The financial structure and operations of the International Monetary Fund—some recent developments

Since the publication of the article on 'The financial structure and operations of the International Monetary Fund' on pages 546–56 of the December Bulletin, *a number of important changes have been adopted by the Fund. This note updates the December article.*

Ordinary resources of the Fund

The Eighth General Review of quotas became effective on 30 November 1983, as a result of members with at least 70 per cent of the total quotas then in force having formally accepted the proposed increases. The Fund has extended the deadline for acceptance to 15 March 1984. By 1 March, only four members had not consented.

Borrowed resources of the Fund

The proposed revision and enlargement of the General Arrangements to Borrow (GAB) was ratified by the Group of Ten countries on 26 December 1983. In parallel, the Saudi Arabian Monetary Agency (SAMA) has formally established an associated agreement with the Fund under which it will consider supplementing lending under the GAB by up to SDR 1.5 billion.

The Fund has recently sought new borrowing arrangements in support of its Policy on Enlarged Access (EAR). Nineteen industrial countries have agreed to offer to make available credit lines bilaterally or through the Bank for International Settlements (BIS), which would also lend on its own account. The lines, totalling SDR 3 billion would be open for one year; each drawing, once made, would be available for up to $2\frac{1}{2}$ years.

The mechanism of the Fund's financial assistance

It has been agreed that the rate of remuneration which the Fund pays on the remunerated portion of members' reserve tranche positions will be progressively increased as a proportion of the SDR interest rate from the present 85 per cent which has applied since 1 May 1981. The proposed increase will be phased over at least three financial years, from 1 May 1984: this will be according to a formula under which the rate of remuneration as a proportion of the SDR interest rate will rise in each of the next three years by three and one-third percentage points a year plus an amount related to any fall in the SDR interest rate over the period. If the rate of remuneration is not already equal to the SDR interest rate by the end of this period, it will subsequently rise by an amount entirely related to any further fall in the SDR rate.

Forms of financial assistance

With its review of the EAR,(1) the Fund also reviewed the limits on members' access to the Compensatory Financing Facility (CFF) and Buffer Stock Financing Facility (BSFF). It was decided to limit access to the CFF to 83 per cent of new quota in respect of export shortfalls and the same in respect of cereal import cost excesses, subject to a combined limit of 105 per cent of quota.
The requirement that a member purchasing under the CFF 'has been co-operating' with the Fund is necessary for purchases in excess of 50 per cent of new quota.
Access to the BSFF is limited to 45 per cent of new quota.
A summary of the new limits on access to the Fund's resources is given below.

Maximum access to the Fund's resources in 1984

Per cent of quota

		Where regular access is through:	
		Stand-by arrangement(a)	Extended arrangement(a)
Regular facilities			
Reserve tranche		(b)	(b)
Credit tranches		100	25
of which:			
First credit tranche		*25*	*25*
Upper credit tranches (3)		*75*	—
Extended Fund Facility (EFF)		—	140
Supplementary Financing Facility (SFF) / Enlarged Access Policy (EAR)	over 3 year period	206/275(c)	141/210(c)
Total maximum access:			
Over 3 year period		306/375	306/375
Cumulative		408/500	408/500
Special facilities			
Compensatory Financing Facility (CFF)		105(d)	105(d)
of which:			
Export shortfalls		*83*	*83*
Cereal import cost excesses		*83*	*83*
Buffer Stock Financing Facility (BSFF)		45	45
		150	150

(a) For clarity, access is demonstrated as being entirely through one or the other of a stand-by or extended arrangement. In practice, a member can draw under one arrangement while still indebted to the Fund for purchases made under a previous arrangement (of the same or a different type), but only up to an outstanding limit of 165 per cent of quota for ordinary resources (ie through the credit tranches and the EFF) and, depending on the size of the balance of payments problems and the strength of the adjustment programme, up to 306/375 per cent over three years and 408/500 per cent cumulatively for both ordinary and borrowed resources.

(b) This will depend on the net cumulative total of each member's past reserve asset subscriptions, reserve tranche purchases and net use of its currency by the Fund.

(c) Maximum access to SFF and EAR resources under stand-by arrangements is limited, depending on the size of the balance of payments problem and the strength of the adjustment programme, to 206/275 per cent of quota over three years and 308/400 per cent cumulatively: under extended arrangements, maximum access is limited, depending on circumstances, to 141/210 per cent of quota over three years and 243/335 per cent cumulatively.

(d) While maximum access to each window of the CFF is set at 83 per cent of quota, there is a combined limit of 105 per cent.

(1) In its review of the EAR, the Fund modified the 'mixing ratios' prescribed under the EAR such that, under a stand-by arrangement, a member purchasing ordinary resources in the three 'upper credit tranches' must also purchase borrowed resources *pari passu*, if the arrangement is of a sufficient overall size, whereas previously it had to purchase in the proportion 1:1.2 (ie up to 30 per cent of quota in borrowed resources with each upper credit tranche). The new ratios apply to new purchases under existing arrangements on the basis of the quotas in force at the time the arrangement was established.