

Web Document 5.F: Oil Import Window in the CCFF

On December 5, 1990, the Fund amended the Compensatory and Contingency Financing Facility in several ways, including by adding the following section establishing a temporary procedure for compensating countries for an increase in the cost of importing oil.¹

Section V. Compensatory Financing of Fluctuations in the Cost of Oil Imports

41. 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.

42. 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.

43. 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 49.

44. (a) Subject to the limits specified in paragraphs 8 and 49, 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 29, 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

¹For the full text of the CCFF as of that date, see SM/90/228 (December 14, 1990).

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 45 and 46.
- (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.

45. 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.

46. 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 45 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.

47. The amount of a purchase under this Section, as defined in paragraph 44, 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 49.

48. (a) The part of a purchase relating to an export shortfall, subject to the limits in paragraphs 8 and 49, shall not exceed the lesser of the export shortfall defined in paragraph 44(b)(ii) and the net shortfall in exports defined in paragraph 44(a).
- (b) The part of a purchase relating to an excess in oil import costs, subject to the limits in paragraphs 8 and 49, shall not exceed the lesser of the excess in oil import costs defined in paragraph 44(b)(iii) and the net shortfall in exports defined in paragraph 44(a).

- (c) The part of a purchase relating to an excess in cereal import costs, subject to the limits in paragraphs 8 and 49, shall not exceed the lesser of the export shortfall defined in paragraph 44(b)(ii) and the net shortfall in exports defined in paragraph 44(a).
49. (a) The provisions of paragraph 12 shall apply to purchases on account of export shortfalls under this Section.
- (b) The provisions of paragraph 36 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) 40 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) 82 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) 20 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) 40 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) 82 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 83 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 36 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 36 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 45, 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 45, 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.

50. 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 105 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.
51. (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 postshortfall 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.
52. (a) Subject to paragraph 51(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 49.
53. (a) After the expiration of the period referred to in paragraph 42, 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 42 or the expiration of this Section.

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60. Notwithstanding paragraph 41, 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 49(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 49(i) may not be made after June 30, 1992.