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 Account as a result of the termination of the Trust Fund, unless the Managing

*See also Decision Nos. 6704-(80/185) TR, December 17, 1980, and 7989-(85/81) SBS, May 28, 1985, on pages 576 and 585.
**See pages 576-77 for full text.

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 of the Structural Adjustment Facility within the Special Disbursement Account.

*Decision No. 8237-(86/56) SAF was replaced by Decision No. 8760-(87/176). See page 378.

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**

. . .

*See Decision No. 8239-(86/56) SAF, March 26, 1986, page 531.

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 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

*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) 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		
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

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 program 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 disbursements 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 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 Struc-

*See page 28.

tural 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

*On the Instrument to Establish the Enhanced Structural Adjustment Facility Trust, see Decision No. 8759-(87/176) ESAF on page 28.

(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 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