furthermore, considerable

*The five-year period prescribed by Article III, Section 2(a) for the Tenth General Review ended on March 31, 1993 (paragraph 2 of the "Report of the Executive Board to the Board of Governors" of December 12, 1994 on Increases in Quotas of Members—Tenth General Review).

uncertainties can be expected as regards the supply of usable resources, which depends on the continued relative strength in the balance of payments and reserve positions of mainly the industrial countries in the Fund. The continued adequacy of member's quotas, including the Fund's liquidity position, will be closely monitored by the Executive Board in the period ahead.

3. The conduct of the Eleventh General Review of Quotas has been guided by the views expressed by the Interim Committee since the Spring of 1995. At its meeting in April of that year, the Interim Committee requested the Executive Board "to continue to review the adequacy of the Fund's resources, and, in connection with its review of the role of the Fund, to carry forward its work on the Eleventh General Review of Quotas." At its meeting in October 1995, the Committee "welcomed the progress already made by the Executive Board on Fund quotas, and requested the Board to move forward with the Eleventh Quinquennial Review...." The Committee's April 1996 Communique stated, with respect to the Fund's financial resources and assistance to members, that the Committee "notes the progress made by the Executive Board in preparatory work for the Eleventh General Review of Quotas and stresses the need to ensure the adequacy of the quotas for the Fund to continue to carry out its mandate, taking into account changes in the world economy since the last increase in quotas was agreed in 1990." In September 1996, the Committee reiterated its request to the Executive Board "to continue its work on the Review and to do its utmost to reach a conclusion as soon as possible." In April 1997, the Committee requested the Executive Board to complete its work on quotas as soon as possible and to report to it in time for the Hong Kong meeting of the Committee. The Committee also stated that "the proposed distribution should be predominantly equiproportional while contributing to a correction of the most important anomalies in the present quota distribution. The Executive Board should also review the quota formulae promptly after the completion of the Eleventh Review of Quotas." The Executive Board reached agreement on the size and distribution of the increase in quotas,

which was endorsed by the Interim Committee at its meeting on September 21, 1997, in Hong Kong, China.

4. The Interim Committee agreed that:

- the present total of Fund quotas would be increased by 45 percent;

- 75 percent of the overall increase would be distributed in proportion to present quotas;

- 15 percent of the overall increase would be distributed in proportion to members' shares in calculated quotas (based on 1994 data), so as to better reflect the relative economic positions of members; and

- the remaining 10 percent of the overall increase would be distributed among those members whose present quotas are out of line with their positions in the world economy (as measured by the excess of their share in calculated quotas over their share in actual quotas), of which 1 percent of the overall increase would be distributed among five members whose current quotas are far out of line with their relative economic positions, and which are in a position to contribute to the Fund's liquidity over the medium term.

The Committee requested the Executive Board to submit before the end of this year a proposed resolution for the approval of the Board of Governors to effect the agreed increases in quotas. The Committee reiterated its view that the formulas used to calculate quotas should be reviewed by the Board promptly after the completion of the Eleventh General Review.

5. In its discussions on the Eleventh General Review, the Executive Board has considered, inter alia (i) the size of the overall increase in quotas; (ii) the distribution of the overall increase; (iii) the procedures for consent and payment for the increase in quotas, including by members with overdue obligations

in the General Resources Account; and (iv) the media for payment for the increase in quotas. In its preparatory work on the Review, the Executive Board also considered issues relating to the role of the Fund in providing balance of payments financing, the quota formulas used in making quota calculations, and the declining share in quotas of developing countries in the Fund.

6. In assessing the Fund's need for resources over the medium term in order to carry out its purposes, the Executive Board stressed that (i) the Fund is the central institution in the international monetary system and it must be adequately endowed with financial resources to enable it to act effectively when dealing with members' balance of payments difficulties; (ii) the Fund, in fulfilling its function at the center of the system, must ensure that its resources are fully safeguarded, including by the adoption and implementation of appropriate policies by members supported by use of the Fund's general resources, and that its resources are provided on a temporary basis, thereby ensuring that its resources revolve; and (iii) the Fund must hold a level of usable assets that are sufficient to protect the liquidity and immediate usability of members' claims on the Fund, so as to maintain members' confidence in and support of the institution.

7. In its consideration of the size of the increase in quotas, the Executive Board has taken into account a range of factors, including the growth of world trade and payments since 1990; the scale of potential payments imbalances, including imbalances that may stem from sharp changes in capital flows; the prospective demand for Fund resources, including the need for the Fund to support members' growth-oriented adjustment programs, which, in many cases, may involve far-reaching economic and structural reforms; and the rapid globalization and the associated liberalization of trade and payments, including on capital account, that has characterized the development of the world economy since the last increase in quotas was agreed in 1990. The Executive Board has also considered the Fund's current and prospective liquidity position, and has also taken into account the adequacy of the Fund's borrowing arrangements, in particular the General Arrangements to Borrow (GAB) and the prospective coming into

effect of the New Arrangements to Borrow (NAB). These borrowing arrangements are an important buttress to the Fund's liquidity but are not a substitute for larger quotas. The Executive Board reiterated its view that the Fund should continue to rely on its quota resources as its principal form of financing and should resort to borrowing only in exceptional circumstances.

In its consideration of the prospective demand for the Fund's resources in the context of the globalized economy, the Executive Board stressed that members should approach the Fund at an early stage of their balance of payments difficulties, and take all appropriate steps to maintain the confidence of markets, not only through the pursuit of adequate and transparent policy actions but also through the timely and transparent provision of economic and financial information to the markets.

8. In the light of these considerations, and taking into account the agreement reached by the Executive Board at the Annual Meetings in Hong Kong which was endorsed by the Interim Committee at its meeting on September 21, 1997 in Hong Kong, the Executive Board now proposes to the Board of Governors that the present total of Fund quotas be increased by 45 percent, from approximately SDR 146 billion to approximately SDR 212 billion.

9. As regards the distribution of the overall increase in quotas, the Executive Board has been guided by the views of the Interim Committee as expressed in its Communiqués of April and September 1997, and summarized in paragraph 4 above.

10. In reaching the agreement on the size and distribution of the increase in quotas, Directors confirmed that there was no intention to re-open the issues of the size and composition of the Executive Board, and that the existing representation of developing countries should not be affected.

11. The Executive Board also proposes adjustments in the quotas of France, Germany, Italy, and the United Kingdom in a manner that would maintain unchanged the increases in quotas for all other members as determined under paragraph 4 above. The

Executive Board notes that the United Kingdom and France have agreed to maintain the equal distribution of quotas between themselves under the Eleventh General Review as first agreed under the Ninth General Review.

12. The Executive Board proposes that the quotas determined in paragraph 4 above be rounded to the nearest multiple of SDR 0.1 million. The quotas proposed under the Eleventh Review for those members that have not yet consented or paid for their proposed increase in quotas under the Ninth Review (Resolution 45-2 of the Board of Governors) have been calculated on the basis of their proposed Ninth Review quotas.

13. The list of proposed quotas for all members is to be found in the Annex to the draft Resolution proposed for adoption by the Board of Governors.

14. Under the proposed Resolution, a member that does not have overdue obligations with respect to purchases, charges or assessments to the General Resources Account will be able to consent to the amount of quota proposed for it in the Annex to the proposed Resolution. The member will be able to consent to the increase in its quota at any time before 6:00 p.m., Washington time, January 29, 1999. In order to meet this deadline, the member will have to have completed before that date whatever action may be necessary under its laws to enable it to give its consent. The Executive Board is authorized by paragraph 4 of the proposed Resolution to extend the period of consent.

15. A member's quota cannot be increased until it has consented to the increase and paid the subscription. Under the proposed Resolution, the increase in a member's quota will take effect only after the Fund has received the member's consent to the increase in quota and the member has paid the increase in subscription, provided that the quota increase cannot become effective before the date on which the Fund determines that the participation requirement in paragraph 3 of the proposed Resolution has been satisfied. The participation requirement in paragraph 3 of the proposed Resolution will be reached when the

Fund determines that members having not less than 85 percent of the total of quotas on December 23, 1997 have consented to the increases in their respective quotas as set out in the Annex.

16. Taking into consideration the situation of members that may still wish to consent to or pay for their quota increases under the Ninth Review, the Executive Board recommends that the periods for consent and payment for quota increases under the Ninth Review be extended until the date when the participation requirement in paragraph 3 of the proposed Resolution on the Eleventh Review has been reached. Such extension of the periods of consent and payment for quota increases under the Ninth Review is provided for in paragraph 7 of the proposed Resolution.

17. The proposed Resolution provides that a member must pay the increase in its subscription within 30 days after (a) the date on which the member notifies the Fund of its consent, or (b) the date on which the participation requirement is met, whichever is the later. A member may not make such a payment unless it is current in its obligations with respect to repurchases, charges and assessments to the General Resources Account. The Executive Board is authorized in paragraph 5 of the proposed Resolution to extend the period for payment.

18. The Executive Board has agreed that, when considering any extension of the period for consent or payment, it shall give particular consideration to the situation of members that may still wish to consent to or pay for the increase in quota, including those members with protracted arrears to the General Resources Account, consisting of overdue repurchases, charges, or assessments to the General Resources Account, that are judged to be cooperating with the Fund toward the settlement of these obligations.

19. Article III, Section 3(a) provides that 25 percent of any increase in quota shall be paid in special drawing rights, but permits the Board of Governors to prescribe, inter alia, that this payment may be made on the same basis for all members, in whole or in part, in the currencies of other members specified by the

Fund, subject to their concurrence. Paragraph 8 of the Resolution provides that 25 percent of the increase in quotas proposed as a result of the current review should be paid in SDRs or in currencies of other members selected by the Fund, subject to their concurrence, or in any combination of SDRs and such currencies. The balance of the increase shall be paid in a member's own currency. A reserve asset payment will help strengthen the liquidity of the Fund and will not impose an undue burden on members because under the existing decisions of the Fund, a reserve asset payment will either enlarge or create a reserve tranche position of an equivalent amount. In addition, the Fund stands ready to assist members that do not hold sufficient reserves to make their reserve asset payments to the Fund to borrow SDRs from other members willing to cooperate; these loans would be made on the condition that such members would repay on the same day the loans from the SDR proceeds of drawings of reserve tranche positions which had been established by the payment of SDRs.

20. The Executive Board recommends that the Board of Governors adopt the attached Resolution that covers all the matters on which the Governors are requested to act. The adoption of the Resolution requires positive responses from Governors having an 85 percent majority of the total voting power.

*Proposed Resolution of the Board of Governors**

WHEREAS the Executive Board has submitted to the Board of Governors a report entitled "Increases in Quotas of Fund Members—Eleventh General Review" containing recommendations on increases in the quotas of individual members of the Fund; and

WHEREAS the Executive Board has recommended the adoption of the following Resolution of the Board of Governors, which Resolution proposes increases in the quotas of members of

*Adopted by the Board of Governors, effective January 30, 1998, and designated No. 53-2.

the Fund as a result of the Eleventh General Review of Quotas and deals with certain related matters, by vote without meeting pursuant to Section 13 of the By-Laws of the Fund;

NOW, THEREFORE, the Board of Governors hereby RESOLVES that:

1. The International Monetary Fund proposes that, subject to the provisions of this Resolution, the quotas of members of the Fund shall be increased to the amounts shown against their names in the Annex to this Resolution.

2. A member's increase in quota as proposed by this Resolution shall not become effective unless the member has notified the Fund of its consent to the increase not later than the date prescribed by or under paragraph 4 below and has paid the increase in quota in full within the period prescribed by or under paragraph 5 below, provided that no member with overdue repurchases, charges or assessments to the General Resources Account may consent to or pay for the increase in its quota until it becomes current in respect of these obligations.

3. No increase in quotas shall become effective before the date of the Fund's determination that members having not less than 85 percent of the total of quotas on December 23, 1997 have consented to the increases in their quotas.

4. Notices in accordance with paragraph 2 above shall be executed by a duly authorized official of the member and must be received in the Fund before 6:00 p.m., Washington time, January 29, 1999, provided that the Executive Board may extend this period as it may determine.*

5. Each member shall pay to the Fund the increase in its quota within 30 days after the later of (a) the date on which it notifies the Fund of its consent, or (b) the date of the Fund's

* The Executive Board extended this period until 6:00 p.m., Washington time, on July 30, 1999 *(Decision No. 11896-(99/12), January 29, 1999)*.

determination under paragraph 3 above, provided that the Executive Board may extend the payment period as it may determine.

6. When deciding on an extension of the period for consent to or payment for the increase in quotas, the Executive Board shall give particular consideration to the situation of members that may still wish to consent to or pay for the increase in quota, including members with protracted arrears to the General Resources Account, consisting of overdue repurchases, charges or assessments to the General Resources Account, that, in its judgment, are cooperating with the Fund toward the settlement of these obligations.

7. For members that have not yet consented to their increases in quotas under the Ninth Review, the period for consent to such quota increases shall extend to the date determined under paragraph 3 above. For members that have not yet paid for their quota increases under the Ninth Review, the period for payment for such quota increases shall extend to 30 days after the date determined under paragraph 3 above.

8. Each member shall pay 25 percent of its increase either in special drawing rights or in the currencies of other members specified, with their concurrence, by the Fund, or in any combination of special drawing rights and such currencies. The balance of the increase shall be paid by the member in its own currency.

ANNEX

Member	Quota *(In SDR Millions)*
1. Afghanistan, Islamic State of	161.9
2. Albania	48.7
3. Algeria	1,254.7
4. Angola	286.3
5. Antigua and Barbuda	13.5
6. Argentina	2,117.1
7. Armenia	92.0
8. Australia	3,236.4
9. Austria	1,872.3
10. Azerbaijan	160.9
11. Bahamas, The	130.3
12. Bahrain	135.0
13. Bangladesh	533.3
14. Barbados	67.5
15. Belarus	386.4
16. Belgium	4,605.2
17. Belize	18.8
18. Benin	61.9
19. Bhutan	6.3
20. Bolivia	171.5
21. Bosnia and Herzegovinia	169.1
22. Botswana	63.0
23. Brazil	3,036.1
24. Brunei Darussalam	215.2
25. Bulgaria	640.2
26. Burkina Faso	60.2
27. Burundi	77.0
28. Cambodia	87.5
29. Cameroon	185.7
30. Canada	6,369.2
31. Cape Verde	9.6
32. Central African Republic	55.7
33. Chad	56.0
34. Chile	856.1
35. China	4,687.2
36. Colombia	774.0
37. Comoros	8.9
38. Congo, Democratic Republic of the	533.0
39. Congo, Republic of	84.6
40. Costa Rica	164.1
41. Côte d'Ivoire	325.2
42. Croatia	365.1
43. Cyprus	139.6
44. Czech Republic	819.3
45. Denmark	1,642.8
46. Djibouti	15.9
47. Dominica	8.2
48. Dominican Republic	218.9
49. Ecuador	302.3
50. Egypt	943.7
51. El Salvador	171.3
52. Equatorial Guinea	32.6
53. Eritrea	15.9
54. Estonia	65.2
55. Ethiopia	133.7
56. Fiji	70.3
57. Finland	1,263.8
58. France	10,738.5
59. Federal Republic of Yugoslavia (Serbia/Montenegro)[1]	467.7
60. Gabon	154.3
61. Gambia, The	31.1
62. Georgia	150.3
63. Germany	13,008.2
64. Ghana	369.0
65. Greece	823.0
66. Grenada	11.7

Member	Quota (In SDR Millions)	Member	Quota (In SDR Millions)
67. Guatemala	210.2	101. Malawi	69.4
68. Guinea	107.1	102. Malaysia	1,486.6
69. Guinea-Bissau	14.2	103. Maldives	8.2
70. Guyana	90.9	104. Mali	93.3
71. Haiti	81.9	105. Malta	102.0
72. Honduras	129.5	106. Marshall Islands	3.5
73. Hungary	1,038.4	107. Mauritania	64.4
74. Iceland	117.6	108. Mauritius	101.6
75. India	4,158.2	109. Mexico	2,585.8
76. Indonesia	2,079.3		
77. Iran, Islamic Republic of	1,497.2	110. Micronesia. Federal States of	5.1
78. Iraq	1,188.4	111. Moldova	123.2
79. Ireland	838.4	112. Mongolia	51.1
80. Israel	928.2	113. Morocco	588.2
81. Italy	7,055.5	114. Mozambique	113.6
82. Jamaica	273.5	115. Myanmar	258.4
83. Japan	13.312.8	116. Namibia	136.5
84. Jordan	170.5	117. Nepal	71.3
85. Kazakhstan	365.7	118. Netherlands	5,162.4
86. Kenya	271.4	119. New Zealand	894.6
87. Kiribati	5.6	120. Nicaragua	130.0
88. Korea	1,633.6	121. Niger	65.8
89. Kuwait	1.381.1	122. Nigeria	1.753.2
90. Kyrgyz Republic	88.8	123. Norway	1.671.7
91. Lao People's Democratic Republic	52.9	124. Oman	194.0
		125. Pakistan	1,033.7
92. Latvia	126.8	126. Palau, Republic of	3.1
93. Lebanon	203.0	127. Panama	206.6
94. Lesotho	34.9	128. Papua New Guinea	131.6
95. Liberia	129.2	129. Paraguay	99.9
96. Libya	1,123.7	130. Peru	638.4
97. Lithuania	144.2	131. Philippines	879.9
98. Luxembourg	279.1	132. Poland	1,369.0
99. Macedonia, former Yugoslav Republic of	68.9	133. Portugal	867.4
		134. Qatar	263.8
100. Madagascar	122.2	135. Romania	1,030.2

Member	Quota (In SDR Millions)
136. Russia	5,945.4
137. Rwanda	80.1
138. Samoa	11.6
139. San Marino	17.0
140. São Tomé and Principe	7.4
141. Saudi Arabia	6.985.5
142. Senegal	161.8
143. Seychelles	8.8
144. Sierra Leone	103.7
145. Singapore	862.5
146. Slova Republic	357.5
147. Slovenia	231.7
148. Solomon Islands	10.4
149. Somalia	81.7
150. South Africa	1,868.5
151. Spain	3,048.9
152. Sri Lanka	413.4
153. St.Kitts and Nevis	8.9
154. St. Lucia	15.3
155. St. Vincent and the Grenadines	8.3
156. Sudan	315.1
157. Suriname	92.1
158. Swaziland	50.7
159. Sweden	2,395.5
160. Switzerland	3,458.5
161. Syrian Arab Republic	293.6
162. Tajikistan	87.0
163. Tanzania	198.9
164. Thailand	1,081.9
165. Togo	73.4
166. Tonga	6.9
167. Trinidad and Tobago	335.6
168. Tunisia	286.5
169. Turkey	964.0
170. Turkmenistan	75.2
171. Uganda	180.5
172. Ukraine	1.372.0
173. United Arab Emirates	611.7
174. United Kingdom	10.738.5
175. United States	37.149.3
176. Uruguay	306.5
177. Uzbekistan	275.6
178. Vanuatu	17.0
179. Venezuela	2.659.1
180. Vietnam	329.1
181. Yemen. Republic of	243.5
182. Zambia	489.1
183. Zimbabwe	353.4

[1]Under Executive Board Decision No. 10237-(92/150) adopted December 14. 1992, the Federal Republic of Yugoslavia (Serbia/Montenegro) may succeed to the membership of the former Socialist Federal Republic of Yugoslavia.

O. Allocation of Special Drawing Rights for the First Basic Period

Resolution

WHEREAS the Managing Director has submitted a proposal for the allocation of special drawing rights pursuant to Article XXIV,* Section 4, of the Articles of Agreement of the International Monetary Fund; and

WHEREAS in the Report containing his proposal, the Managing Director has declared that, before making the proposal, he had satisfied himself that the proposal will be consistent with the provisions of Article XXIV, Section 1(*a*), and that, after consultation, he has ascertained that there is broad support among participants for the proposal;

WHEREAS the Managing Director, on the occasion of this proposal for the first allocation, has satisfied himself that the provisions of Article XXIV, Section 1(*b*), have been met and that there is broad support among participants to begin allocations; and

WHEREAS the Executive Directors have concurred in the proposal of the Managing Director;

NOW, THEREFORE, the Board of Governors, being satisfied that the proposal of the Managing Director meets the principles and considerations governing the allocation of special drawing rights set forth in Article XXIV, Section 1, hereby RESOLVES that:

1. The Fund shall make allocations to participants in the Special Drawing Account, in accordance with the Articles of Agreement, during a basic period of three years which shall begin on January 1, 1970.

*Corresponds to Article XVIII of the Articles of Agreement after the Second Amendment.

2. Allocations during the basic period shall be made on January 1, 1970, January 1, 1971, and January 1, 1972.

3. Allocations shall be on the basis of quotas on the day before the dates of the allocations.

4. The rate for the first allocation shall be 17.5 percent and the rate for the second and third allocations shall be 15 percent, provided that these rates shall be adjusted, to the nearest one tenth of one percentage point, by multiplying them by the ratio of $20 billion to the total of quotas on the day before allocation of those participants which were members of the Fund on December 31, 1969.

Resolution No. 24-12
October 3, 1969

P. Allocation of Special Drawing Rights for the Third Basic Period

PROPOSAL BY THE MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND

Introduction

Article XVIII, Section 4(*a*) and (*b*) of the Articles of Agreement of the Fund provides in relevant part that:

> (*a*) Decisions under Section 2(*a*), (*b*), and (*c*) or Section 3 of this Article shall be made by the Board of Governors on the basis of proposals of the Managing Director concurred in by the Executive Board.
>
> (*b*) Before making any proposal, the Managing Director, after having satisfied himself that it will be consistent with the provisions of Section 1(*a*) of this Article, shall conduct such consultations as will enable him to ascertain that there is broad support among participants for the proposal.

On June 29, 1977, the Managing Director made a report to the Board of Governors entitled "Report by the Managing Director to the Board of Governors and to the Executive Directors on the Allocation of Special Drawing Rights (Article XXIV, Section 4(*c*))," * which concluded that, with respect to the third basic period, which would start on January 1, 1978, the Managing Director was not in a position to make a proposal before January 1, 1978.

The Report referred to above noted that the Managing Director can make a proposal at any time during the third basic period when

*Corresponds to Article XVIII, Section 4(*c*) of the Articles of Agreement after the Second Amendment.

he is satisfied that the requisite conditions of Article XVIII, Section 4(*b*) are fulfilled, and indeed is obliged to do so by Article XVIII, Section 4(*c*).

Pursuant to Article XVIII, Section 4(*a*) and (*b*), I am now submitting to the Board of Governors a proposal for allocation of special drawing rights during the third basic period. Before making this proposal, I have satisfied myself, as required by Article XVIII, Section 4(*b*), that the proposal will be consistent with the provisions of Section 1(*a*) of that Article. Section 1(*a*) provides that:

> (*a*) In all its decisions with respect to the allocation and cancellation of special drawing rights the Fund shall seek to meet the long-term global need, as and when it arises, to supplement existing reserve assets in such manner as will promote the attainment of its purposes and will avoid economic stagnation and deflation as well as excess demand and inflation in the world.

In addition, consultations have been conducted pursuant to Article XVIII, Section 4(*b*), which have enabled me to ascertain that there is broad support among participants for the proposal set forth in this Report. I refer in particular to paragraph 4 of the Press Communiqué of the Interim Committee of the Board of Governors of the International Monetary Fund, issued after its meeting on September 24, 1978, which states: "In the Committee's view the Fund should make allocations of 4 billion SDRs in each of the next three years 1979 to 1981."

Parts I and II of this Report, which follow, discuss the reasons underlying my proposal and explain its various features. Part III includes the proposal and the draft of a resolution of the Board of Governors approving allocation of special drawing rights in accordance with this proposal.

Part I. *Need to Supplement Reserves*

1. *Basis for allocation*

This proposal to allocate special drawing rights is made in accordance with my conclusion that, as required by Article XVIII, Section 1(*a*), there is at present "a long-term global need . . . to supplement existing reserve assets." The basis for this conclusion is set forth below.

With greater exchange rate flexibility, countries might have been expected to make do with much smaller reserves. Moreover, important changes have taken place in world financial markets in the last decade, and most countries can obtain reserves by making use of international money and capital markets.

Experience shows, however, that countries want to increase their reserves as the level of their international transactions rises, and such increases can be expected to continue in the coming years. While it is true that most countries have a means for satisfying their need for reserves when international capital markets are as free as they are today, the decision to allocate special drawing rights does not depend on a finding that the long-term global need cannot be met except by allocation. A characteristic of a system in which countries add to their gross reserves as their international indebtedness increases is that they are faced with the need for periodic refinancing. This difficulty does not arise when additions to net reserves are made through allocation of special drawing rights.

Another consideration is the objective of making the special drawing right the principal reserve asset of the international monetary system, as set out in Article VIII, Section 7 and Article XXII. Exclusive reliance on the accumulation of reserve currencies to provide the needed reserve increases would hardly be compatible with that objective. Although the role of the special drawing right does not depend on purely quantitative considerations, the amount of special drawing rights in existence

is nonetheless relevant. The volume of special drawing rights has not increased since the beginning of 1972, and thus the share of this component in international liquidity has been progressively reduced. When allocation of special drawing rights for 1970–72 was decided upon at the end of 1969, it was thought that thereafter special drawing rights might well account for the bulk of reserve increases. In the event, holdings of reserve currencies have increased much faster than expected, and the actual share of holdings of special drawing rights in reserves excluding gold has declined from about 10 percent at the beginning of 1972 to about 4 percent at present. In the absence of allocation, the special drawing right would continue its rapid decline as a proportion of reserves.

In view of these considerations, I have concluded that, in accordance with the Articles, a decision should be taken to resume allocation of special drawing rights.

2. *Size and period of allocation*

Views on the desirable size of allocations of special drawing rights naturally take into account the present magnitude and expected growth of official reserves. The growth of official reserves in turn bears a relationship to the value of world trade, which for the next five years can conservatively be estimated to increase by some 10 percent a year. The ratio of official reserves to the value of international trade has varied, however, from one period to another, and the increase in reserves could thus be above or below that rate. With the present level of members' holdings of foreign exchange and Fund-related assets of SDR 230 billion, an average increase of SDR 20 billion a year over the next five years would appear to be a low estimate of the likely growth. Figures of this kind do not, of course, provide precise guidance for determining the appropriate level and time of allocations of special drawing rights, but do offer some point of reference for consideration in making such decisions.

It can be maintained, although this view is not universally shared, that with a highly elastic supply of reserves available

through international capital markets, a substantial part of any allocation of special drawing rights could be expected to substitute for increases in official holdings of foreign exchange that would otherwise have taken place. This line of reasoning would suggest that any expansionary effects of allocation would be limited in size. Whatever view is taken of these issues, there can be no question that in the world of today the possible effects on expectations with respect to inflation of a decision to allocate special drawing rights also need to be taken into account. This consideration suggests that allocations at this time should be modest in terms of both annual size and the length of the period for which they should be made.

I have therefore concluded that the Fund should make allocations of SDR 4 billion in each of the next three years 1979 to 1981. In specifying these amounts, I have also had in mind the agreement that has been reached that special drawing rights will be used in partial payment for the quota increases that are to take place under the Seventh General Review of Quotas. The first allocation would be made as of the first day of the month following the effective date of the resolution of the Board of Governors, and the succeeding two allocations would be made as of the same day in each of the subsequent two years.

Part II. *Elements of the Proposal*

3. *Proposed basic period*

Article XVIII, Section 2(*a*) specifies that: "Decisions of the Fund to allocate or cancel special drawing rights shall be made for basic periods which shall run consecutively and shall be five years in duration." That same section, however, allows the Fund to provide that the duration of a basic period shall be other than five years.

On the occasion of the first decision to allocate, a basic period of three years running from January 1, 1970 was prescribed. The second basic period thus began on January 1, 1973; as the Fund

did not provide otherwise, that period ran for five years, with the current, i.e., third, basic period beginning on January 1, 1978.

It is proposed that allocations now be made under Article XVIII, Sections 2(*c*) and 4(*c*)(ii) for three years of the third basic period, and that the basic period end on the final day of the year in which the last of the three annual allocations is made. The third basic period that began on January 1, 1978 would thus have a terminal date of December 31, 1981 and a duration of four years, with allocations in the last three of those four years.

4. *Participation during basic period*

Article XVIII, Section 2(*d*) deals with members that become participants after a basic period begins—on this occasion, as from January 1, 1978. New participants may be new or existing members. New participants would include two classes: (a) those that were not participants at the start of the third basic period but that were participants on the effective date of the proposed resolution and (b) those that become participants after the effective date of the resolution. Article XVIII, Section 2(*d*) declares that a new participant shall not receive allocations in the basic period in which it becomes a participant but authorizes the Fund to decide to permit the member to receive allocations made after it becomes a participant. The decision referred to is taken by the Executive Board by a majority of the votes cast. I would expect that the Executive Board would react sympathetically to any request by a new participant, whether in class (a) or (b), above, to receive allocations made in the third basic period after it becomes a participant.

5. *Allocations as percentages of quotas*

Article XVIII, Section 2(*b*) provides that: "The rates at which allocations are to be made shall be expressed as percentages of quotas on the date of each decision to allocate," but the Fund, under Section 2(*c*) of the same Article, may provide that the basis for allocations shall be quotas on dates other than the dates of decisions to allocate.

On the assumption that the only members receiving allocations were those that are at present participants, the rate for the first allocation would be 10.6 percent of quotas. The method adopted to express the percentages of quotas for the proposal is designed to ensure that each of the three allocations will be close to SDR 4 billion and the total amount allocated will be close to SDR 12 billion.* Specifically, the total would not be increased if the Executive Board should decide, by the date that the resolution of the Board of Governors becomes effective, to make new participants in class (a) of section 4, above, i.e., members that were not participants at the start of the third basic period but were participants on the effective date of the resolution, eligible to receive the allocations for that period.

The total amount of allocations would be reduced, however, if participants entitled to receive allocations "opt out."** In contrast, the total amount of allocations would be increased when any new participants in class (b) of Section 4, above, i.e., those that become participants after the effective date of the resolution, are made eligible, by a decision of the Executive Board, to receive allocations made after they become participants.

The proposal also provides that the basis for each allocation shall be quotas on the day before that allocation. This provision is intended to deal with the expectation that increases in quotas under the Seventh General Review are to take place during the third basic period. It would have the result that all participants for which new quotas had gone into effect by the day prior to the allocation in question would receive allocations based on their share in the total quotas prevailing on that day, and that those participants

*Because the percentage is to be rounded to the nearest one tenth of one percentage point, an allocation could in practice exceed or fall short of the desired amount by not more than one twentieth of one percentage point of total quotas, i.e., a difference in absolute terms that would not be greater than about SDR 19 million on the basis of quotas at the present time.

**For a participant to be able to "opt out," in accordance with Article XVIII, Section 2(*e*), it must not have voted in favor of the resolution and must inform the Fund before the first allocation under the resolution that it does not wish to receive allocations under that resolution.

whose new quotas had not gone into effect would receive a much reduced share.

6. *Interrelated issues*

The draft resolution provides that it would not become effective unless the draft resolution on the Seventh General Review of Quotas that is being proposed for simultaneous adoption by the Board of Governors is adopted.* This provision of the draft resolution on allocation is in accordance with paragraph 3 of the Interim Committee's communiqué of September 24, 1978. In accordance with the same paragraph, the Executive Board has taken decisions on aspects of the special drawing right that are referred to in paragraph 5 of the communiqué. These decisions will become effective on the dates provided for in the decisions if the draft resolution becomes effective.

Part III. *Proposal for the Allocation of Special Drawing Rights*

I hereby propose that the Fund allocate special drawing rights to the participants in the Special Drawing Rights Department, in accordance with the Articles of Agreement, as follows:

1. The third basic period, which began on January 1, 1978, shall end on December 31, 1981.

2. Allocations during this basic period shall be made as of the first day of the month following the effective date of the resolution of the Board of Governors and as of the same date in each of the subsequent two years.

3. The rate for each participant receiving an allocation shall be the percentage, rounded to the nearest one-tenth of one percentage point, resulting from dividing SDR 4 billion by the total of quotas on the day before allocation of those participants that were eligible to receive allocations on the date on which this resolution becomes effective.

*See pages 678-79.

I further recommend that in accordance with the foregoing proposal, which has been concurred in by the Executive Board on October 25, 1978, the Board of Governors adopt the following proposed resolution.

October 25, 1978

*Proposed Resolution of the Board of Governors**

WHEREAS the Managing Director has submitted a proposal for the allocation of special drawing rights pursuant to Article XVIII, Section 4, of the Articles of Agreement of the International Monetary Fund;

WHEREAS in the Report containing his proposal, the Managing Director has declared that, before making the proposal, he had satisfied himself that the proposal would be consistent with the provisions of Article XVIII, Section 1(*a*), and that, after consultation, he has ascertained that there is broad support among participants for the proposal; and

WHEREAS the Executive Board has concurred in the proposal of the Managing Director;

NOW, THEREFORE, the Board of Governors, being satisfied that the proposal of the Managing Director meets the principles governing the allocation of special drawing rights set forth in Article XVIII, Section 1(*a*) hereby RESOLVES that:

1. The third basic period, which began on January 1, 1978, shall end on December 31, 1981.

2. The Fund shall make allocations to participants in the Special Drawing Rights Department that are eligible, in

*Adopted by the Board of Governors, effective December 11, 1978, and designated No. 34-3.

accordance with the Articles of Agreement, to receive allocations during the third basic period.

3. Allocations shall be made as of the first day of the month following the date on which this resolution becomes effective and as of the same date in each of the subsequent two years.

4. The rate for the allocations to participants eligible to receive allocations in accordance with 2 above shall be the percentage, rounded to the nearest one-tenth of one percentage point, resulting from dividing SDR 4 billion by the total of quotas on the day before allocation of those participants that were eligible to receive allocations on the date on which this resolution becomes effective.

5. This resolution shall become effective if it and the proposed resolution on the Seventh General Review of Quotas are adopted by the necessary majority of the total voting power for each.

Q. Report of the Managing Director to the Board of Governors and to the Executive Board Pursuant to Article XVIII, Section 4(*c*)

This report is submitted pursuant to Article XVIII, Section 4(*c*) of the Articles of Agreement which provides, in part, as follows:

> The Managing Director shall make proposals:
>
> (i) not later than six months before the end of each basic period;
>
> . . .
>
> provided that, if under (i) . . . above the Managing Director ascertains that there is no proposal which he considers to be consistent with the provisions of Section 1 of this Article that has broad support among participants in accordance with (b) above, he shall report to the Board of Governors and to the Executive Board.

The present basic period, which is the third one, began on January 1, 1978 and will end on December 31, 1981. In view of the provision in Article XVIII, Section 4 quoted above, the Managing Director must submit his proposal, or his report if he is unable to make a proposal, not later than June 30, 1981. As stated in that provision, he must submit a proposal to the Board of Governors if he is satisfied that a proposal could be made which, in his view, would be (i) consistent with the provisions of Section 1(*a*) of Article XVIII and (ii) would have broad support among participants in accordance with Section 4(*b*) of the same Article. He must report to the Board of Governors and to the Executive Board if he is not so satisfied. Section 1(*a*) and the relevant part of Section 4(*b*) provide as follows:

Section 1(*a*):

> In all its decisions with respect to the allocation and cancellation of special drawing rights the Fund shall seek to meet the long-term global need, as and when it arises, to supplement existing reserve assets in such manner as will promote the attainment of its purposes and will avoid

economic stagnation and deflation as well as excess demand and inflation in the world.

Section 4(*b*):

> Before making any proposal, the Managing Director, after having satisfied himself that it will be consistent with the provisions of Section 1(*a*) of this Article, shall conduct such consultations as will enable him to ascertain that there is broad support among participants for the proposal...

Under Article XVIII, Section 4(*d*), and Article XXI(*a*)(i) decisions of the Board of Governors approving proposals of the Managing Director require an eighty-five percent majority of the total voting power of participants in the Special Drawing Rights Department. As all members of the Fund are now participants in the Special Drawing Rights Department, this means eighty-five percent of the total voting power in the Fund.

The question of allocations of SDRs in the fourth basic period has been under discussion in the Executive Board, which considered the matter in meetings in January and April 1981. The consideration by the Executive Board was on the basis of staff memoranda providing background material and discussing the considerations relevant to the determination of the existence of a global need to supplement existing reserves and the size of the SDR allocation in the next basic period, including the objective under the Articles of Agreement of making the SDR the principal reserve asset in the international monetary system. During the discussions in the Executive Board, many Executive Directors expressed support for allocations in the fourth basic period, while some Directors were not prepared to support any allocations, and there was a wide range of views about possible amounts. These discussions, therefore, did not lead to a conclusion on the part of the Executive Board on the matter of allocations.

The question of allocations during the fourth basic period was considered by the Interim Committee at its meeting in Libreville, Gabon, on May 21, 1981. The communiqué issued by the Commit-

tee at the conclusion of that meeting contained the following paragraph:

> The members of the Committee considered the question of allocations of SDRs in the next, i.e., the fourth, basic period, which is scheduled to begin on January 1, 1982. The members of the Committee discussed this matter on the basis of the provisions of the Fund's Articles of Agreement and in the light of the various relevant factors, including the importance of strengthening the role of the SDR as a reserve asset and the need to avoid an undue increase in international liquidity. Many members supported the continuation of allocations in the fourth basic period and expressed the view that every effort should be made to achieve a consensus on this matter. Some other members considered that no case had been established in accordance with the principles laid down in the Articles of Agreement for an allocation in the near future. The Committee urged the Executive Board to continue its deliberations on the subject to enable the Managing Director to submit to the Board of Governors at the earliest possible date a proposal that would command the necessary support among members.

On the basis of discussions that have taken place, I have concluded that I am not in a position to make, by June 30 of this year, a proposal for allocations of SDRs in the fourth basic period that would command a broad support among the members of the Fund in accordance with the Articles. As provided in Article XVIII, Section 4(*c*)(ii), however, it remains incumbent upon me to make a proposal regarding the fourth basic period as soon as I am satisfied that the requirements of Article XVIII, Section 4(*b*) are fulfilled. I shall, therefore, submit a proposal for allocations of SDRs in the fourth basic period as soon as further discussions and consultations lead me to the conclusion that there is broad support for a proposal that would be consistent with the Articles. In this connection, it is of importance that the Executive Board will, as requested by the Interim Committee, continue its deliberations on the subject with a view to arriving at conclusions that would enable me to make a proposal as soon as possible.

June 9, 1981

Selected Documents
Relating to the Fund, the United Nations, and Other International Organizations

A. Agreement Between the United Nations and the International Monetary Fund*

Article I

GENERAL

1. This agreement, which is entered into by the United Nations pursuant to the provisions of Article 63 of its Charter, and by the International Monetary Fund (hereinafter called the Fund), pursuant to the provisions of Article X of its Articles of Agreement, is intended to define the terms on which the United Nations and the Fund shall be brought into relationship.

2. The Fund is a specialized agency established by agreement among its member governments and having wide international responsibilities, as defined in its Articles of Agreement, in economic and related fields within the meaning of Article 57 of the Charter of the United Nations. By reason of the nature of its international responsibilities and the terms of its Articles of Agreement, the Fund is, and is required to function as, an independent international organization.

3. The United Nations and the Fund are subject to certain necessary limitations for the safeguarding of confidential material furnished to them by their members or others, and nothing in this agreement shall be construed to require either of them to furnish any information the furnishing of which would, in its judgment, constitute a violation of the confidence of any of its members or anyone from whom it shall have received such information, or which would otherwise interfere with the orderly conduct of its operations.

*The Agreement was approved by the Board of Governors of the Fund on September 17, 1947 and by the General Assembly of the United Nations on November 15, 1947, and it came into force on November 15, 1947.

Article II

RECIPROCAL REPRESENTATION

1. Representatives of the United Nations shall be entitled to attend, and to participate without vote in, meetings of the Board of Governors of the Fund. Representatives of the United Nations shall be invited to participate without vote in meetings especially called by the Fund for the particular purpose of considering the United Nations point of view in matters of concern to the United Nations.

2. Representatives of the Fund shall be entitled to attend meetings of the General Assembly of the United Nations for purposes of consultation.

3. Representatives of the Fund shall be entitled to attend, and to participate without vote in, meetings of the committees of the General Assembly, meetings of the Economic and Social Council, of the Trusteeship Council and of their respective subsidiary bodies, dealing with matters in which the Fund has an interest.

4. Sufficient advance notice of these meetings and their agenda shall be given so that, in consultation, arrangements can be made for adequate representation.

Article III

PROPOSAL OF AGENDA ITEMS

In preparing the agenda for meetings of the Board of Governors, the Fund will give due consideration to the inclusion in the agenda of items proposed by the United Nations. Similarly, the Council and its commissions and the Trusteeship Council will give due consideration to the inclusion in their agenda of items proposed by the Fund.

Article IV

CONSULTATION AND RECOMMENDATIONS

1. The United Nations and the Fund shall consult together and exchange views on matters of mutual interest.

2. Neither organization, nor any of their subsidiary bodies, will present any formal recommendations to the other without reasonable prior consultation with regard thereto. Any formal recommendations made by either organization after such consultation will be considered as soon as possible by the appropriate organ of the other.

Article V

EXCHANGE OF INFORMATION

The United Nations and the Fund will, to the fullest extent practicable and subject to paragraph 3 of Article I, arrange for the current exchange of information and publications of mutual interest, and the furnishing of special reports and studies upon request.

Article VI

SECURITY COUNCIL

1. The Fund takes note of the obligation assumed, under paragraph 2 of Article 48 of the United Nations Charter, by such of its members as are also Members of the United Nations, to carry out the decisions of the Security Council through their action in the appropriate specialized agencies of which they are members, and will, in the conduct of its activities, have due regard for decisions of the Security Council under Articles 41 and 42 of the United Nations Charter.

2. The Fund agrees to assist the Security Council by furnishing to it information in accordance with the provisions of Article V of this agreement.

Article VII

ASSISTANCE TO THE TRUSTEESHIP COUNCIL

The Fund agrees to co-operate with the Trusteeship Council in the carrying out of its functions by furnishing information and technical assistance upon request, and in such other similar ways as may be consistent with the Articles of Agreement of the Fund.

Article VIII

INTERNATIONAL COURT OF JUSTICE

The General Assembly of the United Nations hereby authorizes the Fund to request advisory opinions of the International Court of Justice on any legal questions arising within the scope of the Fund's activities other than questions relating to the relationship between the Fund and the United Nations or any specialized agency. Whenever the Fund shall request the Court for an advisory opinion, the Fund will inform the Economic and Social Council of the request.

Article IX

STATISTICAL SERVICES

1. In the interests of efficiency and for the purpose of reducing the burden on national Governments and other organizations, the United Nations and the Fund agree to co-operate in eliminating unnecessary duplication in the collection, analysis, publication and dissemination of statistical information.

2. The Fund recognizes the United Nations as the central agency for the collection, analysis, publication, standardization and improvement of statistics serving the general purposes of international organizations, without prejudice to the right of the Fund to concern itself with any statistics so far as they may be essential for its own purposes.

3. The United Nations recognizes the Fund as the appropriate agency for the collection, analysis, publication, standardization and improvement of statistics within its special sphere, without prejudice to the right of the United Nations to concern itself with any statistics so far as they may be essential for its own purposes.

4. (*a*) In its statistical activities the Fund agrees to give full consideration to the requirements of the United Nations and of the specialized agencies.

(*b*) In its statistical activities the United Nations agrees to give full consideration to the requirements of the Fund.

5. The United Nations and the Fund agree to furnish each other promptly with all their non-confidential statistical information.

Article X

ADMINISTRATIVE RELATIONSHIPS

1. The United Nations and the Fund will consult from time to time concerning personnel and other administrative matters of mutual interest, with a view to securing as much uniformity in these matters as they shall find practicable and to assuring the most efficient use of the services and facilities of the two organizations. These consultations shall include determination of the most equitable manner in which special services furnished by one organization to the other should be financed.

2. To the extent consistent with the provisions of this agreement, the Fund will participate in the work of the Coordination Committee and its subsidiary bodies.

3. The Fund will furnish to the United Nations copies of the annual report and the quarterly financial statements prepared by the Fund pursuant to Section 7(*a*) of Article XII of its Articles of Agreement. The United Nations agrees that, in the interpretation of paragraph 3 of Article 17 of the United Nations Charter it will take into consideration that the Fund does not rely for its annual budget upon contributions from its members, and that the appropriate authorities of the Fund enjoy full autonomy in deciding the form and content of such budget.

4. The officials of the Fund shall have the right to use the *laissez-passer* of the United Nations in accordance with special arrangements to be negotiated between the Secretary-General of the United Nations and the competent authorities of the Fund.

Article XI

AGREEMENTS WITH OTHER ORGANIZATIONS

The Fund will inform the Economic and Social Council of any formal agreement which the Fund shall enter into with any specialized agency, and in particular agrees to inform the Council of the nature and scope of any such agreement before it is concluded.

Article XII

LIAISON

1. The United Nations and the Fund agree to the foregoing provisions in the belief that they will contribute to the maintenance of effective co-operation between the two organizations. Each agrees that it will establish within its own organization such administrative machinery as may be necessary to make the liaison, as provided for in this agreement, fully effective.

2. The arrangements provided for in the foregoing articles of this agreement shall apply, as far as is appropriate, to relations between such branch or regional offices as may be established by the two organizations, as well as between their central machinery.

Article XIII

MISCELLANEOUS

1. The Secretary-General of the United Nations and the Managing Director of the Fund are authorized to make such supplementary arrangements as they shall deem necessary or proper to carry fully into effect the purposes of this agreement.

2. This agreement shall be subject to revision by agreement between the United Nations and the Fund from the date of its entry into force.

3. This agreement may be terminated by either party thereto on six months' written notice to the other party, and thereupon all rights and obligations of both parties hereunder shall cease.

4. This agreement shall come into force when it shall have been approved by the General Assembly of the United Nations and the Board of Governors of the Fund.

B. United Nations Convention on the Privileges and Immunities of the Specialized Agencies and Annex V*

WHEREAS the General Assembly of the United Nations adopted on 13 February 1946 a resolution contemplating the unification as far as possible of the privileges and immunities enjoyed by the United Nations and by the various specialized agencies; and

WHEREAS consultations concerning the implementation of the aforesaid resolution have taken place between the United Nations and the specialized agencies;

CONSEQUENTLY, by resolution 179(II) adopted on 21 November 1947, the General Assembly has approved the following Convention, which is submitted to the specialized agencies for acceptance and to every Member of the United Nations and to every other State member of one or more of the specialized agencies for accession.

Article I

DEFINITION AND SCOPE

Section 1

In this Convention:

(i) The words "standard clauses" refer to the provisions of Articles II to IX.

*The Convention was adopted by the United Nations General Assembly on November 21, 1947. The Executive Directors of the Fund accepted the standard clauses of the Convention and approved Annex V with respect to the Fund on April 11, 1949. The Annex became effective on May 9, 1949, when it was received by the United Nations.

(ii) The words "specialized agencies" mean:

(*a*) The International Labour Organisation;

(*b*) The Food and Agriculture Organization of the United Nations;

(*c*) The United Nations Educational, Scientific and Cultural Organization;

(*d*) The International Civil Aviation Organization;

(*e*) The International Monetary Fund;

(*f*) The International Bank for Reconstruction and Development;

(*g*) The World Health Organization;

(*h*) The Universal Postal Union;

(*i*) The International Telecommunication Union; and

(*j*) Any other agency in relationship with the United Nations in accordance with Articles 57 and 63 of the Charter.

(iii) The word "Convention" means, in relation to any particular specialized agency, the standard clauses as modified by the final (or revised) text of the annex transmitted by that agency in accordance with Sections 36 and 38.

(iv) For the purposes of Article III, the words "property and assets" shall also include property and funds administered by a specialized agency in furtherance of its constitutional functions.

(v) For the purposes of Articles V and VII, the expression "representatives of members" shall be deemed to include all

representatives, alternates, advisers, technical experts and secretaries of delegations.

(vi) In Sections 13, 14, 15 and 25, the expression "meetings convened by a specialized agency" means meetings: (1) of its assembly and of its executive body (however designated), and (2) of any commission provided for in its constitution; (3) of any international conference convened by it; and (4) of any committee of any of these bodies.

(vii) The term "executive head" means the principal executive official of the specialized agency in question, whether designated "Director-General" or otherwise.

Section 2

Each State party to this Convention in respect of any specialized agency to which this Convention has become applicable in accordance with Section 37 shall accord to, or in connexion with, that agency the privileges and immunities set forth in the standard clauses on the conditions specified therein, subject to any modification of those clauses contained in the provisions of the final (or revised) annex relating to that agency and transmitted in accordance with Sections 36 or 38.

Article II

JURIDICAL PERSONALITY

Section 3

The specialized agencies shall possess juridical personality. They shall have the capacity (*a*) to contract, (*b*) to acquire and dispose of immovable and movable property, (*c*) to institute legal proceedings.

Article III

PROPERTY, FUNDS AND ASSETS

Section 4

The specialized agencies, their property and assets, wherever located and by whomsoever held, shall enjoy immunity from every form of legal process except in so far as in any particular case they have expressly waived their immunity. It is, however, understood that no waiver of immunity shall extend to any measure of execution.

Section 5

The premises of the specialized agencies shall be inviolable. The property and assets of the specialized agencies, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation and any other form of interference, whether by executive, administrative, judicial or legislative action.

Section 6

The archives of the specialized agencies, and in general all documents belonging to them or held by them, shall be inviolable, wherever located.

Section 7

Without being restricted by financial controls, regulations or moratoria of any kind:

(*a*) The specialized agencies may hold funds, gold or currency of any kind and operate accounts in any currency;

(*b*) The specialized agencies may freely transfer their funds, gold or currency from one country to another or within any country and convert any currency held by them into any other currency.

Section 8

Each specialized agency shall, in exercising its rights under Section 7 above, pay due regard to any representations made by the Government of any State party to this Convention in so far as it is considered that effect can be given to such representations without detriment to the interests of the agency.

Section 9

The specialized agencies, their assets, income and other property shall be:

(*a*) Exempt from all direct taxes; it is understood, however, that the specialized agencies will not claim exemption from taxes which are, in fact, no more than charges for public utility services;

(*b*) Exempt from customs duties and prohibitions and restrictions on imports and exports in respect of articles imported or exported by the specialized agencies for their official use; it is understood, however, that articles imported under such exemption will not be sold in the country into which they were imported except under conditions agreed to with the Government of that country;

(*c*) Exempt from duties and prohibitions and restrictions on imports and exports in respect of their publications.

Section 10

While the specialized agencies will not, as a general rule, claim exemption from excise duties and from taxes on the sale of movable and immovable property which forms part of the price to be paid, nevertheless when the specialized agencies are making important purchases for official use of property on which such duties and taxes have been charged or are chargeable, States parties to this Convention will, whenever possible, make appropriate administrative arrangements for the remission or return of the amount of duty or tax.

Article IV

FACILITIES IN RESPECT OF COMMUNICATIONS

Section 11

Each specialized agency shall enjoy, in the territory of each State party to this Convention in respect of that agency, for its official communications, treatment not less favourable than that accorded by the Government of such State to any other Government, including the latter's diplomatic mission, in the matter of priorities, rates and taxes on mails, cables, telegrams, radiograms, telephotos, telephone and other communications, and press rates for information to the press and radio.

Section 12

No censorship shall be applied to the official correspondence and other official communications of the specialized agencies.

The specialized agencies shall have the right to use codes and to dispatch and receive correspondence by courier or in sealed bags, which shall have the same immunities and privileges as diplomatic couriers and bags.

Nothing in this section shall be construed to preclude the adoption of appropriate security precautions to be determined by agreement between a State party to this Convention and a specialized agency.

Article V

REPRESENTATIVES OF MEMBERS

Section 13

Representatives of members at meetings convened by a specialized agency shall, while exercising their functions and

during their journeys to and from the place of meeting, enjoy the following privileges and immunities:

(*a*) Immunity from personal arrest or detention and from seizure of their personal baggage, and in respect of words spoken or written and all acts done by them in their official capacity, immunity from legal process of every kind;

(*b*) Inviolability for all papers and documents;

(*c*) The right to use codes and to receive papers or correspondence by courier or in sealed bags;

(*d*) Exemption in respect of themselves and their spouses from immigration restrictions, aliens' registration or national service obligations in the State which they are visiting or through which they are passing in the exercise of their functions;

(*e*) The same facilities in respect of currency or exchange restrictions as are accorded to representatives of foreign Governments on temporary official missions;

(*f*) The same immunities and facilities in respect of their personal baggage as are accorded to members of comparable rank of diplomatic missions.

Section 14

In order to secure for the representatives of members of the specialized agencies at meetings convened by them complete freedom of speech and complete independence in the discharge of their duties, the immunity from legal process in respect of words spoken or written and all acts done by them in discharging their duties shall continue to be accorded, notwithstanding that the persons concerned are no longer engaged in the discharge of such duties.

Section 15

Where the incidence of any form of taxation depends upon residence, periods during which the representatives of members of the specialized agencies at meetings convened by them are present in a member State for the discharge of their duties shall not be considered as periods of residence.

Section 16

Privileges and immunities are accorded to the representatives of members, not for the personal benefit of the individuals themselves, but in order to safeguard the independent exercise of their functions in connexion with the specialized agencies. Consequently, a member not only has the right but is under a duty to waive the immunity of its representatives in any case where, in the opinion of the member, the immunity would impede the course of justice, and where it can be waived without prejudice to the purpose for which the immunity is accorded.

Section 17

The provisions of Sections 13, 14 and 15 are not applicable in relation to the authorities of a State of which the person is a national or of which he is or has been a representative.

Article VI

OFFICIALS

Section 18

Each specialized agency will specify the categories of officials to which the provisions of this Article and of Article VIII shall apply. It shall communicate them to the Governments of all States parties to this Convention in respect of that agency and to the Secretary-General of the United Nations. The names of the

officials included in these categories shall from time to time be made known to the above-mentioned Governments.

Section 19

Officials of the specialized agencies shall:

(*a*) Be immune from legal process in respect of words spoken or written and all acts performed by them in their official capacity;

(*b*) Enjoy the same exemptions from taxation in respect of the salaries and emoluments paid to them by the specialized agencies and on the same conditions as are enjoyed by officials of the United Nations;

(*c*) Be immune, together with their spouses and relatives dependent on them, from immigration restrictions and alien registration;

(*d*) Be accorded the same privileges in respect of exchange facilities as are accorded to officials of comparable rank of diplomatic missions;

(*e*) Be given, together with their spouses and relatives dependent on them, the same repatriation facilities in time of international crises as officials of comparable rank of diplomatic missions;

(*f*) Have the right to import free of duty their furniture and effects at the time of first taking up their post in the country in question.

Section 20

The officials of the specialized agencies shall be exempt from national service obligations, provided that in relation to the States of which they are nationals, such exemption shall be confined to officials of the specialized agencies whose names have, by reason of their duties, been placed upon a list compiled by the executive

head of the specialized agency and approved by the State concerned.

Should other officials of specialized agencies be called up for national service, the State concerned shall, at the request of the specialized agency concerned, grant such temporary deferments in the call-up of such officials as may be necessary to avoid interruption in the continuation of essential work.

Section 21

In addition to the immunities and privileges specified in Sections 19 and 20, the executive head of each specialized agency, including any official acting on his behalf during his absence from duty, shall be accorded in respect of himself, his spouse and minor children, the privileges and immunities, exemptions and facilities accorded to diplomatic envoys, in accordance with international law.

Section 22

Privileges and immunities are granted to officials in the interests of the specialized agencies only and not for personal benefit of the individuals themselves. Each specialized agency shall have the right and the duty to waive immunity of any official in any case where, in its opinion, the immunity would impede the course of justice and can be waived without prejudice to the interests of the specialized agency.

Section 23

Each specialized agency shall co-operate at all times with the appropriate authorities of member States to facilitate the proper administration of justice, secure the observance of police regulations and prevent the occurrence of any abuses in connexion with the privileges, immunities and facilities mentioned in this article.

Article VII

ABUSES OF PRIVILEGE

Section 24

If any State party to this Convention considers that there has been an abuse of a privilege or immunity conferred by this Convention, consultations shall be held between that State and the specialized agency concerned to determine whether any such abuse has occurred and, if so, to attempt to ensure that no repetition occurs. If such consultations fail to achieve a result satisfactory to the State and the specialized agency concerned, the question whether an abuse of a privilege or immunity has occurred shall be submitted to the International Court of Justice in accordance with Section 32. If the International Court of Justice finds that such an abuse has occurred, the State party to this Convention affected by such abuse shall have the right, after notification to the specialized agency in question, to withhold from the specialized agency concerned the benefits of the privilege or immunity so abused.

Section 25

1. Representatives of members at meetings convened by specialized agencies, while exercising their functions and during their journeys to and from the place of meeting, and officials within the meaning of Section 18, shall not be required by the territorial authorities to leave the country in which they are performing their functions on account of any activities by them in their official capacity. In the case, however, of abuse of privileges of residence committed by any such person in activities in that country outside his official functions, he may be required to leave by the Government of that country provided that:

2. (I) Representatives of members, or persons who are entitled to diplomatic immunity under Section 21, shall not be required to leave the country otherwise than in accordance with the diplomatic procedure applicable to diplomatic envoys accredited to that country.

(II) In the case of an official to whom Section 21 is not applicable, no order to leave the country shall be issued other than with the approval of the Foreign Minister of the country in question, and such approval shall be given only after consultation with the executive head of the specialized agency concerned; and, if expulsion proceedings are taken against an official, the executive head of the specialized agency shall have the right to appear in such proceedings on behalf of the person against whom they are instituted.

Article VIII

LAISSEZ-PASSER

Section 26

Officials of the specialized agencies shall be entitled to use the United Nations *laissez-passer* in conformity with administrative arrangements to be concluded between the Secretary-General of the United Nations and the competent authorities of the specialized agencies, to which agencies special powers to issue *laissez-passer* may be delegated. The Secretary-General of the United Nations shall notify each State party to this Convention of each administrative arrangement so concluded.

Section 27

States parties to this Convention shall recognize and accept the United Nations *laissez-passer* issued to officials of the specialized agencies as valid travel documents.

Section 28

Applications for visas, where required, from officials of specialized agencies holding United Nations *laissez-passer* when accompanied by a certificate that they are travelling on the business of a specialized agency, shall be dealt with as speedily as possible. In addition, such persons shall be granted facilities for speedy travel.

Section 29

Similar facilities to those specified in Section 28 shall be accorded to experts and other persons who, though not the holders of United Nations *laissez-passer*, have a certificate that they are travelling on the business of a specialized agency.

Section 30

The executive heads, assistant executive heads, heads of departments and other officials of a rank not lower than head of department of the specialized agencies, travelling on United Nations *laissez-passer* on the business of the specialized agencies, shall be granted the same facilities for travel as are accorded to officials of comparable rank in diplomatic missions.

Article IX

SETTLEMENT OF DISPUTES

Section 31

Each specialized agency shall make provision for appropriate modes of settlement of:

(*a*) Disputes arising out of contracts or other disputes of private character to which the specialized agency is a party;

(*b*) Disputes involving any official of a specialized agency who by reason of his official position enjoys immunity, if immunity has not been waived in accordance with the provisions of Section 22.

Section 32

All differences arising out of the interpretation or application of the present Convention shall be referred to the International Court

of Justice unless in any case it is agreed by the parties to have recourse to another mode of settlement. If a difference arises between one of the specialized agencies on the one hand, and a member on the other hand, a request shall be made for an advisory opinion on any legal question involved in accordance with Article 96 of the Charter and Article 65 of the Statute of the Court and the relevant provisions of the agreements concluded between the United Nations and the specialized agency concerned. The opinion given by the Court shall be accepted as decisive by the parties.

Article X

ANNEXES AND APPLICATION TO INDIVIDUAL SPECIALIZED AGENCIES

Section 33

In their application to each specialized agency, the standard clauses shall operate subject to any modifications set forth in the final (or revised) text of the annex relating to that agency, as provided in Sections 36 and 38.

Section 34

The provisions of the Convention in relation to any specialized agency must be interpreted in the light of the functions with which that agency is entrusted by its constitutional instrument.

Section 35

Draft annexes I to IX are recommended to the specialized agencies named therein. In the case of any specialized agency not mentioned by name in Section 1, the Secretary-General of the United Nations shall transmit to the agency a draft annex recommended by the Economic and Social Council.

Section 36

The final text of each annex shall be that approved by the specialized agency in question in accordance with its constitutional

procedure. A copy of the annex as approved by each specialized agency shall be transmitted by the agency in question to the Secretary-General of the United Nations and shall thereupon replace the draft referred to in Section 35.

Section 37

The present Convention becomes applicable to each specialized agency when it has transmitted to the Secretary-General of the United Nations the final text of the relevant annex and has informed him that it accepts the standard clauses, as modified by this annex, and undertakes to give effect to Sections 8, 18, 22, 23, 24, 31, 32, 42 and 45 (subject to any modification of Section 32 which may be found necessary in order to make the final text of the annex consonant with the constitutional instrument of the agency) and any provisions of the annex placing obligations on the agency. The Secretary-General shall communicate to all Members of the United Nations and to other States members of the specialized agencies certified copies of all annexes transmitted to him under this section and of revised annexes transmitted under Section 38.

Section 38

If, after the transmission of a final annex under Section 36, any specialized agency approves any amendments thereto in accordance with its constitutional procedure, a revised annex shall be transmitted by it to the Secretary-General of the United Nations.

Section 39

The provisions of this Convention shall in no way limit or prejudice the privileges and immunities which have been, or may hereafter be, accorded by any State to any specialized agency by reason of the location in the territory of that State of its headquarters or regional offices. This Convention shall not be deemed to prevent the conclusion between any State party thereto and any specialized agency of supplemental agreements adjusting

the provisions of this Convention or extending or curtailing the privileges and immunities thereby granted.

Section 40

It is understood that the standard clauses, as modified by the final text of an annex sent by a specialized agency to the Secretary-General of the United Nations under Section 36 (or any revised annex sent under Section 38), will be consistent with the provisions of the constitutional instrument then in force of the agency in question, and that if any amendment to that instrument is necessary for the purpose of making the constitutional instrument so consistent, such amendment will have been brought into force in accordance with the constitutional procedure of that agency before the final (or revised) annex is transmitted.

The Convention shall not itself operate so as to abrogate, or derogate from, any provisions of the constitutional instrument of any specialized agency or any rights or obligations which the agency may otherwise have, acquire, or assume.

Article XI

FINAL PROVISIONS

Section 41

Accession to this Convention by a Member of the United Nations and (subject to Section 42) by any State member of a specialized agency shall be effected by deposit with the Secretary-General of the United Nations of an instrument of accession which shall take effect on the date of its deposit.

Section 42

Each specialized agency concerned shall communicate the text of this Convention together with the relevant annexes to those of its members which are not Members of the United Nations and shall invite them to accede thereto in respect of that agency by depositing an instrument of accession to this Convention in respect thereof either with the Secretary-General of the United Nations or with the executive head of the specialized agency.

Section 43

Each State party to this Convention shall indicate in its instrument of accession the specialized agency or agencies in respect of which it undertakes to apply the provisions of this Convention. Each State party to this Convention may by subsequent written notification to the Secretary-General of the United Nations undertake to apply the provisions of this Convention to one or more further specialized agencies. This notification shall take effect on the date of its receipt by the Secretary-General.

Section 44

This Convention shall enter into force for each State party to this Convention in respect of a specialized agency when it has become applicable to that agency in accordance with Section 37 and the State party has undertaken to apply the provisions of the Convention to that agency in accordance with Section 43.

Section 45

The Secretary-General of the United Nations shall inform all Members of the United Nations, as well as all members of the specialized agencies, and executive heads of the specialized agencies, of the deposit of each instrument of accession received under Section 41 and of subsequent notifications received under Section 43. The executive head of a specialized agency shall inform the Secre-

tary-General of the United Nations and the members of the agency concerned of the deposit of any instrument of accession deposited with him under Section 42.

Section 46

It is understood that, when an instrument of accession or a subsequent notification is deposited on behalf of any State, this State will be in a position under its own law to give effect to the terms of this Convention, as modified by the final texts of any annexes relating to the agencies covered by such accessions or notifications.

Section 47

1. Subject to the provisions of paragraphs 2 and 3 of this section, each State party to this Convention undertakes to apply this Convention in respect of each specialized agency covered by its accession or subsequent notification, until such time as a revised convention or annex shall have become applicable to that agency and the said State shall have accepted the revised convention or annex. In the case of a revised annex, the acceptance of States shall be by a notification addressed to the Secretary-General of the United Nations, which shall take effect on the date of its receipt by the Secretary-General.

2. Each State party to this Convention, however, which is not, or has ceased to be, a member of a specialized agency, may address a written notification to the Secretary-General of the United Nations and the executive head of the agency concerned to the effect that it intends to withhold from that agency the benefits of this Convention as from a specified date, which shall not be earlier than three months from the date of receipt of the notification.

3. Each State party to this Convention may withhold the benefit of this Convention from any specialized agency which ceases to be in relationship with the United Nations.

4. The Secretary-General of the United Nations shall inform all member States parties to this Convention of any notification transmitted to him under the provisions of this section.

Section 48

At the request of one-third of the States parties to this Convention, the Secretary-General of the United Nations will convene a conference with a view to its revision.

Section 49

The Secretary-General of the United Nations shall transmit copies of this Convention to each specialized agency and to the Government of each Member of the United Nations.

ANNEX V

International Monetary Fund

In its application to the International Monetary Fund (hereinafter called "the Fund"), the Convention (including this annex) shall operate subject to the following provisions:

1. Section 32 of the standard clauses shall only apply to differences arising out of the interpretation or application of privileges and immunities which are derived by the Fund solely from this Convention and are not included in those which it can claim under its Articles of Agreement or otherwise.

2. The provisions of the Convention (including this annex) do not modify or amend or require the modification or amendment of the Articles of Agreement of the Fund or impair or limit any of the rights, immunities, privileges or exemptions conferred upon the Fund or any of its members, Governors, Executive Directors, alternates, officers or employees by the Articles of Agreement of the Fund, or by any statute, law or regulation of any member of the Fund or any political subdivision of any such member, or otherwise.

List of Members Which Have Accepted the UN Convention on Privileges and Immunities of the Specialized Agencies with Respect to the Fund as of June 30, 1999

Country	*Effective Date*
Algeria	March 25, 1964
Argentina	October 10, 1963
Australia	May 9, 1986
Austria	July 21, 1950
Bahrain*	September 17, 1992
Barbados	November 19, 1971
Belarus*	August 27, 1992
Belgium	March 14, 1962
Bosnia and Herzegovina	March 6, 1992
Botswana	April 5, 1983
Brazil	March 22, 1963
Burkina Faso	April 6, 1962
Cameroon	April 30, 1992
Chile	September 21, 1951
China*	June 30, 1981
Côte d'Ivoire*	June 4, 1962
Croatia	October 8, 1991
Czech Republic*	January 1, 1993
Denmark	January 25, 1950
Dominica	June 24, 1988
Ecuador	July 7, 1953
Egypt	October 18, 1954
Estonia	October 8, 1997
Finland	July 31, 1958
Gabon*	November 30, 1982
Gambia, The	August 1, 1966

*See *Declarations and Reservations* at the end of the list.

Country	Effective Date
Germany, Federal Republic of*	October 10, 1957
Ghana	September 9, 1958
Greece	June 21, 1977
Guatemala	June 30, 1951
Guinea	March 29, 1968
Guyana	September 13, 1973
Haiti	April 16, 1952
Hungary*	August 19, 1982
India	October 19, 1949
Indonesia*	March 8, 1972
Iran, Islamic Republic of	May 16, 1974
Iraq	July 9, 1954
Ireland	May 10, 1967
Italy*	August 30, 1985
Japan	April 18, 1963
Kenya	July 1, 1965
Korea	May 13, 1977
Kuwait	February 7, 1963
Lao People's Democratic Republic	August 9, 1960
Lesotho	November 26, 1969
Libya	April 30, 1958
Lithuania*	February 10, 1998
Luxembourg	September 20, 1950
Macedonia, former Yugolsav Republic of	September 17, 1991
Madagascar*	January 3, 1966
Malawi	August 2, 1965
Mali	June 24, 1968
Malta	February 13, 1969
Morocco	November 3, 1976
Nepal	September 28, 1965
Netherlands*	July 21, 1949

*See *Declarations and Reservations* at the end of the list.

Country	*Effective Date*
Nicaragua	April 6, 1959
Niger	May 15, 1968
Norway *	January 25, 1950
Pakistan*	November 7, 1951
Philippines	March 20, 1950
Poland*	June 11, 1990
Romania*	August 23, 1974
Russian Federation*	June 29, 1994
Rwanda	June 23, 1964
St. Lucia	September 2, 1986
Senegal	March 2, 1966
Seychelles	July 24, 1985
Slovak Republic*	January 1, 1993
Slovenia	June 25, 1991
Spain	September 26, 1974
Sweden	September 12, 1951
Tanzania	April 10, 1963
Thailand	June 19, 1961
Trinidad and Tobago	October 19, 1965
Tunisia	December 3, 1957
Uganda	August 11, 1983
Ukraine*	February 25, 1993
Uruguay	December 29, 1977
Uzbekistan	February 18, 1997
Zaïre	December 8, 1964
Zimbabwe	March 5, 1991

*See *Declarations and Reservations* at the end of the list.

Declarations and Reservations

(Unless otherwise indicated, the declarations and reservations were made upon accession. For objections thereto, see hereinafter)

BAHRAIN

"The accession by the State of Bahrain to the said Convention shall in no way constitute recognition of Israel or be a cause for the establishment of any relations of any kind herewith."

BELARUS[12]

The Byelorussian Soviet Socialist Republic does not consider itself bound by the provisions of sections 24 and 32 of the Convention, concerning the compulsory jurisdiction of the International Court of Justice. Concerning the jurisdiction of the International Court of Justice in disputes arising out of the interpretation or application of the Convention, the Byelorussian Soviet Socialist Republic will maintain the same position as hitherto, namely, that for any dispute to be referred to the International Court of Justice for settlement, the agreement of all Parties involved in the dispute must be obtained in each individual case. This reservation similarly applies to the provision contained in section 32, stipulating that the advisory opinion of the International Court of Justice shall be accepted as decisive.

CHINA[12]

The Government of the People's Republic of China has reservations on the provisions of section 32, article IX, of the said Convention.

COTE D'IVOIRE

28 December 1961

It is not possible for any Government fully to comply with the requirements of section 11 of that Convention in so far as it requires the specialized agency to enjoy in the territory of a State party to the Convention treatment not less favorable than that accorded by the Government of that State to any other Government in the matter of priorities and rates on telecommunications, unless and until all other Governments collaborate in according this treatment to the agency in question. It is understood that this matter is being discussed in the International Telecommunication Union.

CZECH REPUBLIC[3, 12]

Gabon

It is not possible for any Government fully to comply with the requirements of section 11 of that Convention in so far as it requires the specialized agency to enjoy in the territory of a State party to the Convention treatment not less favorable than that accorded by the Government of that State to any other Government in the matter of priorities and rates on telecommunications, unless and until all other Governments collaborate in according this treatment to the agency in question. It is understood that this matter is being discussed in the International Telecommunication Union.

Germany [5,6]

"The Government of the Federal Republic of Germany takes the liberty of calling attention to the fact that the provisions of section 11 of article IV of the Convention, to the effect that the specialized agencies shall enjoy, in the territory of each State party to this Convention, for their official communications, treatment not less favorable than that accorded by the Government of such State to any other Government in the matter of priorities, rates and other taxes, cannot be fully complied with by any Government. Reference is made to the provisions of article 37 and of annex 3 of the International Telecommunication Convention concluded at Buenos Aires in 1952, as well as to the resolutions Nos. 27 and 28 appended to that Convention."

Hungary [12,14]

Indonesia [12,15]

"(1) Article II (b) section 3: The capacity of the specialized agencies to acquire and dispose of immovable property shall be exercised with due regard to national laws and regulations.

(2) Article IX section 32: With regard to the competence of the International Court of Justice in disputes concerning the interpretation or application of the Convention, the Government of Indonesia reserves the right to maintain that in every individual case the agreement of the parties to the dispute is required before the Court for a ruling."

Italy

Declaration:

In the event that some of the specialized agencies which are mentioned in the instrument of accession and to which Italy undertakes to apply the Convention should decide to establish their headquarters or their regional offices in Italian territory, the Italian Government will be able to avail itself of the option of concluding with such agencies, in accordance with Section 39 of the Convention

supplemental agreements specifying, in particular, the limits within which immunity from jurisdiction may be granted to a given agency or immunity from jurisdiction and exemption from taxation granted to officials of that agency.

LITHUANIA

Reservation:

"...The Government of the Republic of Lithuania has made the reservation in respect of article 2(3) (b), that the specialized agencies shall not be entitled to acquire land in the territory of the Republic of Lithuania, in view of the land regulations laid down by the Article 47 of the Constitution of the Republic of Lithuania.

MADAGASCAR

The Malagasy Government will not be able to comply fully with the provisions of article IV, section 11, of the Convention, which states that the specialized agencies shall enjoy, in the territory of each State party to the Convention, for their official communications, treatment not less favorable than that accorded by the Government of such State to any other Government, in the matter of priorities, rates and taxes on telecommunications, until such time as all Governments decide to cooperate by according such treatment to the agencies in question.

NORWAY

20 September 1951

"The Norwegian Government is of the opinion that it is impossible for any government to comply fully with Section 11 of the said Convention, which requires that the Specialized Agencies shall enjoy, in the territory of each state party to the Convention, for their official communications, treatment no less favorable than that accorded by the Government of such State to any other Government in the matter of priorities, rates and taxes on telecommunications as long as all governments have not agreed to grant to the agency in question, the treatment specified in this Section."

PAKISTAN

Declaration contained in the notification received on 15 September 1961 and also, with the second paragraph omitted, in the notifications received on 13 March 1962 and 17 July 1962:

"The enjoyment by Specialized Agencies of the communication privileges provided for in Article IV, Section 11 of the Convention cannot, in practice, be determined by unilateral action of individual Governments and has in fact been

determined by the International Telecommunication Convention, Atlantic City, 1947 and Telegraph and Telephone Regulations annexed thereto. Pakistan would, therefore, not be able to comply with the provisions of Article IV, Section 11 of the Convention in view of Resolution No. 28 (annexure I) passed at the Plenipotentiary Conference of the International Telecommunication Union, held in Buenos Aires in 1952.

The International Telecommunication Union shall not claim for itself the communication privileges provided in Article IV, Section 11 of the Convention."

Poland [12, 17]

Romania [12]

The Socialist Republic of Romania states that it does not consider itself bound by the provisions of sections 24 and 32, whereby the question whether an abuse of a privilege or immunity has occurred, and differences arising out of the interpretation or application of the Convention and disputes between specialized agencies and Member States, shall be referred to the International Court of Justice. The position of the Socialist Republic of Romania is that such questions, differences or disputes may be referred to the International Court of Justice only with the agreement of the parties in each individual case.

Russian Federation [12]

Declaration made upon accession and also contained in the notification received on 16 November 1972:

The Union of Soviet Socialist Republics does not consider itself bound by the provisions of sections 24 and 32 of the Convention, concerning the compulsory jurisdiction of the International Court of Justice. Concerning the jurisdiction of the International Court of Justice in disputes arising out of the interpretation or application of the Convention, the USSR will maintain the same position as hitherto, namely, that for any dispute to be referred to the International Court of Justice for settlement, the agreement of all Parties involved in the dispute must be obtained in each individual case. This reservation similarly applies to the provision contained in section 32, stipulating that the advisory opinion of the International Court of Justice shall be accepted as decisive.

Slovakia [3, 12]

Ukraine [12]

The Ukrainian Soviet Socialist Republic does not consider itself bound by the provisions of sections 24 and 32 of the Convention, concerning the

compulsory jurisdiction of the International Court of Justice. Concerning the jurisdiction of the International Court of Justice in disputes arising out of the interpretation or application of the Convention, the Ukrainian Soviet Socialist Republic will maintain the same position as hitherto, namely, that for any dispute to be referred to the International Court of Justice for settlement, the agreement of all Parties involved in the dispute must be obtained in each individual case. This reservation similarly applies to the provision contained in section 32, stipulating that the advisory opinion of the International Court of Justice shall be accepted as decisive.

Objections

(Unless otherwise indicated, the objections were made upon accession)

NETHERLANDS [18]

11 January 1980

"The Government of the Kingdom of the Netherlands has noted the reservation made on the accession of China to the Convention on the privileges and immunities of the specialized agencies, and is of the opinion that the reservation mentioned, and similar reservations other States have made in the past or may make in the future, are incompatible with the objectives and purposes of the Convention.

The Government of the Kingdom of the Netherlands does, however, not wish to raise a formal objection to these reservations made by States parties to the Convention."

NOTES:

[1] Resolution 179 (II); *Official Records of the Second Session of the General Assembly, Resolutions* (A/519), p. 112.

[2] Resolution No. 108, adopted by the General Council of the International Refugee Organization at its 101st meeting on 15 February 1952, provided for the liquidation of the Organization.

[3] Czechoslovakia had acceded to the Convention on 29 December 1966 in respect of the following agencies; ILO, ICAO, UNESCO, WHO, UPU, ITU, WMO and IMO. Subsequently, on 6 September 1988 and 26 April 1991, the Government of Czechoslovakia notified the Secretary-General that it applied the Convention in respect of FAO (second revised text of annex II), WIPO, and UNIDO, and IMF, IBRD, IFC and IDA, respectively. The instrument of accession also contained a reservation, subsequently withdrawn on 26 April 1991. For the text of the reservation, see United Nations, *Treaty Series*, vol. 586, p. 247. See also note 12 in this chapter and note 11 in chapter I.2.

[4] In a communication received by the Secretary-General on 10 October 1957, the Government of the Federal Republic of Germany declared that the Convention will also apply to the Saar Territory except that Section 7(b) of the Convention shall not take effect with regard to the Saar Territory until the expiration of the interim period defined in article 3 of the Treaty of 27 October 1956 between France and the Federal Republic of Germany. See also note 12 below and note 14 in chapter I.2.

[5] The German Democratic Republic had acceded to the Convention, with a reservation, on 4 October 1974 in respect of the following specialized agencies: ILO, UNESCO, WHO (third revised text of annex VII), UPU, ITU, WMO, IMO (revised text of annex XII). For the text of the reservation see United Nations, *Treaty Series*, vol. 950, p. 357. See also note 12 below and note 14 in chapter I.2.

[6] In a note accompanying the instrument of accession, the Government of the Federal Republic of Germany declared that the Convention would also apply to Land Berlin.

With reference to the above-mentioned declaration. communications have been addressed to the Secretary-General by the Governments of Bulgaria, France, the United Kingdom and the United States of America, the Federal Republic of Germany, Mongolia, Poland and the Union of Soviet Socialist Republics. The said communications are identical in essence, *mutatis mutandis*, to the corresponding ones reproduced in note 4 of Chapter III.3.

Subsequently, upon accession to the Convention, the Government of the German Democratic Republic made on the same subject the following declaration:

> As regards the application of the Convention to Berlin (West),the German Democratic Republic notes, in accordance with the Quadripartite Agreement between the Governments of the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland, the United States of America and the French Republic of 3 September 1971, that Berlin (West) is not a constituent part of the Federal Republic of Germany and cannot be governed by it. Consequently, the declaration of the Federal Republic of Germany to the effect that the said Convention is valid also for "*Land Berlin*" is in contradiction with the Quadripartite Agreement, which provides that agreements affecting matters of the status of Berlin (West) may not be extended to Berlin (West) by the Federal Republic of Germany.

With reference to the above-mentioned declaration the Secretary-General received on 8 July 1975 from the Governments of the United States of America, France and the United Kingdom, the following declaration:

> ["The communication mentioned in the Note listed refers] to the Quadripartite Agreement of 3 September 1971. This Agreement was concluded in Berlin between the Governments of the French Republic, the

Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland and the United States of America. [The Government sending this communication is not a party to the Quadripartite Agreement and is] therefore not competent to make authoritative comments on its provisions.

"The Governments of France, the United Kingdom and the United States wish to bring the following to the attention of the States Parties to the [Convention]. When authorising the extension of [this instrument] to the Western Sectors of Berlin, the authorities of the Three Powers, acting in the exercise of their supreme authority, ensured in accordance with established procedures that [this instrument is] applied in the Western Sectors of Berlin in such a way as not to affect matters of security and status.

"Accordingly, the application of [this instrument] to the Western Sectors of Berlin continues in full force and effect.

"The Governments of France, the United Kingdom and the United States do not consider it necessary to respond to any further communications of a similar nature by States which are not signatories to the Quadripartite Agreement. This should not be taken to imply any change in the position of those Governments in this matter."

Subsequently, on 19 September 1975, the Government of the Federal Republic of Germany made on the same subject the following declaration:

"By their Notes of 8 July 1975,....The Governments of France, the United Kingdom and the United States answered the assertions made in the [communication] referred to above. The Government of the Federal Republic of Germany, on the basis of the legal situation set out in the Note of the Three Powers wishes to confirm that the application in Berlin (West) of the above-mentioned [instrument] extended by it under the established procedures [continues] in full force and effect.

"The Government of the Federal Republic of Germany wishes to point out that the absence of a response to further communications of a similar nature should not be taken to imply any change of its position in this matter."

See also note 5 above.

[7] The notifications of 9 August 1973 and 19 August 1982 were made with the same reservations as those made upon accession.

The notification of application of 12 November 1991 contains the following declaration:

"The Convention is being applied on behalf of Hungary as from 29 April 1985 with respect to the [said] specialized agencies."

[8] The Government of Italy in its instrument of accession has (subject to the declaration made upon accession) undertaken to apply the Convention to the United Nations Industrial Development Organization (UNIDO). However, the Convention became applicable to UNIDO on 15 September 1987, upon the completion by UNIDO of the procedures provided for by article 37 of the Convention. Until that time, the provision of article 21(2)(b) of the Constitution of UNIDO, to which Italy is a party, will continue to apply.

[9] Between 12 March 1968, the date of accession to independence, and 18 July 1969, the date of the notification of succession, Mauritius applied Annex II unrevised.

[10] The instrument of accession by the Government of Nepal was deposited with the Director-General of the World Health Organization, in accordance with section 42 of the Convention.

[11] On 13 December 1985, the Secretary-General received from the Government of the United Kingdom of Great Britain and Northern Ireland a notification to the effect that, the United Kingdom having withdrawn from UNESCO, it would withhold from UNESCO the benefits of the said Convention with effect from 13 March 1986.

[12] The Government of the United Kingdom of Great Britain and Northern Ireland notified the Secretary-General, on the dates indicated, that it is unable to accept certain reservations made by the States listed below because in its view they are not of the kind which intending parties to the Convention have the right to make:

Date of receipt of the objection:	*With respect to reservation by:*
20 Jun 1967	Belarus
20 Jun 1967	Czechoslovakia*
20 Jun 1967	Ukraine
20 Jun 1967	Russian Federation
11 Jan 1968	Hungary
12 Aug 1968	Bulgaria
2 Dec 1969	Poland***
17 Aug 1970	Mongolia
30 Nov 1970	Romania
21 Sep 1972	Indonesia
1 Nov 1972	Cuba
20 Nov 1974	Germany**
6 Nov 1979	China

21 Apr 1983 .... Hungary

* See also note 3 in this chapter
** See also note 5 in this chapter
*** See also note 17 in this chapter

[13] On 24 June 1992, the Government of Bulgaria notified the Secretary-General its decision to withdraw the reservation made upon accession. For the text of the reservation, see United Nations, *Treaty Series*, vol. 638, p. 266.

[14] In a communication received on 8 December 1989, the Government of Hungary notified the Secretary-General that it had decided to withdraw the reservations in respect to sections 24 and 32 of the Convention made upon accession. For the text of the reservations, see United Nations. *Treaty Series,* vol. 602, p. 300.

[15] In a communication received on 10 January 1973, the Government of Indonesia informed the Secretary-General, in reference to the reservation [concerning the capacity to acquire and dispose of immovable property] that it would grant to the Specialized Agencies the same privileges and immunities which it had granted to the International Monetary Fund and the International Bank for Reconstruction and Development.

[16] The reservation was repeated in essence in the notification of application to FAO received from Mongolia on 20 September 1974.

Subsequently, in a communication received on 19 July 1990, the Government of Mongolia notified the Secretary-General of its decision to withdraw the reservation made upon accession. For the text of the reservation, see United Nations, *Treaty Series*, vol. 719, p. 274.

[17] On 16 October 1997, the Government of Poland notified the Secretary-General that it had decided to withdraw its reservation with regard to sections 24 and 32 of the Convention made upon accession. For the text of the reservation see United Nations, *Treaty Series,* vol. 677, p. 430.

[18] In a communication received by the Secretary-General on 28 January 1980, the Government of the Netherlands indicated that the statement concerning their wish not to raise a formal objection to these reservations "... is intended to mean that the Government of the Kingdom of the Netherlands does not oppose the entry into force of the Convention between itself and the reserving states."

C. Agreement for the Establishment of the Joint Vienna Institute

(Approved by the Executive Board of the International Monetary Fund on January 21, 1994 (Decision No. 10575-(94/4), January 21, 1994) and came into force on August 19, 1994.)

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AGREEMENT FOR THE ESTABLISHMENT OF THE JOINT VIENNA INSTITUTE

THE PARTIES SIGNATORY HERETO,

RECOGNIZING the importance of assisting Central and Eastern European countries and countries formerly republics of the U.S.S.R. in their transition to market-based economies;

NOTING that the training of officials from these countries is one important component of such assistance;

HAVING REGARD to the common interests of the Parties in establishing a training institute in Vienna, Austria, for this purpose; and

RESPONDING to the invitation of the Republic of Austria to locate such an institute in Vienna;

HAVE AGREED as follows:

Article I

ESTABLISHMENT AND STATUS

1. There is hereby established the Joint Vienna Institute (the "Institute") as an international organization with full juridical personality.

2. The Institute shall operate in accordance with this Agreement.

Article II

PURPOSE AND ACTIVITIES

1. The purpose of the Institute shall be to provide training to support and supplement the national efforts of the countries of Central and Eastern Europe, the countries formerly republics of the U.S.S.R., and other countries, in their transition from centrally planned economies to market-based economies.

2. To this end, the Institute shall offer courses of instruction of the highest standard and of direct relevance to the purpose of paragraph 1 above, including courses in the areas of administration and economic and financial management. The Institute shall provide training primarily to public officials, and to other persons, with due regard to the role of the private sector. The Institute will also assist training institutes by providing training and other support.

Article III

POWERS

The Institute shall have the capacity:

(a) to contract;

(b) to acquire and dispose of immovable and movable property;

(c) to institute and respond to legal proceedings; and

(d) to take such other action as may be necessary or useful for its purpose and activities.

Article IV

HEADQUARTERS

1. The headquarters of the Institute shall be located in Vienna, Austria, under such terms and conditions as agreed between the Institute and the Republic of Austria.

2. The Institute may establish facilities in other locations as required to support its activities.

Article V

ORGANIZATION AND MANAGEMENT

1. *Structure of the Institute*

The Institute shall have an Executive Board, an Advisory Committee, a Director, and staff.

2. *Executive Board*

(a) The Executive Board (the "Board") shall be responsible for the conduct of the business of the Institute.

(b) Each of the Parties shall appoint one Member to the Board and one Alternate Member to act for the Member when he is unable to serve.

(c) The Board shall elect a Chairman and a Vice-Chairman from among its Members.

(d) The Board shall meet at least once a year. Meetings of the Board shall be called by the Chairman as required or when requested by at least two Members of the Board.

(e) A majority of Members of the Board shall constitute a quorum for any meeting of the Board.

(f) Decisions of the Board shall be taken by a majority of votes cast, provided that:

(i) the following decisions shall be subject to the approval of all Members voting: decisions under Article V, paragraph 2(g)(i), Article V, paragraph 2(g)(iii), Article V, paragraph 2(g)(vi) and Article XVI; and

(ii) the following decisions shall be subject to the approval of four-fifths of all Members voting: decisions approving the work program under Article V, paragraph 2(g)(ii) and decisions approving the annual budget under Article V, paragraph 2(g)(iv).

(g) The Board shall:

(i) adopt by-laws for the governance of the Institute in accordance with this Agreement, including by-laws for the implementation of the provisions of Article IX, paragraphs 3 and 4;

(ii) determine the Institute's policies and approve its work program;

(iii) select the Director and external auditor of the Institute;

(iv) approve the Institute's annual budget, audited financial statements and reports;

(v) appoint members of the Advisory Committee; and

(vi) approve agreements to be concluded under Article VIII.

3. *Director and Staff*

(a) The Director shall be chief of the operating staff of the Institute and shall, under the direction of the Board:

(i) conduct the ordinary business of the Institute;

(ii) represent the Institute in its dealings with third parties; and

(iii) do and perform all other acts necessary to further the purpose of the Institute.

(b) The Director shall serve for a term of two years, subject to renewal.

(c) The Director shall be responsible entirely to the Board, and to no other authority, for operating and managing the Institute in accordance with this Agreement, the by-laws and other decisions of the Board.

(d) Subject to the general control of the Board, the Director shall be responsible for the organization, appointment and dismissal of the staff of the Institute. In appointing the staff, the Director shall secure the highest standards of efficiency and of technical competence.

4. *Advisory Committee*

The Advisory Committee shall consist of members appointed by the Board, including representatives of countries referred to in Article II, paragraph 1, to advise it on the Institute's general training policies and programs.

Article VI

ASSOCIATE MEMBERS

1. The Board may appoint major contributors to the Institute as Associate Members for such periods of time as it shall determine.

2. The Board may invite Associate Members to participate in its meetings for particular agenda items. Associate Members shall have no right to vote.

3. The Institute shall provide Associate Members with copies of its work program, annual budget, and of its annual report referred to in Article IX, paragraph 4.

Article VII

COOPERATIVE RELATIONSHIPS

The Institute may establish cooperative relationships with any public or private entity, including other training and teaching institutions.

Article VIII

PRIVILEGES AND IMMUNITIES

1. The Institute, the Members of the Board and their alternates, members of the Advisory Committee, the Director, staff and experts shall enjoy such privileges and immunities as agreed between the Institute and the Republic of Austria.

2. The Institute may conclude agreements with other countries in order to secure appropriate privileges and immunities.

Article IX

FINANCES AND REPORTS

1. The resources of the Institute shall include the following:

(a) voluntary contributions by each Party;

(b) contributions by the Republic of Austria;

(c) contributions from other sources; and

(d) income accruing from such contributions and other income.

2. The fiscal year of the Institute shall be the calendar year.

3. Each year, the Director shall prepare and submit to the Board, for its approval, the annual work program and budget.

4. Each year, the Director shall prepare and submit to the Board, for its approval, an annual report containing an audited statement of the Institute's accounts and a summary of the activities of the Institute. Such audit shall be conducted by an independent external auditor selected by the Board.

Article X

LIABILITY

1. No Party or Associate Member shall be required to provide financial support to the Institute beyond such contributions as it has pledged.

2. The Parties shall not be responsible, individually or collectively, for any debts, liabilities, or other obligations of the Institute; a statement to this effect shall be included in each of the agreements concluded by the Institute under Article VIII.

Article XI

AMENDMENTS

This Agreement may be amended only with the agreement of all Parties.

Article XII

COMING INTO FORCE AND DEPOSITARY

1. This Agreement shall be open for signature by the following organizations: The Bank for International Settlements, the European Bank for Reconstruction and Development, the International Bank for Reconstruction and Development, the International Monetary Fund, and the Organisation for Economic Co-operation and Development.

2. This Agreement shall come into force upon signature by four of the above-named organizations and shall remain open for signature by such organizations for a period of one year from the date of its coming into force.

3. The Federal Minister for Foreign Affairs of the Republic of Austria shall be the Depositary of this Agreement.

Article XIII

SETTLEMENT OF DISPUTES

Any dispute arising between the Institute and any Party or between any Parties under this Agreement shall be settled by negotiation or other agreed means of settlement.

Article XIV

WITHDRAWAL

1. Any of the Parties may withdraw from this Agreement by written notification to the Depositary. Such withdrawal shall become effective three months after receipt of such notification by the Depositary.

2. Withdrawal from this Agreement by a Party shall not limit, reduce or otherwise affect its pledged contribution for the fiscal year in which it withdraws.

Article XV

TERMINATION

1. The duration of this Agreement shall be five years from the date of its coming into force unless the Parties unanimously decide to extend the duration of this Agreement by one or more successive periods of twelve months.* At the expiration of this initial term of five years or any extension thereof, the Parties shall forthwith wind up the Institute by written notification to the Depositary. Any assets of the Institute remaining after payment of its legal obligations shall be disposed of in accordance with a decision of the Board.

2. Notwithstanding paragraph 1, the Parties, acting unanimously, may terminate this Agreement at any time and wind up the Institute by written notification to the Depositary. Any assets of the Institute remaining after payment of its legal obligations shall be disposed of in accordance with a decision of the Board.

3. The provisions of this Agreement shall survive its termination to the extent necessary to permit an orderly disposal of assets and settlement of accounts.

Article XVI

ACCESSION

This Agreement shall be open for signature by such international organizations as may be decided by the Board.

IN WITNESS WHEREOF, the undersigned, being duly authorized, have signed this Agreement on the dates indicated below.

*The Managing Director is authorized to execute the extension of this Agreement until August 19, 2004 (Decision No. 11675-(98/21), March 2, 1998).

For the Bank for International Settlements:

Date

For the European Bank for Reconstruction and Development:

Date

For the International Bank for Reconstruction and Development:

Date

For the International Monetary Fund:

Date

For the Organisation for Economic Co-operation and Development:

Date

D. Agreement Between the International Monetary Fund and the World Trade Organization

RELATIONS WITH WORLD TRADE ORGANIZATION (WTO)—FUND-WTO COOPERATION AGREEMENT

The Executive Board approves the proposed Agreement Between the International Monetary Fund and the World Trade Organization as set forth in EBD/96/85 (7/5/96) on the understanding that decisions taken by either party for the implementation of this Agreement will not prevent the effective application of this Agreement in accordance with its provisions.

Decision No. 11381-(96/105)
November 25, 1996

DECISION ADOPTED BY THE GENERAL COUNCIL CONCERNING AGREEMENTS BETWEEN THE WTO AND THE IMF AND THE WORLD BANK AT ITS MEETING ON 7, 8 AND 13 NOVEMBER 1996 (WT/L/194, 18 NOVEMBER 1996)

Recalling the increasing linkages between the various aspects of economic policymaking that fall within the respective mandates of the World Trade Organization ("WTO"), the International Monetary Fund ("IMF") and the International Bank for Reconstruction and Development ("World Bank"), the call for greater coherence among economic policies contained in the Marrakesh Agreement Establishing the World Trade Organization, and the invitation of Ministers for the Director-General of the WTO to review with the Managing Director of the International Monetary Fund and the President of the World Bank the implications of the WTO's responsibilities for its cooperation with the Bretton Woods institutions, as well as the forms such cooperation might take, with a view to achieving greater coherence in global economic policymaking;

Recognizing the close collaborative relationship existing over the past several decades between the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade and the IMF and the World Bank, the importance of continuing and strengthening those relationships, and the negotiating mandate contained in the General

Council Decision on the Relationship between the WTO and the IMF and World Bank (document WT/GC/M/5);

Taking note of the statement by the Director-General on Consultations and Coherence (WT/L/194/Add.1), and of the budgetary implications of the Agreements (WT/L/194/Add.2);

The General Council hereby *decides*:

(1) The proposed Agreement between the International Monetary Fund and the World Trade Organization ("IMF Agreement") as contained in Annex I of WT/GC/W/43 and the proposed Agreement between the International Bank for Reconstruction and Development and the World Trade Organization ("World Bank Agreement") as contained in Annex II of WT/GC/W/43 (collectively the "Agreements") are hereby approved. The Director-General is authorized to sign these Agreements on behalf of the World Trade Organization and to implement the Agreements in accordance with the provisions of this Decision and any subsequent decisions that may be taken by the General Council.

(2) The Director-General shall inform Members and consult with them regularly as to matters relating to the implementation of the Agreements. To this effect, the Director-General shall, *inter alia*, hold consultations with Members under the auspices of the Chairman of the General Council, as appropriate but at least two times per year. These consultations shall include reports on the coherence consultations between the Director-General and the Managing Director of the IMF and the President of the World Bank, WTO observership in IMF and World Bank bodies, any IMF or World Bank observership in the Dispute Settlement Body (DSB), any written communications between the organizations pursuant to the Agreement, any joint research or technical cooperation projects undertaken pursuant to the Agreements, and the general scope of contacts with the IMF pursuant to paragraph 10 of the IMF Agreement and with the World Bank pursuant to paragraph 8 of the World Bank Agreement.

(3) The Director-General is invited to build on the Agreements that have been concluded and thus to pursue the consultations on Coherence

provided for in paragraph 2 of each Agreement, with a view to meeting the provision established in Article III:5 of the Marrakesh Agreement Establishing the World Trade Organization and the mandate contained in the Declaration on the Contribution of the World Trade Organization to Achieving Greater Coherence in Global Economic Policymaking. Any conclusions reached as a result of such consultations shall be submitted to the General Council for approval.

(4) In respect of the implementation and interpretation of these Agreements, it is decided that:

(a) The procedures for granting IMF observership in the DSB pursuant to paragraph 6 of the IMF Agreement shall be implemented as follows: The Director-General shall convey the invitation of the DSB to the IMF to send a member of its staff as an observer to meetings of the DSB where matters of jurisdictional relevance to the IMF are to be considered. For other meetings of the DSB, the Director-General may propose to the Chairman of the DSB that a member of the IMF's staff be admitted as an observer to a particular meeting, or in respect of particular agenda items proposed for a meeting, of the DSB.

For meetings of other WTO bodies for which attendance is not specifically provided for or excluded in the Agreements or in the above sub-paragraph, the Director-General may propose to the Chairman of a WTO body that a member of the IMF's staff be admitted as an observer to a meeting where particular matters of common interest to the WTO and the IMF will be under discussion; similarly, the Director-General may propose to the Chairman of a WTO body that a member of the World Bank staff be admitted as an observer to a meeting where particular matters of common interest to the WTO and the World Bank will be under discussion.

(b) In light of Articles III:5 and V:1 of the Marrakesh Agreement Establishing the World Trade Organization, Article XV of the General Agreement on Tariffs and Trade 1994 (and, in particular, Article XV:2) and Articles XI and

XII of the General Agreement on Trade in Services, the General Council considers it appropriate that whenever the IMF wishes to submit its views to a panel on whether an exchange measure within its jurisdiction is consistent with the IMF's Articles of Agreement, it shall submit these views by directing a letter containing those views to the Chairman of the DSB. The Chairman of the DSB shall inform the chairman of the panel of the availability of this communication which, unless the panel decides otherwise, shall remain confidential to the panel and to the parties to the dispute.

Nothing in this Decision nor in the Agreements shall affect the rights and obligations of Members under the Dispute Settlement Understanding, including those provided for in Article 13 thereof.

(c) In the Agreements, each reference to the *WTO*, to the *Fund* or to the *World Bank* as such (and not explicitly to the WTO *Secretariat*, the Fund's *staff* or the World Bank's *staff*), or to the *institution* or the *organization*, is understood to refer to the decision-making bodies of the WTO, the IMF and the World Bank, respectively.

(d) In respect of the work of dispute-settlement panels, documentation to be provided to the IMF and the World Bank does not include documents submitted or prepared in the course of the work of panels, but only the panels' final reports to the DSB.

(e) The established competences and practices in budgetary matters will be preserved. In accordance with these competences and practices, the Secretariat will keep the Committee on Budget, Finance and Administration duly informed of the budgetary consequences of the Agreements.

(5) The General Council reaffirms the importance of the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food Importing Developing Countries. In its view, the improved co-operation between the WTO and the IMF and the World Bank provided for in these Agreements should enhance the possibilities for governments to respond effectively to the issues addressed in that Decision.

EBD/96/85

Agreement between the International Monetary Fund and the World Trade Organization

Preamble

CONSIDERING the growing interactions between economic policies pursued by individual countries arising from the globalization of markets;

RECOGNIZING the increasing linkages between the various aspects of economic policymaking that fall within the respective mandates of the International Monetary Fund ("Fund") and the World Trade Organization ("WTO"), and the call in the Marrakesh Agreement for greater coherence among economic policies internationally;

RECOGNIZING the close collaborative relationship existing over the past several decades between the Fund and the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade, and the importance of continuing and strengthening such a relationship between the Fund and the WTO;

HAVING REGARD to Article X of the Fund's Articles of Agreement, which provides that "the Fund shall cooperate within the terms of this Agreement with any general international organization and with public

international organizations having specialized responsibility in related fields";

HAVING REGARD to Article III.5 of the Marrakesh Agreement Establishing the World Trade Organization, which provides that "with a view to achieving greater coherence in global economic policymaking, the WTO shall cooperate, as appropriate, with the International Monetary Fund";

HAVING REGARD to the Declarations in the Marrakesh Agreement on the Contribution of the World Trade Organization to Achieving Greater Coherence in Global Economic Policymaking and on the Relationship of the WTO with the Fund, and to the provisions of Article XV:1, XV:2, XV:3 and Articles XII and XVIII of the General Agreement on Tariffs and Trade 1994 (GATT 1994) and of Articles XI, XII, and XXVI of the General Agreement on Trade in Services (GATS) concerning cooperation and consultation, including on exchange and trade matters;

The Fund and the WTO agree as follows:

Paragraph 1

The Fund and the WTO shall cooperate in the discharge of their respective mandates in accordance with the provisions of this Agreement.

Paragraph 2

The Fund and the WTO shall consult with each other with a view to achieving greater coherence in global economic policymaking.

Paragraph 3

The Fund shall inform the WTO of any decisions approving restrictions on the making of payments or transfers for current international transactions, decisions approving discriminatory currency arrangements or multiple currency practices, and decisions requesting a Fund member to exercise controls to prevent a large or sustained outflow of capital.

Paragraph 4

The Fund agrees to participate in consultations carried out by the WTO Committee on Balance-of-Payments Restrictions on measures taken by a WTO member to safeguard its balance of payments. For these consultations, existing procedures for Fund participation shall continue and may be adapted as appropriate in accordance with paragraph 14 below.

Paragraph 5

The Fund shall invite the WTO Secretariat to send an observer to the ordinary meetings of the Executive Board of the Fund on general and regional trade policy issues, including the formulation of Fund policies on trade matters, and to discussions of the World Economic Outlook (WEO) when there is a significant trade content. In addition, when consultations between the Fund's staff and the WTO Secretariat lead to the conclusion that matters of particular common interest to both organizations will be under discussion at other meetings of the Executive Board, including country-specific matters, or at meetings of the Committee on Liaison with the WTO, the Managing Director shall recommend that the WTO Secretariat be invited to send an observer to such meetings.

Paragraph 6

The WTO shall invite the Fund to send a member of its staff as an observer to the meetings of the Ministerial Conference, General Council, Trade Policy Review Body, the three sectoral councils, Committee on Trade and Development, Committee on Regional Trade Agreements, Committee on Trade-Related Investment Measures, and Committee on Trade and the Environment and their subsidiary bodies (excluding the Committee on Budget, Finance and Administration, the Dispute Settlement Body, and dispute settlement panels). The WTO shall invite the Fund to send a member of its staff as an observer to meetings of the WTO Dispute Settlement Body where matters of jurisdictional relevance to the Fund are to be considered. The WTO shall also invite the Fund to send a member of its staff to other meetings of the Dispute Settlement Body as well as of other WTO bodies for which attendance is not provided above (excluding the Committee on Budget, Finance and Administration, and dispute settlement panels), when the WTO, after consultation between the WTO

Secretariat and the staff of the Fund, finds that such a presence would be of particular common interest to both organizations.

Paragraph 7

The Fund and the WTO shall make available to each other in advance the agendas, and relevant documents, for the meetings to which they are invited pursuant to the terms of this Agreement. In addition, the Fund shall make available to the WTO Secretariat the agendas of the Executive Board meetings at the time of their circulation in the Fund, and the WTO shall make available to the Fund the agendas of the Dispute Settlement Body at the time of their circulation in the WTO.

Paragraph 8

Each organization may communicate its views in writing on matters of mutual interest to the other organization or any of its organs or bodies (excluding the WTO's dispute settlement panels) and such views shall become part of the official record of such organs and bodies. The Fund shall inform in writing the relevant WTO body (including dispute settlement panels) considering exchange measures within the Fund's jurisdiction whether such measures are consistent with the Articles of Agreement of the Fund.

Paragraph 9

For the purpose of this Agreement, the Director-General of the WTO and the Managing Director of the Fund shall ensure cooperation between the staffs of the two institutions and, to that end, shall agree on appropriate procedures for collaboration, including access to databases, and exchanges of views on jurisdictional and policy issues.

Paragraph 10

The Fund's staff shall consult with the WTO Secretariat on issues of possible inconsistency between measures under discussion with a common member and that member's obligations under the WTO Agreement. The WTO Secretariat shall consult with the Fund's staff on issues of possible

inconsistency between measures under discussion with a common member and that member's obligations under the Fund's Articles of Agreement.

Paragraph 11

The Fund shall provide the WTO, promptly after circulation to the Executive Board, for the confidential use of its Secretariat, with staff reports and related background staff papers on Article IV consultations and on use of Fund resources on common members and on Fund members seeking accession to the WTO, subject to the consent of the member.

Paragraph 12

The WTO shall provide the Fund, for the confidential use of its management and staff, with Trade Policy Review Reports, summary records and reports of Councils, Bodies and Committees, and reports of WTO Members to these organs.

Paragraph 13

Each party to this Agreement shall ensure that any information communicated under this Agreement shall be used only within the limits specified by the other party.

Paragraph 14

The Director-General of the WTO and the Managing Director of the Fund shall be responsible for the implementation of this Agreement and, to that effect, shall make such arrangements as they deem appropriate.

Paragraph 15

This Agreement shall be reviewed upon the request of either party and may be amended by mutual agreement.

Paragraph 16

This Agreement may be terminated by either party by written notice to the other and, unless otherwise agreed by the parties, shall terminate six months after receipt of such notice.

Paragraph 17

Following approval by the General Council of the WTO and the Executive Board of the Fund, this Agreement shall enter into force on the date of its signature.*

To be added at time of signature:

Signed at __________ on _____________ in duplicate

For the World Trade Organization,	For the International Monetary Fund,
Director-General	Managing Director

*The Agreement entered into force on December 9, 1996.

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*(*indicates Decision and Resolution as amended)*

* References are to the Articles of Agreement after the Second Amendment, which entered into force April 1, 1978. References to Articles in effect before the Second Amendment are indexed under their corresponding Articles after the Second Amendment.