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CC/NO

No question of SDR creation and at this time's para 4 simply proposes the use of existing SDR.



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Prime Minister

I hope we should have SDR's. They are a joint initiative.

This seeks formal agreement to the introduction of a IMF Bill at the beginning of next session.

Agree, subject to colleagues?

PRIME MINISTER

INTERNATIONAL MONETARY ARRANGEMENTS

I have been considering the arrangements for implementing the MLC 23/3 recently agreed increase in IMF resources.

2. As I reported to Cabinet on 17 February the Interim Committee of the International Monetary Fund (IMF) agreed at their meeting on 10-11 February to increase IMF quotas from SDR 61 billion to SDR 90 billion. As a result of this agreement, and of the decision of Finance Ministers of the Group of Ten countries to increase the funds available under the General Arrangements to Borrow (GAB) from some SDR 6½ billion to SDR 17 billion, the usable facilities available to the IMF will be substantially increased.

3. In my capacity as Chairman of the Interim Committee I have pressed for decisions in these areas to be accelerated so that increased resources should be available to the IMF as soon as practicable to help it perform its central role in the global adjustment process. It was agreed in Washington last month that we should all aim to complete the necessary legislative procedures by the end of this November.

4. For our part some amendment to the existing legislation is needed. The IMF Act 1979 provides only for subscriptions from the National Loans Fund, which contains sterling, while 25 per cent of the increase in quotas is to be subscribed in SDRs or other reserve assets. Consequently powers are needed to make payments in SDRs or other reserve assets held by the Exchange Equalisation Account. Similarly our subscription to the GAB is currently limited to drawings from the



National Loans Fund. It would be prudent to make provision for subscription in SDRs or foreign currencies and provision is in any event needed to denominate the limit on lending arrangements in SDRs.

5. The need for this legislation provides a suitable opportunity to seek powers to cover indemnities of the type given to the Bank of England in respect of its participation in the international arrangements to provide credit facilities for Mexico and Brazil. These indemnities were given in August and December of last year before drawings on IMF facilities were negotiated. If it were ever necessary for the Bank of England to invoke either indemnity the Treasury would need to present an Estimate or a Supplementary Estimate. Authority would rest on the Estimate and the confirming Appropriation Act. However it is an important principle of Parliamentary control of expenditure that where the Government exercises functions which may involve financial liabilities extending beyond a given financial year, the powers and duties involved should be defined by specific statutory authority.

6. I have consulted the Lord President about the legislative timetable and we agree that our aim of securing Royal Assent by the end of November could be put at risk if the Bill is not introduced until the beginning of next Session. He has suggested that we should press ahead as quickly as we can with the preparation of the Bill leaving a final decision on the timing of its introduction to be taken by Legislation Committee.

7. The Treasury Solicitor expects to complete the preparation of Instructions to Counsel shortly. I should be grateful if formal drafting authority could now be given for this Bill.

8. I am copying this minute to other members of OD and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'G.H.' with a flourish at the end.

(G.H.)
21 March 1983