

# EUROPEAN PARLIAMENT

## DELEGATION FROM THE EUROPEAN PARLIAMENT

for relations with the

UNITED STATES CONGRESS

12th Meeting

New York and Washington DC

31 October-4 November 1977

### Notice to Members

Please find attached an article from the October 1977 issue of Le Monde diplomatique on approval of the 'Witteveen Facility' (from the annual report of the International Monetary Fund for 1977).

DIRECTORATE-GENERAL FOR COMMITTEES  
AND INTER-PARLIAMENTARY DELEGATIONS

Annex

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24 October 1977

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PE 50.972



APPROVAL OF THE 'WITTEVEEN FACILITY'

Having approved the decisions to create a supplementary financial facility for the Fund, on 29 August the executive directors of the IMF defined the terms and conditions which will enable the resources supplying this 'facility' to be made available to the International Monetary Fund. The agreement on the creation of this facility was concluded on 6 August (see Le Monde diplomatique for September).

At the end of August, 13 members of the IMF or its dependent institutions and the Swiss National Bank announced that they would contribute to the operation of the 'Witteveen facility': Abu-Dhabi: 150 million SDR; Federal Republic of Germany: 1,050 million SDR; Saudi Arabia: 2,150 million SDR; Belgium: 150 million SDR; Canada: 200 million SDR; United States: 1,450 million SDR; Iran: 685 million SDR; Japan: 900 million SDR; Kuwait: 400 million SDR; Netherlands: 100 million SDR; Qatar: 100 million SDR; Venezuela: 450 million SDR; Swiss National Bank: 650 million SDR.

Some of these figures may be increased at a later date. The resources for this new mechanism should reach at least 8,435 thousand million SDR and will probably amount to 8.6 thousand million or more SDR, i.e. the equivalent of ten thousand million dollars.

The IMF has specified that the borrowing countries will not be able to draw on this facility unless they request the use of their higher credit tranches on the IMF, meaning in practice when they agree to submit to the terms imposed by the Fund for the use of these tranches. As is well known, the developing countries rarely have recourse to these tranches, because of the terms imposed by the Fund. The Witteveen Facility will enable the deficit countries to increase their borrowing powers on the IMF from 12.5 to 30% according to the credit tranches used.

The directors of the Fund also decided on the commission to be charged on Members' drawings on the supplementary financial facility; they would be equal to the rate of interest paid by the Fund to its lenders, increased by 0.2% per annum for the three and a half years following purchase. Thus the margin on the rate of interest to be paid by the Fund to its lenders will be 0.325% per annum.

ANNEX

Initially and until 30 June 1978, the Fund will pay its lenders interest at 7% per annum and subsequently, for each period of six months, the rate of interest will be the average yield of United States government five-year bonds for the period concerned, rounded up to the nearest eighth of 1%.



